OIL CONSERVATION COMMISSION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

July 16, 1969

Kimbell, Inc. P. O. Box 1540 Fort Worth, Texas

Attention: Mr. Sam W. Sims, Jr.

Re: Cook Bloomfield Unit Well No. 1, located in Unit N of Section 22, Township 29 Morth, Range 11 West, Basin-Dekota Pool, San Juan County, New Mexico

Gentlemen:

Thank you for your prompt cooperation in the above-described matter.

Responding to questions in your letter of July 14, 1969, it appears that you are correct in your determination that the 125% can only be charged against drilling and completion costs and not to operating costs and that the drilling and completion costs can only be withheld from the working interests' share (7/8) of the revenues derived from the sale of hydrocarbons.

In response to your question concerning allocation of operating costs, the Commission has taken the position that even after payout the royalty interests' share (1/8) is not to be affected by such costs.

Very truly yours,

A. L. PORTER, Jr. Secretary-Director

ALP/GMH/esr

cc: Mr. Robert L. Finch Parmington, New Mexico

Mr. Emery C. Arnold Supervisor, District 3 Oil Conservation Commission 1000 Rio Brazos Road Aztec, New Mexico

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