

CASE NO.

7679

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

29 September 1982

EXAMINER HEARING

IN THE MATTER OF:

Application of C & K Petroleum,
Inc., for the amendment of Order
Number R-4857-A and for compulsory
pooling, Lea County, New Mexico.

CASE
7679

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

W. Perry Pearce, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

W. Thomas Kellahin, Esq.
KELLAHIN & KELLAHIN
117 No. Guadalupe
Santa Fe, New Mexico 87501

For Ensearch:

William F. Carr, Esq.
~~CAMPBELL, BYRD, AND BLACK P.A.~~
Jefferson Place
Santa Fe, New Mexico 87501

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MICHAEL MOSLEY

Direct Examination by Mr. Kellahin

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Cross Examination by Mr. Stamets

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C&K Exhibit One, Letter

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C&K Exhibit Two, Map

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C&K Exhibit Three,

C&K Exhibit Four, AFE

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C&K Exhibit Five, Exhibit to Operating Agreement

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C&K Exhibit Six, Document

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C&K Exhibit Seven, Isopach

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C&K Exhibit Eight, Structure Map

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C&K Exhibit Nine, Cross Section

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C&K Exhibit Ten, Map

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MR. STAMETS: We'll call next Case 7679.

MR. PEARCE: That is on the application of C & K Petroleum, Inc., for the amendment of Order Number R-4357-A and for compulsory pooling, Lea County, New Mexico.

MR. KELLAHIN: If the Examiner please, I'm Tom Kellahin, appearing on behalf of the applicant, and I have one witness to be sworn.

MR. PEARCE: Would you please rise, sir?

MR. CARR: May it please the Examiner.

MR. PEARCE: Oh, pardon me.

MR. CARR: My name is William F. Carr with the law firm Campbell, Byrd, and Black, P. A., of Santa Fe, appearing on behalf of Ensearch Exploration, Inc.

I do not intend to call a witness.

(Witness sworn.)

MICHAEL MOSLEY

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. KELLAHIN:

All right, sir, would you please state

1
2 your name and occupation?

3 A. My name is Michael Mosley. I'm a geolo-
4 gist with C & K Petroleum, Midland, Texas.

5 Q. Mr. Mosley, have you previously testified
6 before the Division as a geologist?

7 A. Yes, sir.

8 Q. And have you prepared certain exhibits
9 for the introduction in evidence here this morning?

10 A. Yes, sir.

11 Q. MR. KELLAHIN: Mr. Stamets, we submit Mr.
12 Mosley as an expert geologist.

13 MR. STAMETS: The witness is qualified.

14 A. Mr. Mosley, let me refer you to a package
15 of exhibits, which are numbered One through Six, and have
16 you turn first of all to Exhibit Number Two, and within the
17 information contained on Exhibit, if you'll turn to the map
18 attached to the application, Exhibit Two.

19 All right, Mr. Mosley, in reference to
20 this exhibit, I would appreciate you identifying for us the
21 existing proration unit that surrounds the Shipp 27 No. 1
22 Well.

23 A. Yes, sir, the existing proration unit
24 is the east/west 80 you see outlined in the dotted line.

25 Q. And that's dedicated to the well indicated

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in the southwest of the southeast quarter?

A. Yes, sir, the C & K Shipp No. 1.

Q. And was that 80-acre proration unit the subject of a previous compulsory pooling order by the Division?

A. I believe so, sir.

Q. And what was that Division Order number, Mr. Mosley?

A. The number was R-4857 and R-4857-A.

Q. And pursuant to that pooling order was that well drilled and completed?

A. Yes, sir.

Q. All right, sir, what do you propose to accomplish by this application?

A. This application we propose to make that stand that 80-acre unit north/south and drill a subsequent well 660 and 660 south and east, with also a north/south proration unit for that well.

Q. So you want to turn the existing proration unit, which is the south half of the southeast quarter, and turn it so it's the west half of the southeast quarter, and drill the Shipp 27 No. 2 Well in the east half --

A. Yes, sir.

Q. -- and to have a subsequent compulsory

pooling order covering that 80-acre tract?

A. That is correct.

Q. All right, sir. Now let me direct your attention back to Exhibit Number One in this package of exhibits and have you identify that for me, please.

A. Yes, sir. That is the letter that was giving notice of the reconfiguration of that 80-acre unit for the Shipp 27 No. 1, and stating that we do intend to drill the Shipp 27 No. 2.

Q. All right. In response to that request to reorient the proration unit, have all of the owners consented to that reorientation?

A. I believe they have.

Q. All right, sir. Now, Mr. Mosley, there were certain individuals that were pooled under the original pooling order.

If you'll turn to the list of interest owners attached to the application, which is Exhibit Number Two, there is a tabulation of the ownership. Would you indicate the names of those parties to which you do not have an agreement to participate in the new proration unit?

A. Yes. The parties are the J. V. Ringo Interest and the J. D. Parks, for all the Parks interest.

Q. In fact, there is no known address for

1
2 those individuals, is that not true?

3 A. No, sir, we've not been able to contact
4 them.

5 Q. Except for those individuals and their
6 respective interests, all other parties who were -- had inter-
7 est in the original 80-acre proration unit, have consented
8 to orient the proration unit?

9 A. Yes, sir.

10 Q. All right, sir, let's turn to Exhibit
11 Number Four, then, which is the AFE and have you identify
12 that document for us, Mr. Mosley.

13 A. Yes, sir, this is the AFE to -- Authori-
14 zation for Expenditure, to drill the Shipp 27 No. 2, prepared
15 by C & K's engineering in Midland.

16 Q. To the best of your knowledge, informa-
17 tion, and belief, Mr. Mosley, does this represent a reason-
18 able estimate for a well drilled at this particular depth
19 at this time?

20 A. Yes, sir, it does.

21 Q. All right, sir, would you turn to Exhibit
22 Number Five and identify that exhibit for us?

23 A. Yes, sir, this is the operating agreement
24 for the Shipp 27 No. 2 Well.

25 Q. This is -- this is the exhibit to the

1
2 operating agreement that tabulates the ownership, does it
3 not?

4 A. Yes, sir.

5 Q. All right, sir. All right, sir, and let's
6 finally turn then to Exhibit Number Six and have you identify
7 for us what you recommend as overhead charges to be assessed
8 against non-consenting working interest owners for the drilling
9 of the new well under the proposed pooling order that's the
10 subject of this application.

11 A. Yes, sir. C & K proposes that for the
12 Shipp 27 No. 2 a drilling rate of \$4180 per month and a pro-
13 ducing rate of \$423 per month.

14 Q. All right, Mr. Mosley, if you'll turn to
15 the next package of exhibits and let me direct your attention
16 to the Isopach that is marked as Exhibit Number Seven, and
17 have you identify that for us.

18 A. Yes, sir, this is an Isopach thickness
19 map of the producing interval below the Strawn Lime up in
20 the Casey Field. You'll see that the field sits on a north/
21 south thickening in that lime unit, and you'll see our pro-
22 posed location and the offset producing wells are -- they do
23 encounter a similar thickness of the Strawn Lime. This is
24 not a porosity map but just a total interval.

25 Q. All right, sir, you've -- how have you

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2 identified the Shipp 27 No. 2 Well?

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A. Yes, sir. The proposed location has a
4 red arrow pointing to it and has two red circles drawn around
5 the -- well, there in the southeast corner.

6

Q. All right, sir, would you identify the
7 well in Section 34 to the south that's in the northeast quarter
8 of the northeast quarter?

9

A. Yes, sir, that well, numbered No. 3 on
10 the cross section line is the Mesa Knowles No. 3 Well.

11

Q. Is that well currently producing?

12

A. Yes, sir, it's currently flowing oil out
13 of the Strawn, Strawn Lime.

14

Q. What is the basis behind C & K's request
15 to reorient the proration unit and then to pool the 80-acre
16 tract consisting of the east half of the southeast quarter?

17

A. Yes, sir, we feel that we are being
18 drained off the -- off that particular 80 by this Knowles 3
19 Well, and we hope to drill a production protection well, or
20 the Shipp 27 No. 2, in that southeast corner to protect our
21 acreage from drainage.

22

Q. All right, sir, let's turn to Exhibit
23 Number Eight, then, and have you identify that.

24

A. Yes, sir, this is a structure map on the
25 datum for the top of the Lower Strawn Lime. You'll see a

1
2 color code for the colors on the map for what is producing
3 out of the offset wells.

4 Q All of the Strawn wells are indicated by
5 the blue code?

6 A Yes, sir.

7 Q I notice dry holes -- are those well
8 locations or dry holes to the east and to the west of your
9 two Shipp wells?

10 A Okay, those are proposed locations, one
11 in the southwest of Section 26 is an H. L. Brown location,
12 I do not know if it has started spudding yet, and the one to
13 the west is an additional C & K well that has not been pro-
14 posed yet.

15 Q They're just proposed well locations?

16 A Yes.

17 Q All right, sir. In your opinion, Mr.
18 Mosley, will the approval of this application be in the best
19 interest of conservation and the prevention of waste and the
20 protection of correlative rights?

21 A Yes, sir, in my opinion it would.

22 Q I notice a line of cross section drawn
23 on your structure map. Do you have a cross section?

24 A Yes, sir.

25 Q Refer to Exhibit Number Nine, then, and

1
2 have you identify that for us.

3 A. Yes, sir. This is a northwest to south-
4 east cross section, three well cross section, and the numbers
5 on the cross section correspond to the numbers on the maps.

6 The cross section goes through this dry
7 hole in 27, the Shipp 27-A No. 1; a producer in 27, the Shipp
8 27 No. 1; and the producer in Section 34, the Mesa Knowles
9 No. 8.

10 Q Let me ask you, Mr. Mosley, do you have
11 an opinion based upon your study of the geology as to what
12 the penalty risk factor ought to be with regards to the non-
13 consenting working interest owners?

14 A. Yes, sir, we'd recommend a 200 percent
15 penalty.

16 Q And that is the same percentage of penalty
17 that was entered by the Division for the first pooling order
18 of this acreage?

19 A. Yes, sir, it is.

20 Q Let me turn then to Exhibit Number Ten
21 and have you identify that for us.

22 A. Yes, sir, this a production map showing
23 production and offsetting Strawn producers.

24 The first -- first figure is the latest
25 monthly production I could find for 7-82, and the bottom

1 numbers are the cumulatives for the well as of 7-82.

2 Q Your Shipp 27 No. 1 Well was completed
3 approximately when, Mr. Mosley?

4 A The Shipp 27 No. 1 was potential tested
5 the 31st of January, 1975.

6 Q All right, sir, and when was this Mesa
7 well in Section 34, when was that completed?

8 A Yes, sir, the Mesa West Knowles No. 8
9 Well was potential tested 9-16 of '81.

10 Q Excluding the correspondence and docu-
11 ments, Exhibits One through Six, were Exhibits Seven through
12 Ten prepared by you or compiled under your direction and
13 supervision?

14 A Yes, sir, they were.

15 Q And were Exhibits One through Six docu-
16 ments from the files of C & K Petroleum?

17 A Yes, sir, they were.

18 Q To the best of your knowledge, is that
19 information true and correct?

20 A Yes, sir.

21 MR. KELLAHIN: That concludes my examin-
22 ation of Mr. Mosley. We move the introduction of C & K
23 Petroleum Exhibits One through Ten.

24 MR. STAMETS: These exhibits will be ad-
25

mitted.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Mosley, is the ownership under the original proration unit and the new stand-up proration unit identical?

A Yes, sir, the mineral ownership is.

Q And how about the ownership under the --

A All of it is.

Q So the entire southeast quarter has identical ownership throughout?

MR. KELLAHIN: No, sir. The 80-acre proration unit that was the original proration unit will have the same percentage ownership as the proration unit that will constitute the west half of the southeast.

The ownership is going to change with regards to the next 80-acre proration unit, but between the existing proration unit and the proration unit to be dedicated to that No. 1 Well, those numbers do not change.

In addition, there is unanimous agreement among the owners for the east half, then, of the southeast quarter for the drilling of a second well, although those percentages are different.

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2 Q On Exhibit B, which is part of Exhibit
3 Two, you identified the Reingold (sic) and Parks interests as
4 being those which are not now signed up, is that correct?
5 And are those undivided interests, working interests, or
6 royalty interests?

7 MR. KELLAHIN: They are unleased mineral
8 interests.

9 And those pooled parties' interests in
10 the new pooling order are not going to change, nor do they
11 change in reorienting the proration unit, for those three
12 individuals.

13 MR. STAMETS: So their interests under
14 the new proration unit is identical to the old and their in-
15 terest in the new unit with the well to be drilled on it is
16 the same.

17 MR. KELLAHIN: That's right.

18 Q What effective date would C & K like on
19 this particular order?

20 MR. KELLAHIN: I'm not sure what you're
21 asking.

22 MR. STAMETS: It should be at 7:00 a. m.
23 on the first day of some month.

24 MR. KELLAHIN: When are you going to com-
25 mence the second well?

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A. What we're planning is as soon as possible.

MR. KELLAHIN: What if we do October 1st?

A. October 1st would be fine.

MR. STAMETS: So 7:00 a. m. October 1,
1982. All right.

Are there any other questions of the wit-
ness? He may be excused.

Anything further in this case?

MR. KELLAHIN: No, sir.

MR. STAMETS: The case will be taken under
advisement.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing Before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7679 heard by me on 9-29 1982

Richard P. [Signature], Examiner
Oil Conservation Division

SALL. BOYD, C.S.R.

Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
15 September 1982

EXAMINER HEARING

IN THE MATTER OF:

Application of C & K Petroleum, Inc.,
for the amendment of Order No. R-4857-A CASE
and for compulsory pooling, Lea County, 7679
New Mexico.

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

W. Perry Pearce, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

1
2 MR. NUTTER: We will call next Case 7679.

3 MR. PEARCE: That is on the application
4 of C & K Petroleum, Incorporated, for the amendment of Order
5 No. R-4857-A and for compulsory pooling, Lea County, New
6 Mexico.

7 MR. NUTTER: Applicant has requested that
8 this case be continued.

9 Case Number 7639 will be continued to the
10 Examiner Hearing scheduled to be held at this same place at
11 9:00 o'clock a. m. September 29th, 1982.

12
13 (Hearing concluded.)
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing Before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7679 heard by me on 9/15 1982.
[Signature], Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.

Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409



600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915) 683-3311

April 14, 1983

Oil Conservation Division
Energy and Minerals Department
State of New Mexico
P.O. Box 1148
Santa Fe, New Mexico 87501

RE: Case No. 7679, Order No. R-7094
Shipp 27 #2 well, Strawn completion
E/2 SE/4 Section 27, T-16-S, R-37-E
Lea County, New Mexico

Gentlemen:

Pursuant to the terms of the above referenced Order, we herewith submit
Schedule of Strawn Well Costs for your consideration.

Very truly yours,

Ms. Danie Lebow
Senior Landman

DL:jw

cc: The Working Interest Owners
Addressee List Attached

ADDRESSEE LIST
Shipp 27 #2

Enserch Exploration, Inc.
P.O. Box 4815
Midland, Texas 79701

Roy Barton, Jr.
P.O. Box 978
Hobbs, New Mexico 88240

Norma J. Barton
P.O. Box 729
Hobbs, New Mexico 88240

E. L. Latham, Jr.
P.O. Box 1392
Hobbs, New Mexico 88240

Heritage Resources
P.O. Box 777
Davis, Oklahoma 73030

Ann Morris
2865 Mac Vicar
Topeka, Kansas 66111

Petroleum Corporation of Texas
P.O. Box 911
Breckenridge, Texas 76024

Texaco, Inc.
P.O. Box 3109
Midland, Texas 79701

H. T. Charlton
5701 Woodway
Suite 236
Houston, Texas 77057

Robins-Davis Oil
Attr: Bernard Rosenberg
33 South 5th Street
Minneapolis, Minnesota 55402

R. H. Fulton
Box 1526
Lubbock, Texas 79400

C. G. Grefenstette, Trustee
The Hillman Trusts
2000 Grant Bldg.
Pittsburgh, PA 15219

H. L. Hillman
2000 Grant Bldg.
Pittsburgh, PA 15219

John Lawrence
2929 LTV Tower
Dallas, Texas 75201

Arthur Owen
2000 Mercantile Commerce Bldg.
1712 Commerce St.
Dallas, TX 75201

Joe M. Haas
435 Meadows Building
Dallas, Texas 75206

James L. Irish, III, Trustee
of the Irish Family Trusts
3700 Lexington
Dallas, Texas 75205

R. M. Swesnik
6335 W. Northwest Hwy
Dallas, Texas 75225

Samuel D. Haas
Suite 850
Two Energy Square
Dallas, Texas 75206

J. F. Webre
5701 Woodway
Suite 236
Houston, Texas 77057

C&K 1974 Exploration, Ltd.
c/o L. E. Frazier
3900 Capital Bank Plaza
Houston, Texas 77002

SCHEDULE OF STRAWN WELL COSTS

Date Prepared: April 14, 1983

C&K Petroleum, Inc. - Shipp 27 #2 well
660' FS & EL Section 27, T-16-S. R-37-E
Lea County, New Mexico

Oil Conservation Division
Case No. 7679
Order No. R-7094

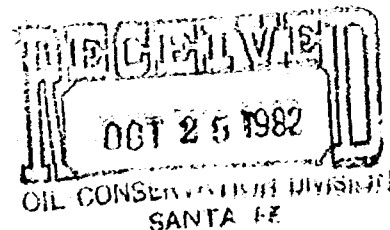
<u>INTANGIBLES</u>	<u>DRILLING</u>	<u>COMPLETION</u>	<u>TOTAL COST PRODUCER</u>
Location Pits and Roads	53,106	5,496	58,602
Water Supply	6,556		6,556
Damages and Right-of-Way	1,500		1,500
Rig Expense	237,418	27,571	264,989
Mud & Chemicals	113,532		113,532
Tool & Equipment Rental	15,897	6,371	22,268
Fuel & Power	1,167		1,167
Cement & Cementing Services	42,396	16,529	58,925
Formation Evaluation	42,474	5,300	47,774
Perforating		6,615	6,615
Stimulation		6,612	6,612
Transportation	28,694	6,561	35,255
Pipe Inspection & Testing	1,018	14,297	15,315
Misc. Labor, Services & Supplies	20,096	9,745	29,841
Supervision & Professional	9,745	1,451	11,196
Drilling Overhead	4,904	3,001	8,005
TOTAL INTANGIBLES	578,503	109,649	688,152
<u>TANGIBLES</u>			
Casing	89,984	90,008	179,992
Tubing		84,945	84,945
Wellhead Equipment	9,850	12,200	22,050
Auxilliary Casing Equipment	824	2,800	3,624
Miscellaneous Equipment	1,200	2,102	3,302
TOTAL TANGIBLES	101,858	192,055	293,913
TOTAL WELL COST	680,361	301,704	982,065



84mets
600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915) 683-3311

October 19, 1982

Mr. Joe D. Ramey, Director
Oil Conservation Division
State of New Mexico
P.O. Box 2088
Santa Fe, New Mexico 87501



Re: Compulsory Pooling Order No. R-7094
E/2 SE/4 Section 27, T-16-S, R-37-E
Lea County, New Mexico
Shipp 27 #2 well
7679
Case

Dear Mr. Ramey:

Pursuant to the provisions of the above referenced order, we hereto attach copy of Authority for Expenditure covering the drilling of the referenced well.

We attach hereto Exhibit "A" showing seven persons owning unleased minerals within this pooled unit. Unfortunately, we are unable to provide these persons with an AFE inasmuch as their addresses are unknown to us.

Very truly yours,

Danie Lebow

Ms. Danie Lebow
Senior Landman

DL:jw

[Signature]
cc: Mr. W. Thomas Kellahin
Attorney-at-Law
P.O. Box 2265
Santa Fe, NM 87501

C & K PETROLEUM, INC.

AUTHORIZATION FOR EXPENDITURE

A.F.E. No. 02910

Date: _____

District: Permian Basin

Prospect: East Lovington State: New Mexico County/Parish: Lea

Lease: Shipp "27" Well No.: #2 Field: Casey (Strawn)

Location: 660' FS & EL of Sec. 27, T16S, R37E, Lea County, New Mexico

Proposed Depth: 11,800' Objective: _____

Est. Spud Date: _____ Est. T.D. Date: _____ Est. Compl. Date: _____

Prepared by: _____ Approved by: Production _____ Geological _____ Land _____

PURPOSE AND JUSTIFICATION FOR EXPENDITURE: Drill & Complete 11,800' Strawn test

PARTICIPANTS AND COST DISTRIBUTION

COMPANY	W.I. %	Dry Hole Cost			Completed Well Cost		
		TANGIBLE	INTANGIBLE	TOTAL	TANGIBLE	INTANGIBLE	TOTAL
C & K Petroleum, Inc.	11.839733	12,787	95,310	108,097	48,543	107,150	155,693
Enserch Exploration, Inc.	33.207250	35,864	267,319	303,183	136,150	300,525	436,675
Roy Barton, Jr.	.130200	140	1,048	1,188	534	1,178	1,712
E. L. Latham, Jr.	.130200	140	1,048	1,188	534	1,178	1,712
Heritage Resources	1.562500	1,688	12,578	14,266	6,406	14,141	20,547
Ann Morris Marshall	.781240	844	6,289	7,133	3,203	7,070	10,273
Petroleum Corp. of Texas	2.083300	2,250	16,771	19,021	8,542	18,854	27,396
Texaco, Inc.	16.666670	18,000	134,167	152,167	68,333	150,833	219,166
M. T. Charlton	.686785	742	5,529	6,271	2,816	6,215	9,031
Robins-Davis Oil	2.747142	2,967	22,114	25,081	11,263	24,862	36,125
R. H. Fulton	1.373571	1,483	11,057	12,540	5,632	12,431	18,063
Hillman Trusts	5.652585	6,105	45,503	51,608	23,175	51,156	74,331
H. L. Hillman	5.652585	6,105	45,503	51,608	23,175	51,156	74,331
John Lawrence	1.373571	1,483	11,057	12,540	5,632	12,431	18,063
Arthur Owen	.686785	742	5,529	6,271	2,816	6,215	9,031
Joe M. Haas, et al	2.747142	2,967	22,114	25,081	11,263	24,862	36,125
J. F. Webre	1.373571	1,483	11,057	12,540	5,632	12,431	18,063
C&K 1974 Exploration Ltd.	11.305170	12,210	91,007	103,217	46,351	102,312	148,663
TOTALS	100.000000	108,000	805,000	913,000	410,000	905,000	1,315,000

PARTICIPANT APPROVAL

Approved for Expenditure this _____ day of _____ 19____

Company _____ By: _____

Title: _____

C & K PETROLEUM, INC.
AUTHORIZATION FOR EXPENDITURE
(DRILLING)

Date Prepared March 17, 1982Well Type: Development _____ Proposed Spud Date June 1982Exploration X _____ Proposed Depth 11,800'Prospect Name East Lovington _____ AFE No. 02910Lease Shipp "27" _____ Well No. #2 Field Casey (Strawn) Property No. _____Location 660' FS & EL. of Sec. 27, T16S, R37E, Lea County, New MexicoREASON FOR REQUEST: Drill & Complete 11,800' Strawn Test

INTANGIBLES	Sub	Drilling 701	Completion 703	Total Cost Producer	Revisions	Total Cost Revised
Location Pits and Roads	091	32,000	1,000	33,000		
Water Supply	093	15,000	2,000	17,000		
Damages and Right-of-Way	095	2,000		2,000		
Rig Expense 45X7000 + 24,000 RU/RD	097	350,000	20,000	370,000		
Drilling Bits	099	44,000		44,000		
Mud & Chemicals	103	35,000		35,000		
Tool & Equipment Rental	035	30,000	12,000	42,000		
Fuel & Power	105	40,000		40,000		
Cement & Cementing Services	107	20,000	17,000	37,000		
Formation Evaluation	110	45,000	5,000	50,000		
Perforating	117		6,000	6,000		
Stimulation	119		25,000	25,000		
Transportation	041	35,000	5,000	40,000		
Pipe Inspection & Testing	127	16,000	20,000	36,000		
Misc. Labor, Services & Supplies	073	15,000	5,000	20,000		
Supervision & Professional	125	16,000	4,000	20,000		
Drilling Overhead	213	5,000	1,000	6,000		
Other & Contingencies	490	70,000	12,000	82,000		
TOTAL INTANGIBLES		770,000	135,000	905,000		
TANGIBLES	Sub	702	704			
Casing	301	85,000	180,000	265,000		
Tubing	302		75,000	75,000		
Wellhead Equipment	307	10,000	10,000	20,000		
Packers & Anchors	309		5,000	5,000		
Auxiliary Casing Equip.	318	3,000	5,000	8,000		
Miscellaneous Equipment	320	10,000	27,000	37,000		
TOTAL TANGIBLES		108,000	302,000	410,000		
TOTAL WELL COST		878,000	437,000	1,315,000		
PLUGGING COST	Sub	708				
Clean-up Location	091	15,000				
Casing Pulling & Plugging	225	20,000				
TOTAL-PLUGGING		35,000				
TOTAL DRY HOLE COST		913,000				

EXHIBIT "A"

J. V. Ringold Address Unknown	Unleased Minerals	1/768 interest
J. D. Parks Address Unknown	Unleased Minerals	1/768 interest
H. M. Parks Address Unknown	Unleased Minerals	1/768 interest
C. W. Parks Address Unknown	Unleased Minerals	1/768 interest
Ruth Armstrong Address Unknown	Unleased Minerals	1/384 interest
Luther Emery Address Unknown	Unleased Minerals	1/256 interest
Lenora Parke, a widow for her life with remainder upon her death to: Mrs. Robert L. Christopher Address Unknown	Unleased Minerals	1/320 interest



POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

C & X Petroleum, Inc.

Yours very truly,

Other _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7679
Order No. R-7094

APPLICATION OF C & K PETROLEUM, INC.
FOR THE AMENDMENT OF ORDER NO. R-4857-A
AND FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 29, 1982, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 7th day of October, 1982, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That by Order No. R-4857, entered September 10, 1974, the Division pooled all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the SW/4 SE/4 of Section 27, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, to form a standard 40-acre oil spacing and proration unit to be dedicated to a well to be drilled at an orthodox location for said unit, and further providing that in the event said well should be completed in the Devonian formation, said formation would also be deemed to be pooled.

(3) That subsequent to the entry of the aforesaid order, the applicant, C & K Petroleum, Inc., completed the well as a dry hole in the Devonian formation and plugged said well back to the Strawn formation where it was completed as a producing oil well.

(4) That by Order No. R-4992, dated April 1, 1975, the Division created the Casey-Strawn Pool comprising the SE/4 of

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Case No. 7679
Order No. R-7094

Section 27, Township 16 South, Range 37 East, and promulgated Special Rules and Regulations therefor, including a provision for 80-acre spacing and proration units.

(5) That by Order No. R-4857-A entered April 1, 1975, the Division amended the area pooled in said Order No. R-4857 from the SW/4 SE/4 of Section 27, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, to the entire S/2 SE/4 of said Section 27, to comply with the spacing provisions as set forth in the aforesaid Order No. R-4992.

(6) That the applicant, C & K Petroleum, Inc., now seeks the amendment of Division Order No. R-4857-A to provide that the lands pooled by said order shall be the W/2 SE/4 of Section 27, Township 16 South, Range 37 East, NMPM, with such acreage to be dedicated to its Shipp 27 Well No. 2 located in Unit O of said Section 27.

(7) That all mineral interests in the S/2 SE/4 and W/2 SE/4 of said Section 27 are identical, and the aforesaid proposed amendment will not adversely affect any party's interest in the subject well.

(8) That the amendment of Order No. R-4857-A as proposed will not cause waste nor violate correlative rights and should be approved.

(9) That the applicant further seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 SE/4 of the aforesaid Section 27 to be dedicated to a well to be drilled at a standard location in Unit P of said Section 27.

(10) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.

(11) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the oil in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(12) That the applicant should be designated the operator of the subject well and unit.

(13) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well

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Case No. 7679

Order No. P-7094

costs to the operator in lieu of paying his share of reasonable well costs out of production.

(14) That any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(15) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(16) That following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(17) That \$4180.00 per month while drilling and \$423.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(18) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(19) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1983, the order pooling said unit should become null and void and of no effect whatsoever.

(20) That the effective date of this order and of the amendment and pooling contained herein should be 7:00 o'clock a.m. October 1, 1982.

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Case No. 7679

Order No. R-7094

IT IS THEREFORE ORDERED:

(1) That that portion of Order Paragraph (1) of Order No. R-4857-A within quotation marks is hereby amended to read in its entirety as follows:

"(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the W/2 SE/4 of Section 27, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 80-acre oil spacing and proration unit to be dedicated to a well to be drilled at an orthodox location for said unit."

(2) It is further ordered that all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the E/2 SE/4 of the aforesaid Section 27, Lea County, New Mexico, are hereby pooled to form a standard 80-acre oil spacing and proration unit to be dedicated to a well to be drilled at a standard location in Unit P of said Section 27.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1983, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of January, 1983, Order (2) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (2) of this order should not be rescinded.

(3) That C & K Petroleum, Inc. is hereby designated the operator of the subject well and unit.

(4) That after the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(5) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of

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Case No. 7679

Order No. R-7094

estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(6) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(7) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(8) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(9) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(10) That \$4180.00 per month while drilling and \$423.00 per month while producing are hereby fixed as reasonable

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Case No. 7679
Order No. R-7094

charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(11) That any unsevered mineral interest shall be considered a seven-eighths ($7/8$) working interest and a one-eighth ($1/8$) royalty interest for the purpose of allocating costs and charges under the terms of this order.

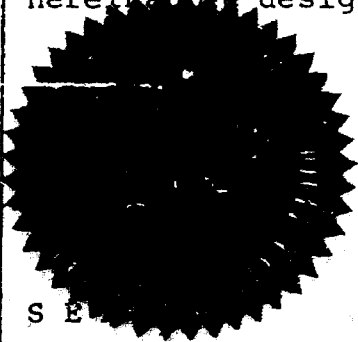
(12) That any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(13) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(14) That the effective date of this order and of the amendment and pooling contained herein shall be 7:00 o'clock a.m. October 1, 1982.

(15) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Joe D. Ramey
JOE D. RAMEY,
Director

S E

INDEX FOR EXHIBITS

Exhibit I

- (a) Letter giving notice of re-configuration of 80 acre proration unit for existing well, Shipp 27 #1, and stating intent to drill Shipp 27 #2. Acceptance by owners indicated by signing letter.
- (b) Copy of Exhibit "A" from Operating Agreement showing working interests in Shipp 27 #1 well.

Exhibit II

- (a) Letter with copy of Application To Pool mailed to all parties by certified mail, with addressee list.
- (b) Copies of return receipts for said letter, signed by recipients.

Exhibit III

List of parties subject to pooling.

Exhibit IV

AFE together with letter to working interest owners for drilling Shipp 27 #2. (E/2 SE/4 Section 27)

Exhibit V

Proposed Exhibit "A" to Operating Agreement for Shipp 27 #2 well. (E/2 SE/4 Section 27)

Exhibit VI

Statement of requested Administrative Overhead Rates for drilling and producing Shipp 27 #2, together with Petroleum Accountants Society recommended escalation rates.



600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915) 683-3311

July 14, 1982

The Working Interest Owners
(Addressee List Attached)

RE: Shipp #27-1, 1960' FEL
and 660' FSL of Section
27, T-16-S, R-37-E, in
Lea County, New Mexico

Gentlemen:

On January 31, 1975, C&K completed the captioned well at a plugged back depth of 11,800 feet in the Strawn formation. The well is located on a horizontal proration unit encompassing the S/2 of the SE/4 of Section 27 (see attached plat).

Since completion of the captioned well and in September, 1981, Mesa Petroleum Company drilled and completed the Knowles #8 well in the Strawn formation, as was our Shipp #27-1. Their well is located 660 feet from the North and East Lines of Section 34 (see attached plat) and was completed for 859 BOPD. As of May, 1982, it had produced some 112,536 barrels of oil and 86.750 MMCF of gas. We feel this well is draining the SE/4 of Section 27 and to cause further concern, H. L. Brown has staked a Strawn well location 660 feet out of the SW/corner of Section 26 (see attached plat). For protection of our acreage, we propose the drilling of an 11,800 foot Strawn well 660 feet out of the SE/corner of Section 27 (see attached plat).

Because the proration unit assigned to the Shipp #27-1 well covers and includes our proposed protection well, the current horizontal unit would have to be dissolved and re-formed as a vertical unit encompassing the W/2 of the SE/4 of Section 27. Our records indicate common mineral, leasehold and royalty title throughout the SE/4 of Section 27 and the feasibility of a proration unit change has been checked and approved by New Mexico attorneys.

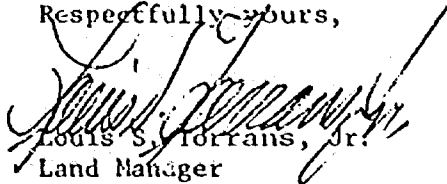
We therefore propose the unit change from horizontal (S/2 SE/4) to vertical (W/2 SE/4) for the Shipp #27-1, which would then allow the formation of a second unit encompassing the E/2 of the SE/4 of Section 27. This second unit would facilitate the drilling of the proposed production protection well which would be styled the Shipp #27-2. We propose no change in interests or ownerships relative to the movement of units, however, certain assignments and amendments to various agreements will be required to fully consummate this proposed transaction.

July 14, 1982
The Working Interest Owners
Page Two

Following completion of the unit change, we will formally propose the drilling of the Shipp #27-2 well at an early date, and you will be furnished an AFE.

We would appreciate your timely consideration and concurrence of this proposal and ask that you signify your approval by dating and signing in the space provided below and returning one copy to C&K.

Respectfully yours,


Louis S. Torrans, Jr.
Land Manager

LST:jw

APPROVED this _____ day
of _____, 1982.

ADDRESSEE LIST
Shipp 27 #1
Lea County, New Mexico

M. T. Charlton 5701 Woodway Suite 236 Houston, Texas 77057	.01293500
Robins Davis Oil Attn: Bernard Rosenberg 33 South 5th Street Minneapolis, Minnesota 55402	.05174200
R. H. Fulton Box 1526 Lubbock, Texas 79400	.02587000
Wesley C. Adams, Trustee 2000 Grant Bldg. Pittsburgh, PA 15219	
Juliet L. Hillman Trust	.00665397
Audrey H. Hillman Trust	.00665397
Henry L. Hillman Jr. Trust	.00665397
William T. Hillman Trust	.00665397
Juliet L. Hillman Trust	.00665397
Audrey H. Hillman Trust	.00665397
Henry L. Hillman Jr. Trust	.00665397
William T. Hillman Trust	.00665397
H. L. Hillman 2000 Grant Bldg. Pittsburgh, PA 15219	.05323175
John Lawrence 2929 LTV Tower Dallas, Texas 75201	.02587000
Arthur L. Owen 2000 Mercantile Commerce Bldg. 1712 Commerce St. Dallas, Texas 75201	.01293500
Andrew H. Duvall Elixir Exploration Co., Inc. 16135 Preston Road, Suite 101 Dallas, Texas 75248	.05174100

ADDRESSEE LIST, Cont'd

J. F. Webre 5701 Woodway Suite 236 Houston, Texas 77057	.02587000
Roy G. Barton, Jr. P. O. Box 978 Hobbs, New Mexico 88240	.00130200
Enserch Exploration, Inc. P.O. Box 4815 Midland, Texas 79701	.13282900
Heritage Resources P.O. Box 777 Davis, Oklahoma 73030	.01562500
E. L. Latham, Jr. P.O. Box 1392 Hobbs, New Mexico 88240	.00130200
Ann Morris Marshall, Indiv. and as Independent Executrix of The Estate of J. Norman Morris, Deceased 2855 Macvivar Ave. Topeka, Kansas 66611	.00781240
Petroleum Corporation of Texas P.O. Box 911 Breckenridge, Texas 76024	.02083300
Texaco, Inc. P.O. Box 3109 Midland, Texas 79701	.16666670
C&K 1974 Exploration, Ltd. c/o Ann Adams 3900 Capital Bank Plaza Houston, Texas 77002	.21292700
C&K Petroleum, Inc.	.12727639

1.00000000

R·37·E

PROPOSED
RE-FORMED
SHIPP 27 NO. 1
UNIT

PROPOSED
UNIT FOR
SHIPP 27 NO. 2

27

26

EXISTING
SHIPP 27
NO. 1
UNIT

C & K
SHIPP 27
NO. 1

PROPOSED
SHIPP 27
NO. 2

H. L. BROWN
PROPOSED
STRAWN
LOCATION



← 660' →

MESA
KNOWLES
NO. 8



34

35

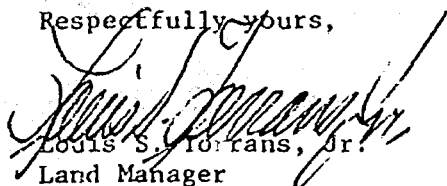
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S

July 14, 1982
The Working Interest Owners
Page Two

Following completion of the unit change, we will formally propose the drilling of the Shipp #27-2 well at an early date, and you will be furnished an AFE.

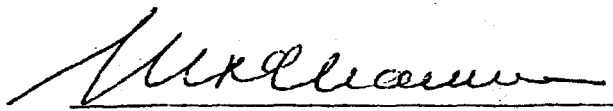
We would appreciate your timely consideration and concurrence of this proposal and ask that you signify your approval by dating and signing in the space provided below and returning one copy to C&K.

Respectfully yours,


Louis S. Torrans, Jr.
Land Manager

LST:jw

APPROVED this 21 day
of JULY, 1982.

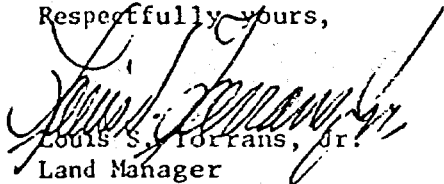

M. T. CHARLTON

July 14, 1982
The Working Interest Owners
Page Two

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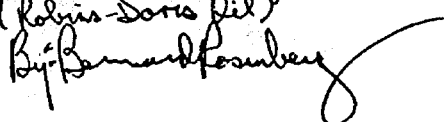
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Respectfully yours,


Louis S. Torrans, Jr.
Land Manager

LST:jw

APPROVED this 26th day
of July, 1982.

The Minnesota Group
(Robert-Doris Fil)
By 

July 14, 1982

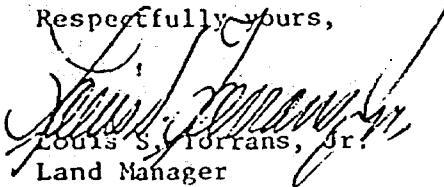
The Working Interest Owners

Page Two

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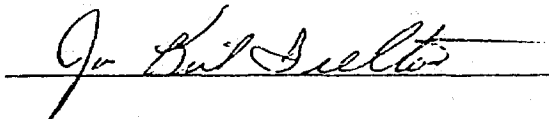
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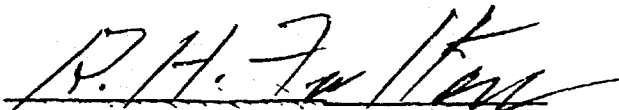
Respectfully yours,


Louis S. Torrans, Jr.
Land Manager

LST:jw

APPROVED this 22 day
of July, 1982.



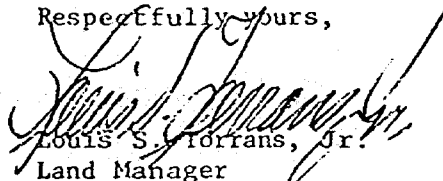


July 14, 1982
The Working Interest Owners
Page Two

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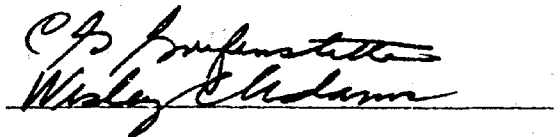
We would appreciate your timely consideration and concurrence of this proposal and ask that you signify your approval by dating and signing in the space provided below and returning one copy to C&K.

Respectfully yours,


Louis S. Torrans, Jr.
Land Manager

LST:jw

APPROVED this 22ND day
of JULY, 1982.

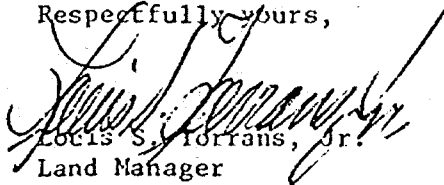

Wesley Chisum

July 14, 1982
The Working Interest Owners
Page Two

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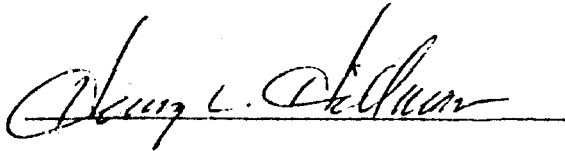
We would appreciate your timely consideration and concurrence of this proposal and ask that you signify your approval by dating and signing in the space provided below and returning one copy to C&K.

Respectfully yours,


Louis S. Torrans, Jr.
Land Manager

LST:jw

APPROVED this 28th day
of July, 1982.

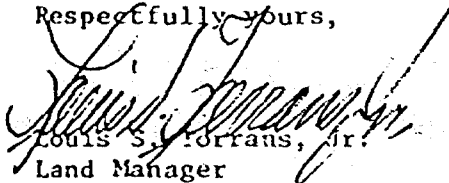


July 14, 1982
The Working Interest Owners
Page Two

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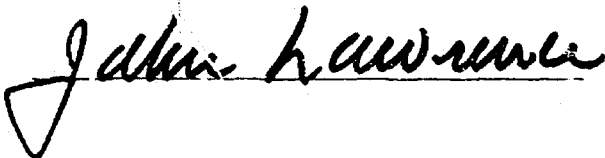
We would appreciate your timely consideration and concurrence of this proposal and ask that you signify your approval by dating and signing in the space provided below and returning one copy to C&K.

Respectfully yours,


Louis S. Torraus, Jr.
Land Manager

LST:jw

APPROVED this 21st day
of July, 1982.

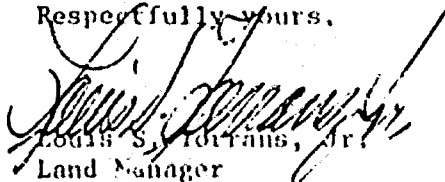


July 14, 1982
The Working Interest Owners
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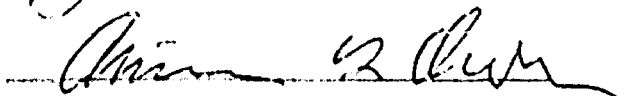
We would appreciate your timely consideration and concurrence of this proposal and ask that you signify your approval by dating and signing in the space provided below and returning one copy to C&K.

Respectfully yours,


Louis S. Fortans, Jr.
Land Manager

LST:jw

APPROVED this 27 day
of July, 1982.

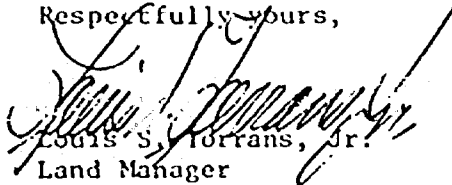

Arthur L. Owen

July 14, 1982
The Working Interest Owners
Page Two

Following completion of the unit change, we will formally propose the drilling of the Shipp #27-2 well at an early date, and you will be furnished an AFE.

We would appreciate your timely consideration and concurrence of this proposal and ask that you signify your approval by dating and signing in the space provided below and returning one copy to C&K.

Respectfully yours,


Louis S. Torrans, Jr.
Land Manager

LST:jw

* APPROVED this 11th day
of August, 1982.


Joe M. Haas

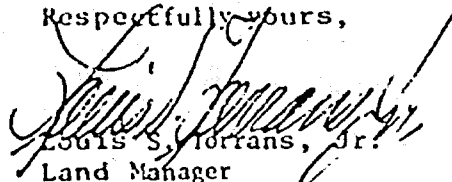
* On the condition that all of the parties shown on the Addressee List attached also approve.

July 14, 1982
The Working Interest Owners
Page Two

Following completion of the unit change, we will formally propose the drilling of the Shipp #27-2 well at an early date, and you will be furnished an AFE.

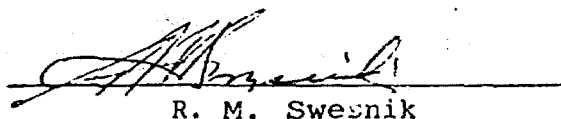
We would appreciate your timely consideration and concurrence of this proposal and ask that you signify your approval by dating and signing in the space provided below and returning one copy to C&K.

Respectfully yours,


Louis S. Torrans, Jr.
Land Manager

LST:jw

* APPROVED this 11th day
of August, 1982.


R. M. Swesnik

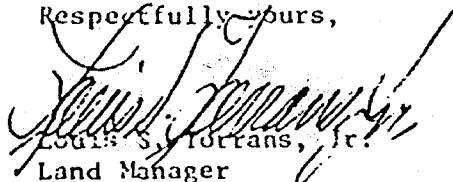
* On the condition that all of the parties shown on the Addressee List attached also approve.

July 14, 1982
The Working Interest Owners
Page Two

Following completion of the unit change, we will formally propose the drilling of the Shipp #27-2 well at an early date, and you will be furnished an AFE.

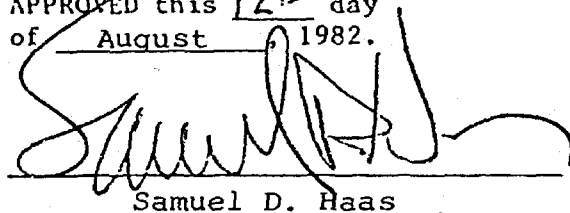
We would appreciate your timely consideration and concurrence of this proposal and ask that you signify your approval by dating and signing in the space provided below and returning one copy to C&K.

Respectfully yours,


Louis S. Torrans, Jr.
Land Manager

LST:jw

* APPROVED this 12th day
of August, 1982.


Samuel D. Haas

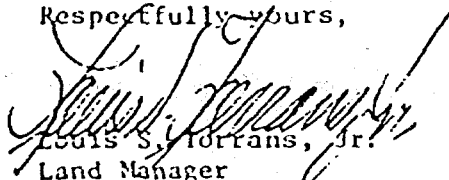
* On the condition that all of the parties shown on the Addressee List attached also approve.

July 14, 1982
The Working Interest Owners
Page Two

Following completion of the unit change, we will formally propose the drilling of the Shipp #27-2 well at an early date, and you will be furnished an AFE.

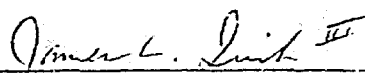
We would appreciate your timely consideration and concurrence of this proposal and ask that you signify your approval by dating and signing in the space provided below and returning one copy to C&K.

Respectfully yours,


Louis S. Torrans, Jr.
Land Manager

LST:jw

* APPROVED this 18th day
of August, 1982.


James L. Irish, III, Trustee
of the Irish Family Trusts

* On the condition that all of the parties shown on the Addressee List attached also approve.

July 14, 1982
The Working Interest Owners
Page Two

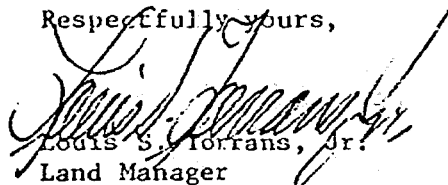
RECEIVED
JUL 27 1982

R. Shipp 27-1 1980 FCL
and 60 FCL of Section
27, T-16-S, R. 37-E in
Lea County, New Mexico

Following completion of the unit change, we will formally propose the drilling of the Shipp #27-2 well at an early date, and you will be furnished an AFE.

We would appreciate your timely consideration and concurrence of this proposal and ask that you signify your approval by dating and signing in the space provided below and returning one copy to C&K.

Respectfully yours,


Louis S. Torrans, Jr.
Land Manager

LST:jw

APPROVED this 23rd day
of July, 1982.

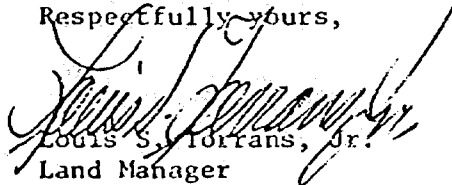
R. T. Walker

July 14, 1982
The Working Interest Owners
Page Two

Following completion of the unit change, we will formally propose the drilling of the Shipp #27-2 well at an early date, and you will be furnished an AFE.

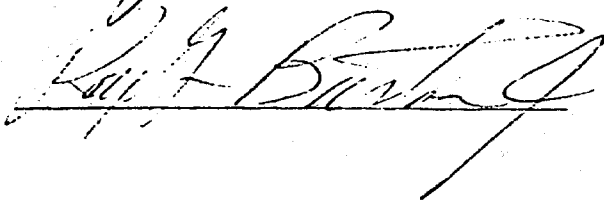
We would appreciate your timely consideration and concurrence of this proposal and ask that you signify your approval by dating and signing in the space provided below and returning one copy to C&K.

Respectfully yours,


Louis S. Torrans, Jr.
Land Manager

LST:jw

APPROVED this 26 day
of August, 1982.

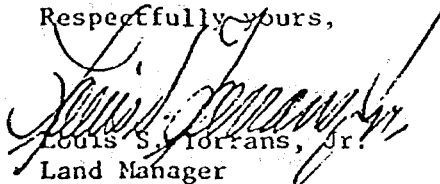


July 14, 1982
The Working Interest Owners
Page Two

Following completion of the unit change, we will formally propose the drilling of the Shipp #27-2 well at an early date, and you will be furnished an AFE.

We would appreciate your timely consideration and concurrence of this proposal and ask that you signify your approval by dating and signing in the space provided below and returning one copy to C&K.

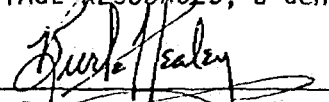
Respectfully yours,


Louis S. Torrans, Jr.
Land Manager

LST:jw

APPROVED this 21 day
of July, 1982.

HERITAGE RESOURCES, a General Partnership

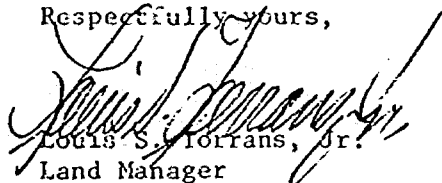
By: 
Burke Healey, a General Partner

July 14, 1982
The Working Interest Owners
Page Two

Following completion of the unit change, we will formally propose the drilling of the Shipp #27-2 well at an early date, and you will be furnished an AFE.

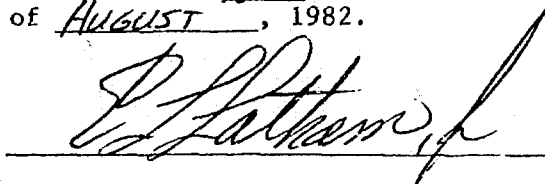
We would appreciate your timely consideration and concurrence of this proposal and ask that you signify your approval by dating and signing in the space provided below and returning one copy to C&K.

Respectfully yours,


Louis S. Torrans, Jr.
Land Manager

LST:jw

APPROVED this 24TH day
of AUGUST, 1982.

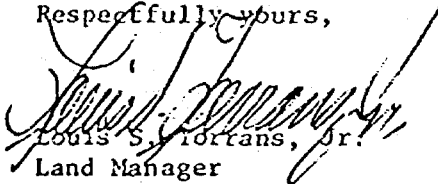


July 14, 1982
The Working Interest Owners
Page Two

Following completion of the unit change, we will formally propose the drilling of the Shipp #27-2 well at an early date, and you will be furnished an AFE.

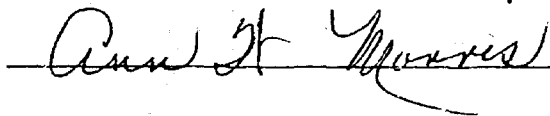
We would appreciate your timely consideration and concurrence of this proposal and ask that you signify your approval by dating and signing in the space provided below and returning one copy to C&K.

Respectfully yours,


Louis S. Torrans, Jr.
Land Manager

LST:jw

APPROVED this ²⁶ day
of July, 1982.

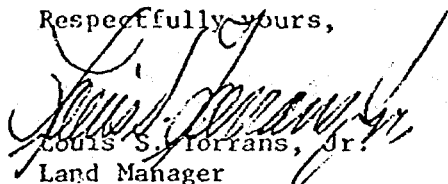


July 14, 1982
The Working Interest Owners
Page Two

Following completion of the unit change, we will formally propose the drilling of the Shipp #27-2 well at an early date, and you will be furnished an AFE.

We would appreciate your timely consideration and concurrence of this proposal and ask that you signify your approval by dating and signing in the space provided below and returning one copy to C&K.

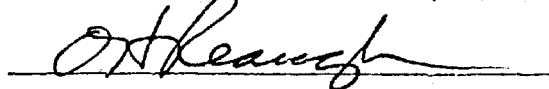
Respectfully yours,

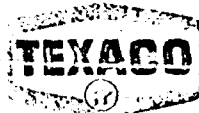

Louis S. Torrans, Jr.
Land Manager

LST:jw

APPROVED this 22nd day
of July, 1982.

PETROLEUM CORPORATION OF TEXAS





PETROLEUM PRODUCTS

PRODUCING DEPARTMENT

RECEIVED
SEP 2 1982

August 30, 1982

TEXACO
U.S.A.
A DIVISION OF TEXACO INC.
P. O. BOX 3109
MIDLAND, TEXAS 79702

192925 - B. E. Shipp Lease
Lea County, New Mexico

C & K Petroleum, Inc.
P. O. Drawer 3546
Midland, Texas 79702

Attention: Mr. Louis S. Torrans, Jr.

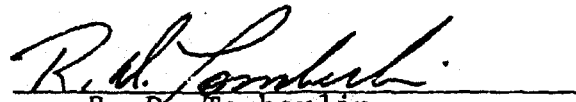
Gentlemen:

Reference is made to your letter of July 14, 1982. Please be advised that Texaco has no objection to C & K's proposal to change the proration unit for the Shipp #27-1 from the South Half of the Southeast Quarter (S/2 SE/4) of Section 27, T-16-S, R-37-E, Lea County, New Mexico to the West Half of the Southeast Quarter (W/2 SE/4) of said Section 27. However, we suggest that the commencement of the proposed Shipp #27-2 be delayed until completion of the Strawn test well proposed by H. L. Brown, Jr. in Section 26, assuming that this test is to be commenced in the immediate future.

Yours very truly,

Alan R. McDaniel
Division Vice President

By


R. D. Tomberlin
Manager - Operations

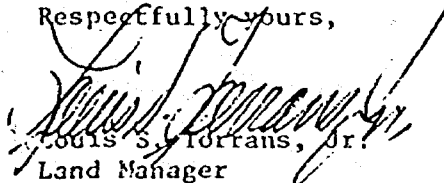
CGK-BW

July 14, 1982
The Working Interest Owners
Page Two

Following completion of the unit change, we will formally propose the drilling of the Shipp #27-2 well at an early date, and you will be furnished an AFE.

We would appreciate your timely consideration and concurrence of this proposal and ask that you signify your approval by dating and signing in the space provided below and returning one copy to C&K.

Respectfully yours,


Louis S. Morris, Jr.
Land Manager

LST:jw

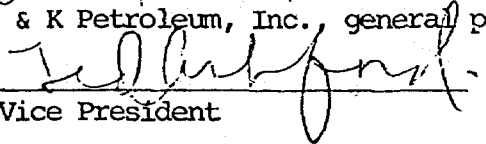
APPROVED this 23 day
of July, 1982.
C & K 1974 EXPLORATION, LTD.
By C & K Petroleum, Inc. general partner
By 
Vice President

EXHIBIT "A"

Attached to Operating Agreement dated October 23, 1974, between
C & K PETROLEUM, INC. ET AL.

UNIT AREA

SW/4 of SE/4 of Section 27, T-16-S, R-37-E, Lea
County, New Mexico, or such larger proration unit
that may hereafter be prescribed by the New Mexico
Oil Conservation Commission, and limited in depth
to 100 feet below the deepest depth attained in
the initial test well hereunder.

INTEREST OF THE PARTIES
AND
THEIR ADDRESSES

	<u>BPO</u>	<u>APO (1)</u>	<u>APO (2)</u>
C & K Petroleum, Inc. 600 Midland Nat'l Bank Bldg. Midland, Texas 79701	96.0938 *	82.8109	63.87862
Petroleum Corporation of Texas P. O. Box 911 Breckenridge, Texas 76024	2.0833	2.0833	2.0833
Heritage Resources, Inc. P. O. Box 777 Davis, Oklahoma 73030	1.5625	1.5625	1.5625
Roy G. Barton P. O. Box 978 Hobbs, New Mexico 88240	.1302	.1302	.1302
E. L. Latham, Jr. P. O. Box 1392 Hobbs, New Mexico 88240	.1302	.1302	.1302
Enserch Exploration, Inc. (Successor to Lone Star Producing Co.) P. O. Box 4815 Midland, Texas 79701	-0-	13.2829	13.2829
Texaco, Inc. P. O. Box 3109 Midland, Texas 79701 Attention: E. H. Watkins	-0-	-0-	16.66667
Estate of J. Norman Morris, deceased 2855 MacVivar Ave. Topeka, Kansas 66611	-0-	-0-	.78124
Unleased Mineral Owners-- Address Unknown	-0-	-0-	1.48437
	<u>100.00000</u>	<u>100.00000</u>	<u>100.00000</u>

EXHIBIT "A"

Page 2

Payout (1): * In addition to certain leasehold interest owned by C & K and committed hereto, C & K is also earning certain leasehold interests of Lone Star Producing and Sun Oil Company under farmout agreements with these parties.

Payout (2): Pursuant to New Mexico Oil Conservation Commission's Forced Pooling Order No. R-4857, C & K is carrying certain non-consenting interests, and C & K alone shall bear the cost attributable thereto and receive the benefits therefrom, if any. At such times as the test well has "paid out" in accordance with the above mentioned farmout agreements and the above Forced Pooling Order, the interests under Payout (2) above shall apply.

NOTE: Amended

EXHIBIT "A" (1)

Attached to and made a part of Operating Agreement dated October 23, 1974 between C & K PETROLEUM, INC. ET AL.

UNIT AREA

S/2 SE/4 of Section 27, T-16-S, R-37-E, Lea County, New Mexico, and limited in depth to 100 feet below the deepest depth attained in the initial test well hereunder.

ACTUAL OWNERSHIP IN INTERESTS SHOWN TO
C & K PETROLEUM, INC. ON EXHIBIT "A"

	<u>BPO</u>	<u>APO(1)</u>	<u>APO(2)</u>
C & K - H, 1974 Venture c/o Ann Adams C & K Petroleum, Inc. Houston, Texas	.257203	.212927	.212927 56%
C & K - 1974 Exploration Ltd. c/o Ann Adams C & K Petroleum, Inc. Houston, Texas	.257203	.212927	.212927 49%
M. T. Charlton P. O. Box 10919 Houston, Texas 77018	.015625	.012935	.012935
Julius Davis 33 South 5th Street Minneapolis, Minn 55402	.029412	.024349	.024349
Solly Robins 33 South 5th Street Minneapolis, Minn 55402	.029412	.024349	.024349
Harding A. Orren 33 South 5th Street Minneapolis, Minn 55402	.001838	.001522	.001522
Bernard Rosenberg 33 Wouth 5th Street Minneapolis, Minn 55402	.001838	.001522	.001522
R. H. Fulton P. O. Box 1526 Lubbock Texas 79400	.031250	.025870	.025870
John Lawrence P. O. Box 718 Dallas, Texas 75221	.031250	.025870	.025870
Arthur L. Owen 1710 Empire Life Building 1712 Commerce Dallas, Texas 75201	.015625	.012935	.012935

	<u>BPO</u>	<u>APO (1)</u>	<u>APO (2)</u>
Robintech, Inc. P. O. Box 2342 Fort Worth, Texas 76101 Attn: Mr. E. S. Elgin	.062500	.051741	.051741
Jack Webre P. O. Box 10919 Houston, Texas 77018	.031250	.025870	.025870
C & K Petroleum, Inc. 600 Midland Nat'l Bank Bldg. Midland, Texas 79701	.196532	.195292	.0059692
	<u>.960938</u>	<u>.828109</u>	<u>.6387862</u>



600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915) 683-3311

September 14, 1982

The Working Interest Owners
(Addressee List Attached)

Re: Re-configuration of Proration
Unit for Shipp 27 #1 and
Proposed drilling of Shipp 27 #2
SE/4 Section 27, T-16-S, R-37-E
Lea County, New Mexico

Gentlemen and Mesdames:

By letter from Mr. Louis Torrans dated July 14, 1982 you were advised that C&K would attempt to re-define the proration unit for the existing Shipp 27 #1 well and would then propose to drill the Shipp 27 #2 well. Each of you at this date, with the exception of Enserch, has agreed to our proposal.

For your file, and in compliance with the rules of the Oil Conservation Division, State of New Mexico, we hereto attach copy of Application for Proposed Re-configuration and additional pooling. For your information, the hearing will be held on September 29, 1982 in Santa Fe, New Mexico.

Very truly yours,

C&K Petroleum, Inc.

A handwritten signature in cursive script that reads 'Danie Lebow'.

Ms. Danie Lebow
Senior Landman

DL:jw
Enclosure
cc: Louis Torrans

Certified Mail
Return Receipt Requested

cc: Sun Prod. Co.

ADDRESSEE LIST
Shipp 27 #1
Lea County, New Mexico

M. T. Charlton
5701 Woodway
Suite 236
Houston, Texas 77057 .01293500

Robins Davis Oil
Attn: Bernard Rosenberg
33 South 5th Street
Minneapolis, Minnesota 55402 .05174200

R. H. Fulton
Box 1526
Lubbock, Texas 79400 .02587000

C. G. Grefenstette, Trustee
2000 Grant Bldg.
Pittsburgh, PA 15219
Juliet L. Hillman Trust .00665397
Audrey H. Hillman Trust .00665397
Henry L. Hillman Jr. Trust .00665397
William T. Hillman Trust .00665397
Juliet L. Hillman Trust .00665397
Audrey H. Hillman Trust .00665397
Henry L. Hillman Jr. Trust .00665397
William T. Hillman Trust .00665397

H. L. Hillman
2000 Grant Bldg.
Pittsburgh, PA 15219 .05323175

John Lawrence
2929 LTV Tower
Dallas, Texas 75201 .02587000

Arthur L. Owen
2000 Mercantile Commerce Bldg.
1712 Commerce St.
Dallas, Texas 75201 .01293500

Joe M. Haas, et al
435 Meadows Building
Dallas, Texas 75206 .05174100

ADDRESSEE LIST, Cont'd

J. F. Webro 5701 Woodway Suite 236 Houston, Texas 77057		.02587000
Roy G. Barton, Jr. P.O. Box 978 Hobbs, New Mexico 88240		.00130200
Enserch Exploration, Inc. P.O. Box 4815 Midland, Texas 79701		.13282900
Heritage Resources P.O. Box 777 Davis, Oklahoma 73030		.01562500
E. L. Latham, Jr. P.O. Box 1392 Hobbs, New Mexico 88240		.00130200
Ann Morris Marshall, Individ. and as Independent Executrix of The Estate of J. Norman Morris, Deceased 2855 Macvivar Ave. Topeka, Kansas 66611		.00781240
Petroleum Corporation of Texas P.O. Box 911 Breckenridge, Texas 76024		.02083300
Texaco, Inc. P.O. Box 3109 Midland, Texas 79701		.16666670
C&K 1974 Exploration, Ltd. c/o Ann Adams 3900 Capital Bank Plaza Houston, Texas 77002		.21292700
C&K Petroleum, Inc.	unknown	.11243269 <u>.01484370</u>
		.12727639
		<hr/> 1.00000000

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF
C & K PETROLEUM, INC. FOR AMENDMENT
OF ORDER R-4857, LEA COUNTY, NEW MEXICO

RECEIVED
AUG 25 1982

IN THE MATTER OF THE APPLICATION OF
C & K PETROLEUM, INC. FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO

A P P L I C A T I O N

Comes now C & K Petroleum, Inc., by and through its attorneys, Kellahin & Kellahin, and applies to the New Mexico Oil Conservation Division for an order pooling all of the mineral interests in the Pennsylvanian formations underlying the W/2SE/4 of Section 27, T16S, R37E, NMPM, Lea County, New Mexico and for an order amending Division Order R-4857 and R-4857-A to change the pooled proration unit from the S/2SE/4 of Section 27 to the W/2SE/4 of Section 27, T16S, R37E, NMPM, and in support thereof would show:

1. Applicant proposes to drill its Shipp 27-Well No. 2 in the SE/4SE/4 of said Section 27 to test the Casey-Strawn Pool, as shown on Exhibit "A" attached hereto.

2. Applicant proposes the subject well in order to offset Mesa Petroleum Company's Knowles No. 8 Well in Section 34 and thereby prevent drainage of the C & K Petroleum acreage in the S/2SE/4 of Section 27.

3. In order to drill the subject well, Applicant requests:

(a) That Division Order R-4857 and R-4857-A be amended to change the proration unit from the S/2SE/4 of Section 27 to the W/2SE/4 of Section 27, and

(b) For an Order pooling all mineral interests in the Pennsylvanian formation underlying the E/2SE/4 of Section 27.

4. That all mineral interests in the SE/4 of Section 27 are identical and this application will not adversely affect any party's interest in the acreage or the subject wells.

5. The Applicant has sought to obtain the cooperation of all parties.

6. In order to obtain their just and equitable share of the production underlying the above lands, Applicant needs an order pooling the mineral interest involved.

7. Those who have not consented to join in the drilling of the well, with their addresses, to the best of the Applicant's information and belief are as set forth on Exhibit "B" attached hereto and incorporated by reference.

WHEREFORE Applicant prays that this application be set for hearing before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling all of the mineral interests in the Pennsylvanian formation underlying the E/2SE/4 of Section 27, Township 16 South, Range 37 East, NMPM. Applicant further prays that it be named operator of the well, and that the order make provision for Applicant to recover out of production its costs of drilling the subject well, completing and equipping it, costs of operation, including costs of supervision and a risk factor in the amount of 200% for the drilling of the well. Applicant further prays for an order amending Division Order R-4857 and R-4857-A by changing the pooled proration unit from the S/2SE/4 of said Section 27 to the W/2SE/4 of said Section 27, and for such other and further relief as may be proper.

Respectfully submitted,

By: 

Kellahin & Kellahin
P.O. Box 1769
Santa Fe, N.M. 87501
(505) 982-4285

Attorneys for Applicant

R 37 E

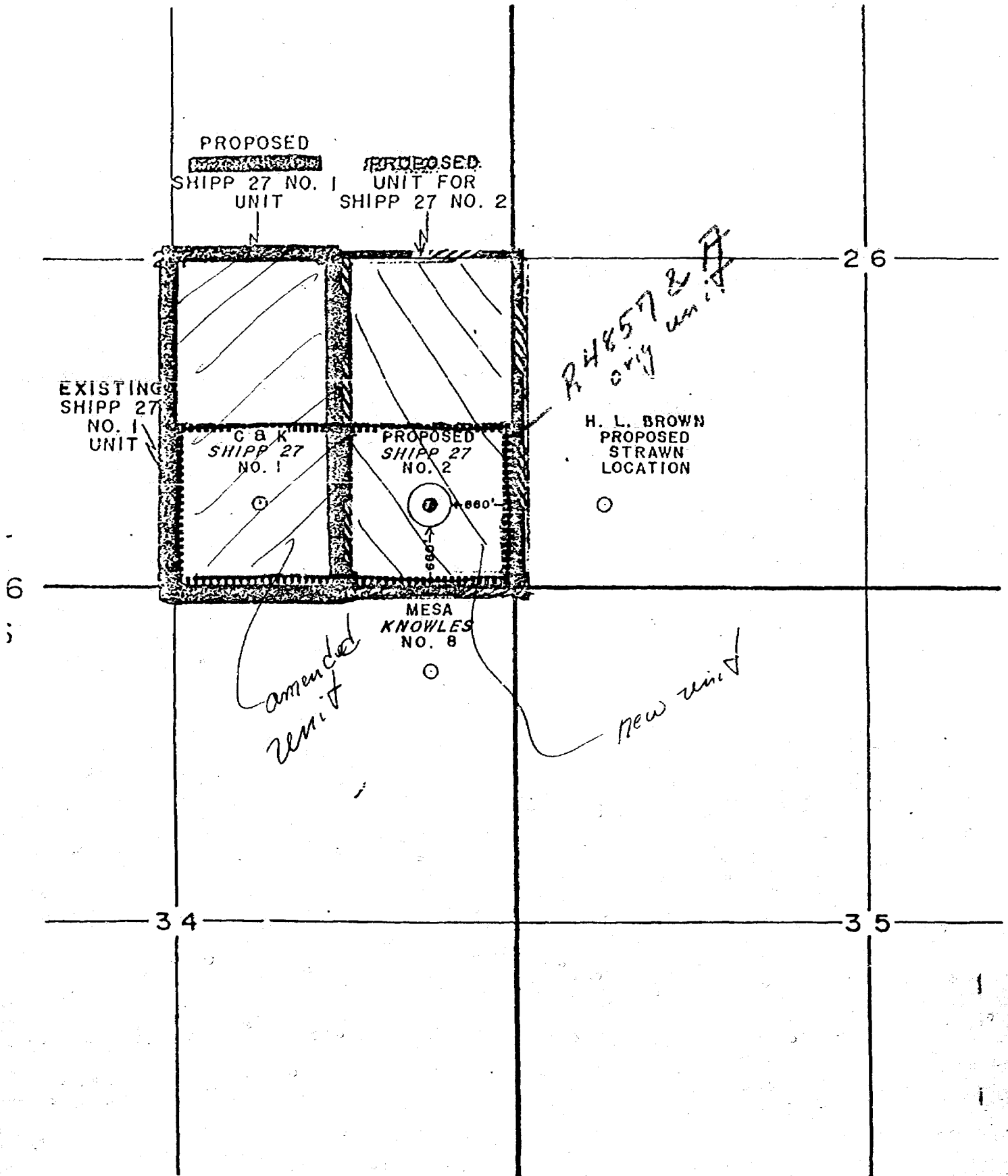


EXHIBIT B

Texaco, Inc.
Box 3109
Midland, Texas 79702

Leasehold

Interest 1/6

Ruth Armstrong
Address unknown

Unleased minerals

Interest 1/384

J. V. Ringold ✓
Address unknown

Unleased minerals

Interest 1/768

Luther Emery
Address unknown

Unleased minerals

Interest 1/256

J. D. Parks ✓
Address unknown

Unleased minerals

Interest 1/768

Lenora Parke, a widow
For her life with remainder
upon her death to:
Mrs. Robert L. Christopher
Address unknown

Unleased minerals

Interest 1/320

H. M. Parks ✓
Address unknown

Leasehold

Interest 1/768

Enserch Exploration, Inc.
Box 4815
Midland, Texas 79704

C. W. Parks ✓
Address unknown

Unleased minerals

Interest 1/768

53.1216%

Enserch has a gross WI of
~~43.16936%~~ and currently
has a 13.2829% WI in the
Ship 27-1 well. Enserch
has orally agreed to
participate in the subject
unit but has not executed
the appropriate documents
as of the date of this
application.

E1/2 SE1/4 S27 T16S R37E

SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☒ Show to whom and date delivered.
☐ Show to whom, date, and address of delivery.
☐ RESTRICTED DELIVERY
 Show to whom and date delivered.
☐ RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery. \$
 (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
 M. T. Charlton
 5701 Woodway, Suite 236
 Houston, TX 77057

3. ARTICLE DESCRIPTION:
 REGISTERED NO. CERTIFIED NO. INSURED NO.
 P00 7247831

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE ☐ Addressee ☐ Authorized agent

4. DATE OF DELIVERY

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

POSTMARK
 SEP 20 1978
 MINNEAPOLIS, MN

☆ GPO: 1978-272-382

SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☒ Show to whom and date delivered.
☐ Show to whom, date, and address of delivery.
☐ RESTRICTED DELIVERY
 Show to whom and date delivered.
☐ RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery. \$
 (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
 Robins Davis Oil
 Attn: Bernard Rosenberg
 33 South 5th Street
 Minneapolis, MN 55402

3. ARTICLE DESCRIPTION:
 REGISTERED NO. CERTIFIED NO. INSURED NO.
 P00 7247833

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE ☐ Addressee ☐ Authorized agent

4. DATE OF DELIVERY

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

POSTMARK
 SEP 20 1978
 MINNEAPOLIS, MN

☆ GPO: 1978-272-382

SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
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☐ Show to whom, date, and address of delivery.
☐ RESTRICTED DELIVERY
 Show to whom and date delivered.
☐ RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery. \$
 (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
 R. H. Fulton
 Box 1526
 Lubbock, TX 79400

3. ARTICLE DESCRIPTION:
 REGISTERED NO. CERTIFIED NO. INSURED NO.
 P00 7247832

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE ☐ Addressee ☐ Authorized agent

4. DATE OF DELIVERY

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

POSTMARK
 SEP 20 1978
 MINNEAPOLIS, MN

☆ GPO: 1978-272-382

SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☒ Show to whom and date delivered.
☐ Show to whom, date, and address of delivery.
☐ RESTRICTED DELIVERY
 Show to whom and date delivered.
☐ RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery. \$
 (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
 C. G. Grefenstette, Trustee
 2000 Grant Bldg.
 Pittsburgh, PA 15219

3. ARTICLE DESCRIPTION:
 REGISTERED NO. CERTIFIED NO. INSURED NO.
 P00 7247834

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE ☐ Addressee ☐ Authorized agent

4. DATE OF DELIVERY

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

☆ GPO: 1978-272-382

SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☒ Show to whom and date delivered.
☐ Show to whom, date, and address of delivery.
☐ RESTRICTED DELIVERY
 Show to whom and date delivered.
☐ RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery.
 (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
 H. L. Hillman
 2000 Grant Bldg.
 Pittsburgh, PA 15219

3. ARTICLE DESCRIPTION:
 REGISTERED NO. CERTIFIED NO. INSURED NO.
 P00 7247835

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE ☐ Addressee ☐ Authorized agent
W Balant

4. DATE OF DELIVERY *9-20-82* POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

☆ GPO: 1978-272-382

SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☒ Show to whom and date delivered.
☐ Show to whom, date, and address of delivery.
☐ RESTRICTED DELIVERY
 Show to whom and date delivered.
☐ RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery.
 (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
 John Lawrence
 2929 LTV Tower
 Dallas, TX 75201

3. ARTICLE DESCRIPTION:
 REGISTERED NO. CERTIFIED NO. INSURED NO.
 P00 7247836

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE ☐ Addressee ☐ Authorized agent
John Lawrence

4. DATE OF DELIVERY POSTMARK
SEP 17 1982

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

☆ GPO: 1978-272-382

SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☒ Show to whom and date delivered.
☐ Show to whom, date, and address of delivery.
☐ RESTRICTED DELIVERY
 Show to whom and date delivered.
☐ RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery.
 (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
 Arthur L. Owen
 2000 Mercantile Commerce Bldg.
 1712 Commerce St.
 Dallas, TX 75201

3. ARTICLE DESCRIPTION:
 REGISTERED NO. CERTIFIED NO. INSURED NO.
 P00 7247838

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE ☐ Addressee ☐ Authorized agent
Arthur L. Owen

4. DATE OF DELIVERY *9-17-82* POSTMARK
SEP 17 1982

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

☆ GPO: 1978-272-382

SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☒ Show to whom and date delivered.
☐ Show to whom, date, and address of delivery.
☐ RESTRICTED DELIVERY
 Show to whom and date delivered.
☐ RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery.
 (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
 Joe M. Haas
 435 Meadows Building
 Dallas, TX 75206

3. ARTICLE DESCRIPTION:
 REGISTERED NO. CERTIFIED NO. INSURED NO.
 P00 7247839

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE ☐ Addressee ☐ Authorized agent
Betty May

4. DATE OF DELIVERY *9-17-82* POSTMARK
SEP 17 1982

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

☆ GPO: 1978-272-382

SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☒ Show to whom and date delivered. _____
☐ Show to whom, date, and address of delivery. _____
☐ RESTRICTED DELIVERY
 Show to whom and date delivered. _____
☐ RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery. \$ _____
 (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
J. F. Webre
5701 Woodway, Suite 236
Houston, TX 77057

3. ARTICLE DESCRIPTION:
 REGISTERED NO. CERTIFIED NO. INSURED NO.
 P00 7247840

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE ☐ Addressee ☐ Authorized agent
W. F. Webre

4. DATE OF DELIVERY _____
 POSTMARK
 SEP 17 1982
 HOUSTON TX 77057

5. ADDRESS (Complete only if requested): _____

6. UNABLE TO DELIVER BECAUSE: _____
 CLERK'S INITIALS _____

☆ GPO: 1978-272-382

SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☒ Show to whom and date delivered. _____
☐ Show to whom, date, and address of delivery. _____
☐ RESTRICTED DELIVERY
 Show to whom and date delivered. _____
☐ RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery. \$ _____
 (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Enserch Exploration, Inc.
P.O. Box 4815
Midland, TX 79701

3. ARTICLE DESCRIPTION:
 REGISTERED NO. CERTIFIED NO. INSURED NO.
 P00 7247842

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE ☐ Addressee ☐ Authorized agent
M. R. Hendricks

4. DATE OF DELIVERY _____
 POSTMARK
 SEP 17 1982
 MIDLAND TX 79701

5. ADDRESS (Complete only if requested): _____

6. UNABLE TO DELIVER BECAUSE: _____
 CLERK'S INITIALS _____

☆ GPO: 1978-272-382

SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☒ Show to whom and date delivered. _____
☐ Show to whom, date, and address of delivery. _____
☐ RESTRICTED DELIVERY
 Show to whom and date delivered. _____
☐ RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery. \$ _____
 (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Roy G. Barton, Jr.
P.O. Box 978
Hobbs, NM 88240

3. ARTICLE DESCRIPTION:
 REGISTERED NO. CERTIFIED NO. INSURED NO.
 P00 7247841

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE ☐ Addressee ☐ Authorized agent
Roy G. Barton

4. DATE OF DELIVERY _____
 POSTMARK
 SEP 17 1982
 HOBBS NM 88240

5. ADDRESS (Complete only if requested): _____

6. UNABLE TO DELIVER BECAUSE: _____
 CLERK'S INITIALS _____

☆ GPO: 1978-272-382

SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☒ Show to whom and date delivered. _____
☐ Show to whom, date, and address of delivery. _____
☐ RESTRICTED DELIVERY
 Show to whom and date delivered. _____
☐ RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery. \$ _____
 (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Heritage Resources
P.O. Box 777
Davis, OK 73030

3. ARTICLE DESCRIPTION:
 REGISTERED NO. CERTIFIED NO. INSURED NO.
 P00 7247843

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE ☐ Addressee ☐ Authorized agent
C. D. Dye

4. DATE OF DELIVERY _____
 POSTMARK
 SEP 17 1982
 DAVIS OK 73030

5. ADDRESS (Complete only if requested): _____

6. UNABLE TO DELIVER BECAUSE: _____
 CLERK'S INITIALS _____

☆ GPO: 1978-272-382

PS Form 3811, Aug. 1972

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

SENDER: Complete items 1, 2, 3, and 4. Add your address in the "RETURN TO" space on reverse.

(CONSULT POSTMASTER FOR FEES)

1. The following service is requested (check one):
☒ Show to whom and date delivered
☐ Show to whom, date, and address of delivery
☐ RESTRICTED DELIVERY
 Show to whom and date delivered
☐ RESTRICTED DELIVERY
 Show to whom, date, and address of delivery \$
 (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
 E. L. Latham, Jr.
 P.O. Box 1392
 Hobbs, NM 88240

3. ARTICLE DESCRIPTION:
 REGISTERED NO. CERTIFIED NO. INSURED NO.
 P00 7247844

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE ☐ Addressee ☐ Authorized agent

4. DATE OF DELIVERY POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

☆ GPO: 1972-272-382

PS Form 3811, Aug. 1972

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

SENDER: Complete items 1, 2, 3, and 4. Add your address in the "RETURN TO" space on reverse.

(CONSULT POSTMASTER FOR FEES)

1. The following service is requested (check one):
☒ Show to whom and date delivered
☐ Show to whom, date, and address of delivery
☐ RESTRICTED DELIVERY
 Show to whom and date delivered
☐ RESTRICTED DELIVERY
 Show to whom, date, and address of delivery \$
 (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
 Ann Morris Marshall
 2855 Macvivar Ave.
 Topeka, KS 66611

3. ARTICLE DESCRIPTION:
 REGISTERED NO. CERTIFIED NO. INSURED NO.
 P00 7247845

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE ☐ Addressee ☐ Authorized agent

4. DATE OF DELIVERY POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

☆ GPO: 1972-272-382

PS Form 3811, Dec. 1969

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

SENDER: Complete items 1, 2, 3, and 4. Add your address in the "RETURN TO" space on reverse.

(CONSULT POSTMASTER FOR FEES)

1. The following service is requested (check one):
☒ Show to whom and date delivered
☐ Show to whom, date, and address of delivery
☐ RESTRICTED DELIVERY
 (The restricted delivery fee is charged in addition to the return receipt fee.)
 TOTAL \$

2. ARTICLE ADDRESSED TO:
 Petroleum Corporation of Texas
 P.O. Box 911
 Breckenridge, TX 76024

3. TYPE OF SERVICE: ARTICLE NUMBER
☐ REGISTERED ☐ INSURED
☒ CERTIFIED ☐ COD
☐ EXPRESS MAIL
 P00 7247859

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE ☐ Addressee ☐ Authorized agent

4. DATE OF DELIVERY POSTMARK

5. ADDRESSEE'S ADDRESS (Only if requested)

6. UNABLE TO DELIVER BECAUSE: 7. EMPLOYEE'S INITIALS

PS Form 3811, Dec. 1969

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

SENDER: Complete items 1, 2, 3, and 4. Add your address in the "RETURN TO" space on reverse.

(CONSULT POSTMASTER FOR FEES)

1. The following service is requested (check one):
☐ Show to whom and date delivered
☐ Show to whom, date, and address of delivery
☐ RESTRICTED DELIVERY
 (The restricted delivery fee is charged in addition to the return receipt fee.)
 TOTAL \$

2. ARTICLE ADDRESSED TO:
 Jeyoco M. P. L. M.
 P.O. Box 3109

3. TYPE OF SERVICE: ARTICLE NUMBER
☐ REGISTERED ☐ INSURED
☒ CERTIFIED ☐ COD
☐ EXPRESS MAIL
 P00 7247847

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE ☐ Addressee ☐ Authorized agent

4. DATE OF DELIVERY POSTMARK

5. ADDRESSEE'S ADDRESS (Only if requested)

6. UNABLE TO DELIVER BECAUSE: 7. EMPLOYEE'S INITIALS

PS Form 3811, Oct. 1980

SENDER: Complete items 1, 2, 3, and 4.
Add your address in the "RETURN" space on reverse.

(CONSULT POSTMASTER FOR FEES)

1. The following service is requested (check one).

- ☒ Show to whom and date delivered
☐ Show to whom, date, and address of delivery

2. ☐ **RESTRICTED DELIVERY**

(The restricted delivery fee is charged in addition to the return receipt fee.)

TOTAL \$

3. ARTICLE ADDRESSED TO:

Sun Production Company
 Attn: Mr. Tom Hobbs
 Box 1861
 Midland, TX 79702

4. TYPE OF SERVICE:

- ☐ REGISTERED ☐ INSURED
☒ CERTIFIED ☐ COD
☐ EXPRESS MAIL

ARTICLE NUMBER

P00 7247858

(Always obtain signature of addressee or agent)

I have received the article described above.

SIGNATURE ☐ Addressee ☐ Authorized agent

Clinton R. Rattall

DATE OF DELIVERY

5. ADDRESSEE'S ADDRESS (Only if requested)

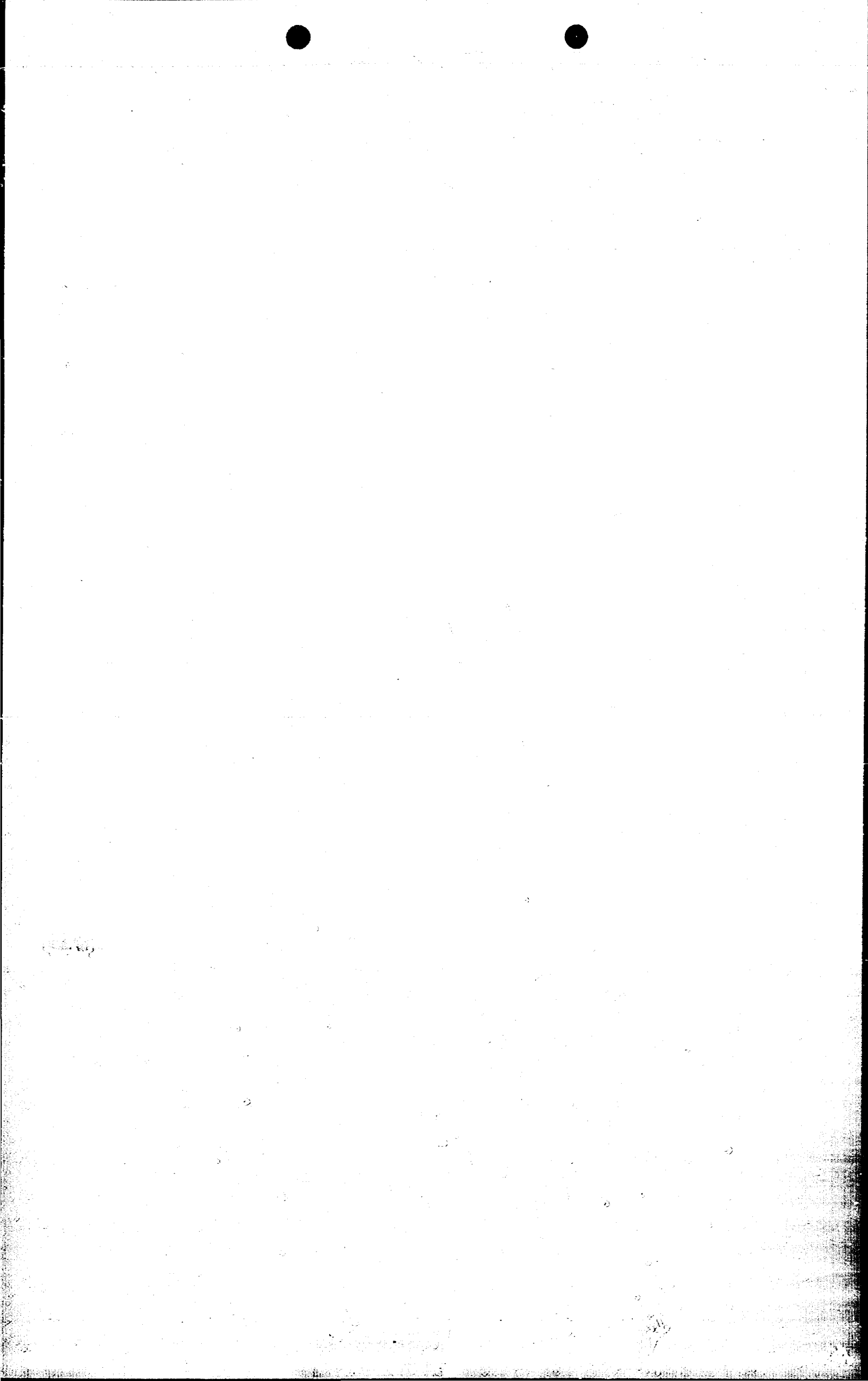
SEP 16 1982
 TX
 POSTMARK

7. UNABLE TO DELIVER BECAUSE:

7b. EMPLOYEE'S INITIALS

[Signature]

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL



INTERESTS SUBJECT TO POOLING

*Probably
will join*
Texaco, Inc.
Box 3109
Midland, Texas 79702

Leasehold

Interest 1/6

Ruth Armstrong
Address unknown

Unleased minerals

Interest 1/384

J. V. Ringold
Address unknown

Unleased minerals

Interest 1/768

Luther Emery
Address unknown

Unleased minerals

Interest 1/256

J. D. Parks
Address unknown

Unleased minerals

Interest 1/768

Lenora Parke, a widow
For her life with remainder
upon her death to:
Mrs. Robert L. Christopher
Address unknown

Unleased minerals

Interest 1/320

H. M. Parks
Address unknown

Leasehold

Interest 1/768

C. W. Parks
Address unknown

Unleased minerals

Interest 1/768

E1/2 SE1/4 S27 T16S R37E



600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915) 683-3311

September 27, 1982

The Working Interest Owners
(Addressee List Attached)

Re: Proposed Drilling of Shipp 27 #2 well
660' FS & EL Section 27, T-16-S, R-37-E
Lea County, New Mexico

Gentlemen and Mesdames:

Each of you have approved our proposal by letter dated July 14, 1982 to reform the 80 acre proration unit attributable to our presently producing Shipp 27 #1 well in order that we could dedicate the E/2 SE/4 to the drilling of the subject well, our Shipp 27 #2. Further, by letter dated September 14, 1982 we advised each of you that the hearing to accomplish this would be held on September 29, 1982 and we forwarded to you copy of the application for same.

For each of you we now attach copy of AFE for the drilling of the #2 well. If you wish to join in this drilling, please execute and return one copy immediately. Subsequent to the hearing and when all interests are firm, we will prepare and forward to each of you our operating agreement for execution.

Very truly yours,

Danie Lebow

Ms. Danie Lebow
Senior Landman

DL:jw



600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915) 683-3311

September 27, 1982

The Working Interest Owners
(Addressee List Attached)

Re: Proposed Drilling of Shipp 27 #2 well
660' FS & EL Section 27, T-16-S, R-37-E
Lea County, New Mexico

Gentlemen and Mesdames:

Each of you have approved our proposal by letter dated July 14, 1982 to reform the 80 acre proration unit attributable to our presently producing Shipp 27 #1 well in order that we could dedicate the E/2 SE/4 to the drilling of the subject well, our Shipp 27 #2. Further, by letter dated September 14, 1982 we advised each of you that the hearing to accomplish this would be held on September 29, 1982 and we forwarded to you copy of the application for same.

For each of you we now attach copy of AFE for the drilling of the #2 well. If you wish to join in this drilling, please execute and return one copy immediately. Subsequent to the hearing and when all interests are firm, we will prepare and forward to each of you our operating agreement for execution.

Very truly yours,

A handwritten signature in cursive script that reads 'Danie Lebow'.

Ms. Danie Lebow
Senior Landman

DL:jw

To the C&K Group:

Your interest is calculated based upon your proportionate share of the 43.95427% interest attributable to C&K in this #2 well. Enserch has elected to join for their 53.1316% in NE/4 SE/4 and for their 13.2829% in SE/4 SE/4 resulting in a working interest to them of 33.20725% which reduces the amount of interest attributable to ourselves and our group. We would also point out that the C&K group interest could change in the event that any of the owning parties elect not to join.

ADDRESSEE LIST
Shipp 27 #2
Lea County, New Mexico

Enserch Exploration, Inc.
P.O. Box 4815
Midland, TX 79701

Roy Barton, Jr.
P.O. Box 978
Hobbs, NM 88240

E. L. Latham, Jr.
P.O. Box 1392
Hobbs, NM 88240

Heritage Resources
P.O. Box 777
Davis, OK 73030

Ann Morris Marshall, Indiv. and
as Independent Executrix of The
Estate of J. Norman Morris, Deceased
2855 Macvivar Ave.
Topeka, KS 66111

Petroleum Corporation of Texas
P.O. Box 911
Breckenridge, TX 76024

Texaco, Inc.
P.O. Box 3109
Midland, TX 79701

M. T. Charlton
5701 Woodway
Suite 236
Houston, TX 77057

Robins-Davis Oil
Attn: Bernard Rosenberg
33 South 5th Street
Minneapolis, MN 55402

R. H. Fulton
Box 1526
Lubbock, TX 79400

Hillman Trusts
C. G. Grefenstette, Trustee
2000 Grant Bldg.
Pittsburgh, PA 15219

H. L. Hillman
2000 Grant Bldg.
Pittsburgh, PA 15219

John Lawrence
2929 LTV Tower
Dallas, TX 75201

Arthur Owen
2000 Mercantile Commerce Bldg.
1712 Commerce St.
Dallas, TX 75201

Joe M. Haas, et al
435 Meadows Building
Dallas, TX 75206

J. F. Webre
5701 Woodway
Suite 236
Houston, TX 77057

C&K 1974 Exploration, Ltd.
c/o Ann Adams
3900 Capital Bank Plaza
Houston, TX 77002

C & K PETROLEUM, INC.
AUTHORIZATION FOR EXPENDITURE
(DRILLING)

Date Prepared March 17, 1982

Well Type: Development _____

Proposed Spud Date June 1982Exploration XProposed Depth 11,800'Prospect Name East Lovington

AFE No. _____

Lease Shipp "27" Well No. #2 Field Casey (Strawn) Property No. _____Location 660' FS & EL. of Sec. 27, T16S, R37E, Lea County, New MexicoREASON FOR REQUEST: Drill & Complete 11,800' Strawn Test

INTANGIBLES	Sub	Drilling 701	Completion 703	Total Cost Producer	Revisions	Total Cost Revised
Location Pits and Roads	091	32,000	1,000	33,000		
Water Supply	093	15,000	2,000	17,000		
Damages and Right-of-Way	095	2,000		2,000		
Rig Expense 45X7000 + 24,000 RU/RD	097	350,000	20,000	370,000		
Drilling Bits	099	44,000		44,000		
Mud & Chemicals	103	35,000		35,000		
Tool & Equipment Rental	035	30,000	12,000	42,000		
Fuel & Power	105	40,000		40,000		
Cement & Cementing Services	107	20,000	17,000	37,000		
Formation Evaluation	110	45,000	5,000	50,000		
Perforating	117		6,000	6,000		
Stimulation	119		25,000	25,000		
Transportation	041	35,000	5,000	40,000		
Pipe Inspection & Testing	127	16,000	20,000	36,000		
Misc. Labor, Services & Supplies	073	15,000	5,000	20,000		
Supervision & Professional	125	16,000	4,000	20,000		
Drilling Overhead	213	5,000	1,000	6,000		
Other & Contingencies	490	20,000	12,000	82,000		
TOTAL INTANGIBLES		770,000	135,000	905,000		
TANGIBLES	Sub	702	704			
Casing	301	85,000	180,000	265,000		
Tubing	302		75,000	75,000		
Wellhead Equipment	307	10,000	10,000	20,000		
Packers & Anchors	309		5,000	5,000		
Auxilliary Casing Equip.	318	3,000	5,000	8,000		
Miscellaneous Equipment	320	10,000	27,000	37,000		
TOTAL TANGIBLES		108,000	302,000	410,000		
TOTAL WELL COST		878,000	437,000	1,315,000		
PLUGGING COST	Sub	708				
Clean-up Location	091	15,000				
Casing Pulling & Plugging	225	20,000				
TOTAL-PLUGGING		35,000				
TOTAL DRY HOLE COST		913,000				

EXHIBIT "A-1"

Attached to and made a part of Operating Agreement dated _____
between C&K Petroleum, Inc., "Operator" and the below named parties,
"Non-operators".

UNIT AREA: for Shipp 27 #2 well

E/2 SE/4 Section 27, T-16-S, R-37-E, NMPM, Lea County, New Mexico containing
80 acres, more or less, and limited in depth to 100' below deepest depth
drilled in Shipp 27 #2 well.

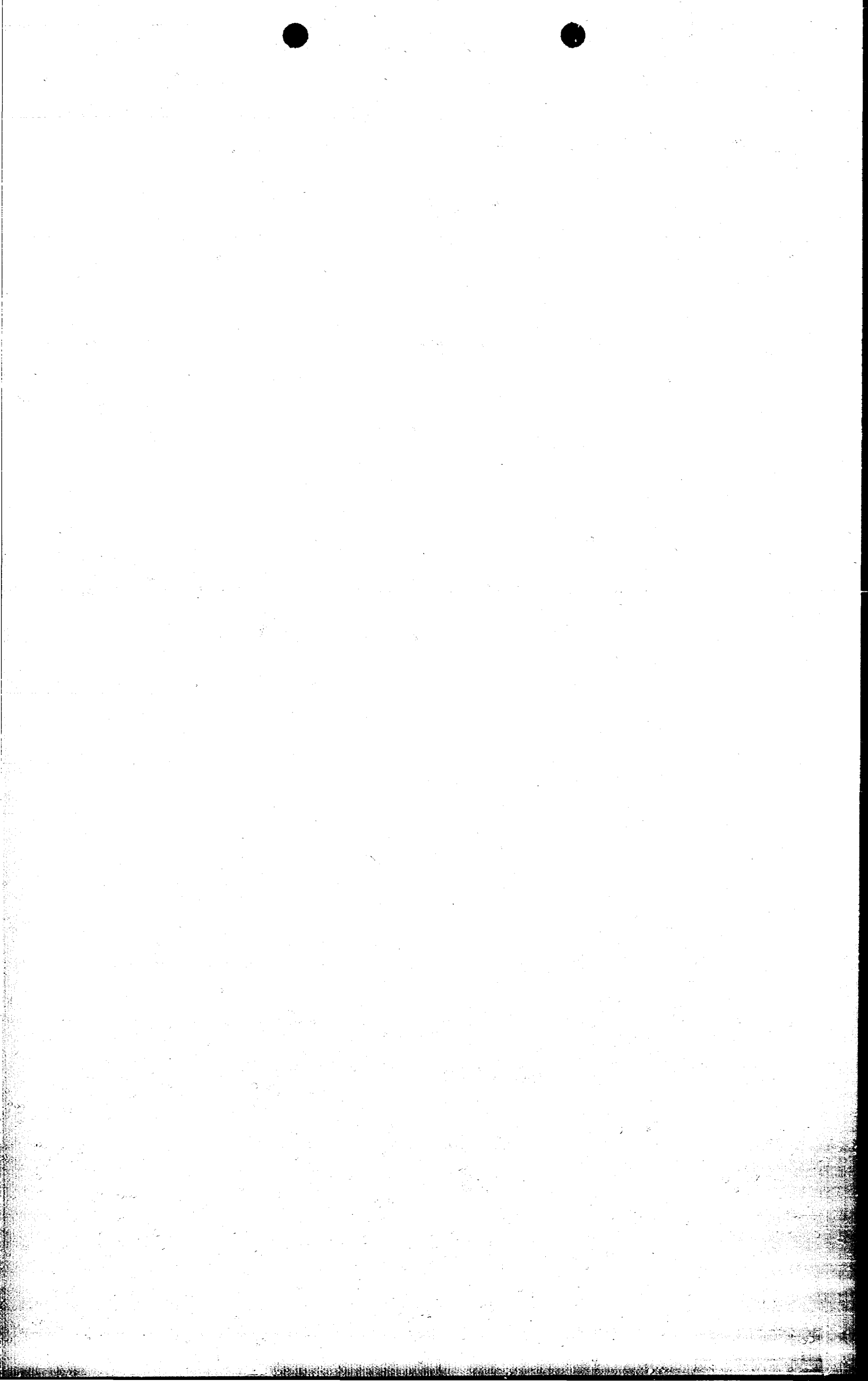
	<u>BEFORE PAYOUT</u>	<u>AFTER PAYOUT</u>
Enserch Exploration, Inc. P.O. Box 4815 Midland, Texas 79701 26.5658/80 (acres)	.3320725	.3320725
Roy Barton, Jr. P.O. Box 978 Hobbs, New Mexico 88240 1/768	.00130200	.00130200
E. L. Latham, Jr. P.O. Box 1392 Hobbs, New Mexico 88240 1/768	.00130200	.00130200
Heritage Resources P.O. Box 777 Davis, Oklahoma 73030 1/64	.01562500	.01562500
Ann Morris Marshall, Indiv. and as Independent Executrix of The Estate of J. Norman Morris, Deceased 2855 Macvivar Ave. Topeka, Kansas 66111 1/128	.00781240	.00781240
Petroleum Corporation of Texas P.O. Box 911 Breckenridge, TX 76024 1/48	.02083300	.02083300
Texaco, Inc. P.O. Box 3109 Midland, Texas 79701 1/6	.16666670	.16666670
M. T. Charlton 5701 Woodway Suite 236 Houston, Texas 77057 1/64 x .4395427	.00686785	.00686785
Robins-Davis Oil Attn: Bernard Rosenberg 33 South 5th Street Minneapolis, Minnesota 55402 1/16 x .4395427	.02747142	.02747142
R. H. Fulton Box 1526 Lubbock, TX 79400 1/32 x .4395427	.01373571	.01373571
Hillman Trusts (Juliet, Audrey, Henry, and William Hillman) C. G. Grefenstette, Trustee 2000 Grant Bldg. Pittsburgh, PA 15219 .1286015 x .4395427	.05652585	.05652585

Continued

EXHIBIT "A-1", continued

	<u>BEFORE PAYOUT</u>	<u>AFTER PAYOUT</u>
H. L. Hillman 2000 Grant Bldg. Pittsburgh, PA 15219 .1286015 x .4395427	.05652585	.05652585
John Lawrence 2929 LTV Tower Dallas, Texas 75201 1/32 x .4395427	.01373571	.01373571
Arthur Owen 2000 Mercantile Commerce Bldg. 1712 Commerce St. Dallas, TX 75201 1/64 x .4395427	.00686785	.00686785
Joe M. Haas, et al 435 Meadows Building Dallas, Texas 75206 1/16 x .4395427	.02747142	.02747142
J. F. Webre 5701 Woodway Suite 236 Houston, Texas 77057 1/32 x .4395427	.01373571	.01373571
C&K 1974 Exploration, Ltd. c/o Ann Adams 3900 Capital Bank Plaza Houston, Texas 77002 .257203 x .4395427	.11305170	.11305170
C&K Petroleum, Inc. P.O. Drawer 3546 Midland, Texas 79702 .2355934 x .4395427 = .10355363 Unknown <u>.01484370</u>	.11839733	.10355363
Unknown	<u> </u>	<u>.01484370 *</u>
	1.00000000	1.00000000

* Payout will occur after C&K Petroleum, Inc. has recovered, out of production, 100% of costs plus _____ % risk penalty attributable to these interests, all as set out and defined in Oil Conservation Division, State of New Mexico, Order No. _____ dated _____.





600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915) 683-3311

EXHIBIT VI TO HEARING
Held 9-29-82 for Compulsory Pooling
C&K Petroleum, Inc. - Shipp 27 #2 well

RE: Administrative Overhead Rates as of 4-1-82.

Oil Conservation Division Order No. R-6901 dated February 15, 1982 approved the following rates for C&K Petroleum, Inc. - Shipp 28 #1 Strawn attempt:

Drilling Rate: \$3700/month

Producing Rate: 375/month

As of April 1, 1982, The Petroleum Accountants Society approved 13% escalation of Administrative Overhead Rates (see attached.)

Therefore, C&K Petroleum, Inc. requests the following rates for Administrative Overhead for Shipp 27 #2 well:

Drilling Rate: \$4180/month

Producing Rate: 423/month

Accounting Procedure Wage Index Adjustment for 1982

The Petroleum Accountants Society of Oklahoma-Tulsa has computed for COPAS the percentage Wage Index Adjustment to be an increase of 13.0 percent. This adjustment applies to the Administrative Overhead and/or Combined Fixed Rates as of April 1, 1982, based on the index of average weekly earnings of crude petroleum and gas production workers as published by the United States Department of Labor Statistics. These adjustments are provided for in the COPAS Accounting Procedures dated 1962, 1968, 1974 and 1976 Offshore Accounting Procedure.

The computation is as follows:

1981 Average Earnings	\$450.78
1980 Average Earnings	399.08
Increase	51.70
$\$51.70 \div \$399.08 =$	13.0%

Effective with April 1982 business, increase 1981 rates by 13.0%

Following are the past years' increases:

1963	1.6%	1973	7.5%
1964	3.9%	1974	5.2%
1965	.8%	1975	16.7%
1966	2.2%	1976	10.3%
1967	3.6%	1977	10.5%
1968	5.4%	1978	10.3%
1969	1.9%	1979	11.0%
1970	7.0%	1980	9.3%
1971	5.9%	1981	9.3%
1972	8.9%	1982	13.0%

COPAS Spring 1982 Meeting

The Petroleum Accountants Society of Colorado will host the Spring 1982 meeting of the council, June 1-4, 1982, at Snowmass Village, Colorado. Following is a tentative schedule of events:

Tuesday, June 1, 1982
Executive Committee—Evening

Wednesday, June 2, 1982
Standing Committees:
Education
Financial Reporting
Joint Interest
Revenue
Audit

NOGAS Steering Committee
(Afternoon Only)

Thursday, June 3, 1982
General Meeting—Morning
Golf—Afternoon
Raft Trip—Afternoon
Social Event—Evening

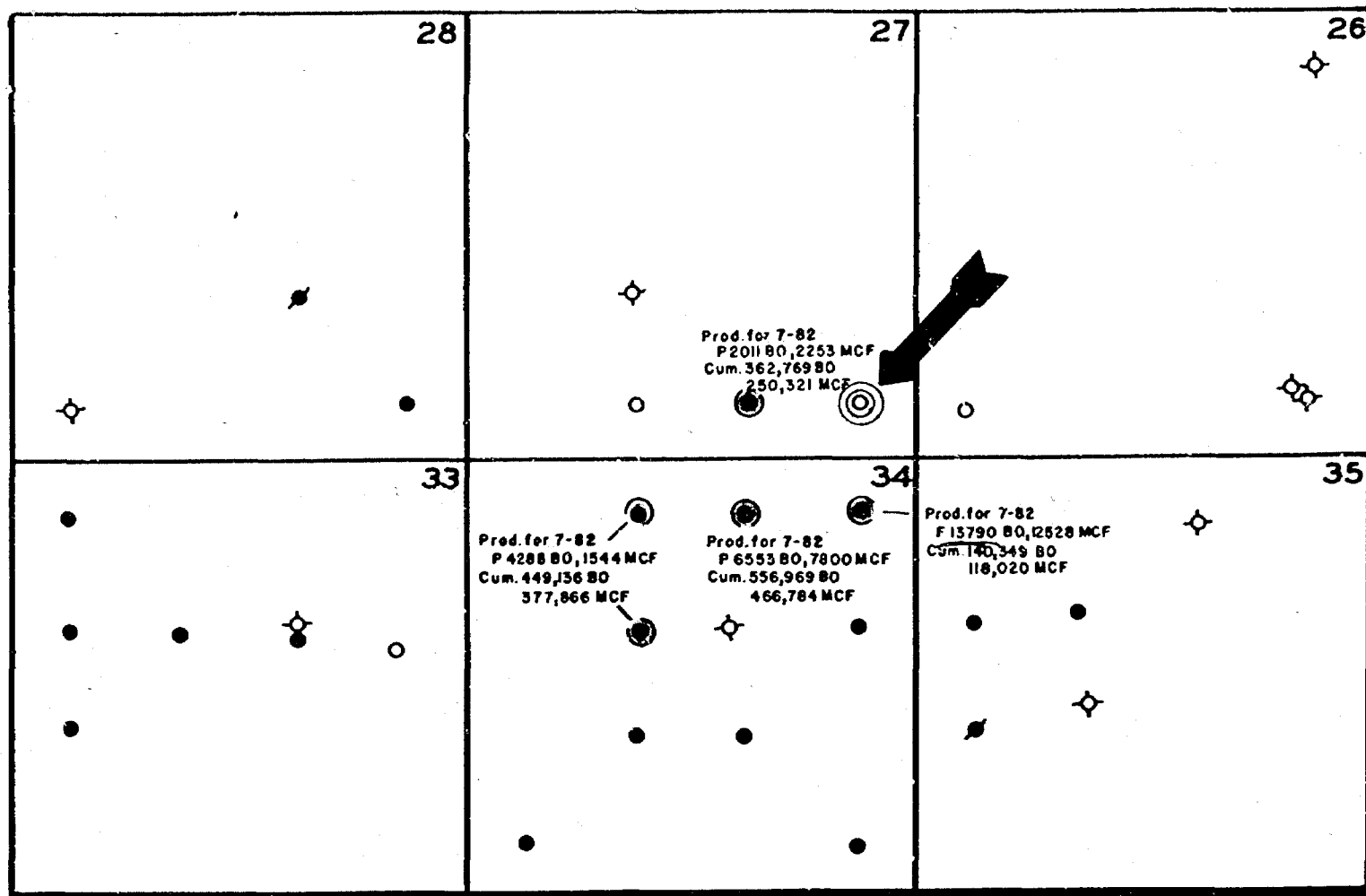
Friday, June 4, 1982
General Meeting—Morning
Adjournment—Noon
Luncheon—Noon

A registration survey and hotel reservation requests have been mailed by the host society. If for some reason you have not received yours, you should call either of the following:

Mr. Garry Wilkening
(303) 571-1540

Ms. Mhari Peschel
(303) 534-3500

T. 16 S. - R. 37 E.



PRODUCTION MAP

Cum. as of 8-1-82

BEFORE EXAMINER STAMETS	
OIL CONSERVATION DIVISION	
<u>OK</u>	EXHIBIT NO. <u>10</u>
CASE NO. <u>7679</u>	
Submitted by _____	
Hearing Date <u>9/27/82</u>	

Dockets Nos. 31-62 and 31-63 are tentatively set for October 13 and October 27, 1982. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 27, 1982

9 A.M. - MORGAN HALL, STATE LAND OFFICE BUILDING,
SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- CASE 7686: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Energetics Corporation, United States Fidelity and Guaranty Company, and all other interested parties to appear and show cause why the Hanes Corporation Well No. 1, located in Unit F of Section 9, Township 24 South, Range 2 East, Don Ana County, should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 7687: Application of Amoco Production Company for salt water disposal, Union County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Glorieta formation in the perforated interval from 1713 feet to 1780 feet in its former State FI Well No. 2 (2034 362P) located 660 feet from the South line and 1320 feet from the East line of Section 36, Township 20 North, Range 34 East.
- CASE 7688: Application of Mountain States Petroleum Corporation for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 990 feet from the North and East lines of Section 19, Township 15 South, Range 28 East, Buffalo Valley-Penn Gas Pool, the N/2 of said Section 19 to be dedicated to the well.
- CASE 7689: Application of Tesoro Petroleum Corporation for a tertiary oil recovery project, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks authority to convert its Hoshpan Sand Unit Waterflood Project to a polymer-augmented waterflood and, pursuant to Section 212.78 of the U. S. Department of Energy Regulations and Section 4993 of the Internal Revenue Code, seeks certification of said project as a qualified tertiary oil recovery project.
- CASE 7690: Application of C & K Petroleum, Inc. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formations underlying the E/2 SW/4 of Section 27, Township 16 South, Range 37 East, Casey-Strawn Pool, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 7679: (Continued from September 15, 1982, Examiner Hearing)
- Application of C & K Petroleum, Inc. for the amendment of Order No. R-4857-A and for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Division Order No. R-4857-A to provide that the lands pooled by said order shall be the W/2 SE/4 of Section 27, Township 16 South, Range 37 East, dedicated to its Shipp 27 Well No. 2 located in Unit O in said Section 27. Applicant, further seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 SE/4 of the aforesaid Section 27, to be dedicated to a well to be drilled in Unit P of said Section 27. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 7680: (Continued and Readvertised)
- Application of Unichem International, Inc. for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221 to permit the commercial disposal of produced brine into several unlined surface pits located in Section 2, Township 23 South, Range 29 East.
- CASE 7691: Application of Dugan Production Corporation for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Dakota Pool underlying the W/2 of Section 5, Township 24 North, Range 9 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

Examiner Hearing - WEDNESDAY - SEPTEMBER 17, 1982

CASE 7692: Application of Forister & Sweet for an unorthodox well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox location 990 feet from the North line and 1650 feet from the East line of Section 5, Township 13 South, Range 31 East, Southeast Chaves Queen Gas Area, the E/2 of said Section 5 to be dedicated to the well.

CASE 7693: Application of Forister & Sweet for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Southeast Chaves Queen Gas Area underlying the E/2 of Section 5, Township 13 South, Range 31 East, to be dedicated to a well to be drilled at an unorthodox location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 7681: (Continued from September 15, 1982, Examiner Hearing)

Application of Cibola Energy Corporation for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of an Ordovician gas well to be drilled 330 feet from the North line and 990 feet from the East line of Section 13, Township 9 South, Range 27 East, the E/2 of said Section 13 to be dedicated to the well.

CASE 7682: (Continued from September 15, 1982, Examiner Hearing)

Application of Cibola Energy Corporation for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Mississippian gas well drilled 330 feet from the North line and 330 feet from the West line of Section 34, Township 11 South, Range 28 East, the W/2 of said Section 34 to be dedicated to the well.

CASES 7694 and 7695: Application of Depco, Inc. for compulsory pooling, Chaves County, New Mexico. Applicant, in each of the following two cases, seeks an order pooling all mineral interests from the surface down through the Abo formation underlying the lands specified in each case, each to form a standard 160-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon. Also to be considered in each case will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling said wells:

CASE 7694: NW/4 Section 21; and

CASE 7695: NE/4 Section 21

Both in Township 5 South, Range 25 East.

CASE 7696: Application of Arco Oil and Gas Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mississippian through Ellenburger formations underlying the E/2 of Section 31, Township 20 South, Range 36 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASES 7528 and 7529: (Continued and Readvertised)

Application of JJ-CC, Limited for compulsory pooling, Chaves County, New Mexico. Applicant, in each of the following two cases, seeks an order pooling all mineral interests down through the Abo formation underlying the lands specified in each case, each to form a standard 160-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon. Also to be considered in each case will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling said wells:

CASE 7528: NW/4 Section 4, Township 5 South, Range 24 East

CASE 7529: NE/4 Section 4, Township 5 South, Range 24 East

CASE 7697: Application of Oxeo Production Corp. for designation of a tight formation, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Mesaverde formation underlying Sections 7, 8, 17, 18, 19 and 20, Township 32 North, Range 8 West, containing 3160 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 19 CFR Section 271.701-705.

Dockets Nos. 31-82 and 32-82 are tentatively set for September 29 and October 13, 1982. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING WEDNESDAY-SEPTEMBER 15, 1982

9 A.M. - MORGAN HALL, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for October, 1982, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas for October, 1982, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 7636: (Continued and Readvertised)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Cibola Energy Corporation, American Employers Insurance Company and all other interested parties to appear and show cause why the Simms Ranch Well No. 1, located in Unit N, Section 9, the Clyde Berlier Well No. 1, located in Unit K and the Clyde Berlier Well No. 2, located in Unit F, both in Section 21, the Mora Ranch Well No. 3 located in Unit M and the Mora Ranch Well No. 4, located in Unit M, both in Section 5, all in Township 21 North, Range 21 East, Mora County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 7637: (Continued from August 13, 1982, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit R.A.F. Enterprises, Fireman's Fund Insurance Company and all other interested parties to appear and show cause why the Shaw Well No. 1, located in Unit M, Section 18, Township 4 North, Range 8 East, Torrance County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 7635: (Continued from September 1, 1982, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit CO₂-in-Action, Travelers Indemnity and all other interested parties to appear and show cause why the Trigg Well No. 3 located in Unit J, Section 25, Township 15 North, Range 28 East, San Miguel County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 7636: (Continued from September 1, 1982, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit CO₂-in-Action, Travelers Indemnity and all other interested parties to appear and show cause why the Amistad No. 1 located in Unit E of Section 18, and the Amistad No. 2 located in Unit D of Section 7, both in Township 19 North, Range 36 East, Union County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 7673: Application of Yates Petroleum Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Almost Texas Unit Area, comprising 3,840 acres, more or less, of State and Federal lands in Township 26 South, Range 31 East.

CASE 7664: (Continued from September 1, 1982, Examiner Hearing)

Application of Yates Petroleum Corporation for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Little Cuevo Unit Area, comprising 13,407 acres, more or less, of State and Fee lands in Township 17 South, Range 18 East.

CASE 7674: Application of Trican Energy, Inc. for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Javalina Basin Unit Area, comprising 3,840 acres, more or less, of State and Federal lands in Township 25 South, Range 34 East.

CASE 7675: Application of Texaco Inc. for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Justis Blinberry, Justis Tubbs-Drinkard, and Justis Devonian production in the wellbore of its G. L. Edwin "A" Federal Well No. 2 located in Unit K, Section 35, Township 24 South, Range 37 East.

CASE 7676: Application of Tenneco Oil Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Delaware formation in the perforated interval from 4970 feet to 4982 feet in its Jennings Fed. Well No. 3 located in Unit B of Section 14, Township 24 South, Range 32 East.

CASE 7677: Application of Aradarko Production Company for a waterflood expansion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand its Teas Yates Waterflood Project by converting two wells located in Unit F of Sections 13 and 14, Township 27 South, Range 33 East and drilling three new injection wells at unorthodox locations in Units M of Section 11 and Unit L of Section 13, Township 20 South, Range 33 East, and Unit E of Section 18, Township 20 South, Range 34 East.

CASE 7678: Application of Phillips Petroleum Company for a pressure maintenance project, Lea County, New Mexico. Applicant in the above-styled cause, seeks authority to institute a pressure maintenance project in the Vacuum Grayburg-San Andres Pool by the injection of water into the Grayburg San Andres formation through eight injection wells to be drilled at unorthodox locations in Section 35, Township 17 South, Range 34 East, as follows: 2630 feet from the South line and 1330 feet from the West line; 2630 feet from the South and West lines; 2630 feet from the South line and 1330 feet from the East line; 1310 feet from the South line and 1330 feet from the West line; 1310 feet from the South line and 10 feet from the East line; 10 feet from the South line and 1310 feet from the East line; 1330 feet from the North line and 1310 feet from the West line; and 1330 feet from the North line and 10 feet from the West line. Applicant also proposes two production wells at unorthodox locations in said Section 35 as follows: 1310 feet from the South line and 2630 feet from the East line and 1310 feet from the South and East lines.

CASE 7630: (Continued from September 1, 1982, Examiner Hearing - This Case will be Dismissed)

Application of Ralph Nix for an oil treating plant permit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purpose of treating and reclaiming sediment oil at a site in the SW/4 NE/4 of Section 18, Township 19 South, Range 26 East.

CASE 7671: (Continued from September 1, 1982, Examiner Hearing)

Application of Texas Eastern Developments, Inc. for an exception to Rule 307, San Juan County, New Mexico. Applicant in the above-styled cause, seeks an exception to Rule 307 of the Division Rules and Regulations to permit it to draw a vacuum on the Shiprock Gallup Oil Pool reservoir through 16 wells in Sections 16 and 17, Township 29 North, Range 18 West. Applicant further seeks an administrative procedure whereby it could extend the proposed vacuum system to include additional wells in the same reservoir.

CASE 7679: Application of C & K Petroleum, Inc. for the amendment of Order No. R-4857-A and for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Division Order No. R-4857-A to provide that the lands pooled by said order shall be the W/2 SE/4 of Section 27, Township 16 South, Range 37 East, dedicated to its Ship 27 Well No. 2 located in Unit O in said Section 27. Applicant further seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 SE/4 of the aforesaid Section 27, to be dedicated to a well to be drilled in Unit P of said Section 27. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 7680: Application of Unichem International, Inc. for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221 to permit the commercial disposal of produced brine into several unlined surface pits located in Section 11, Township 23 South, Range 29 East.

CASE 7681: Application of Cibola Energy Corporation for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of an Ordovician gas well to be drilled 330 feet from the North line and 990 feet from the East line of Section 13, Township 9 South, Range 27 East, the E/2 of said Section 13 to be dedicated to the well.

CASE 7682: Application of Cibola Energy Corporation for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Mississippian gas well drilled 330 feet from the North line and 330 feet from the West line of Section 34, Township 11 South, Range 28 East, the W/2 of said Section 34 to be dedicated to the well.

CASE 7683: Application of S & I Oil Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Gallup formation underlying the E/2 SE/4 of Section 12, Township 29 North, Range 15 West, to be dedicated to a well drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 7684: Application of R. E. Lauritsen for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Gallup and Dakota formations underlying the W/2 of Section 11, Township 29 North, Range 15 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 7685: Application of Cimarron Energy Corporation for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Pennsylvanian test to be drilled 1980 feet from the South line and 660 feet from the West line of Section 34, Township 22 South, Range 28 East, the S/2 of said Section 34 to be dedicated to the well.

CASES 7528 and 7529: (Continued and Readvertised)

Application of Jack J. Grynberg for compulsory pooling, Chaves County, New Mexico. Applicant, in each of the following two cases, seeks an order pooling all mineral interests down through the Abo formation underlying the lands specified in each case, each to form a standard 160-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon. Also to be considered in each case will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling said wells:

CASE 7528: NW/4 Section 4, Township 5 South, Range 24 East

CASE 7529: NE/4 Section 4, Township 5 South, Range 24 East

(Continued from September 1, 1982, Examiner Hearing)

CASES 7666, 7667, 7668, and 7669: Application of Yates Petroleum Corporation for compulsory pooling, Chaves County, New Mexico. Applicant, in each of the four following cases, seeks an order pooling all mineral interests down through the Abo formation underlying the lands specified in each case, each to form a standard 160-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon. Also to be considered in each case will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling said wells:

CASE 7666: SW/4 Section 3;

CASE 7667: NW/4 Section 4;

CASE 7668: NW/4 Section 14;

All of the above being in Township 5 South, Range 24 East and

CASE 7669: NW/4 Section 2, Township 9 South, Range 25 East.

CASE 7670: (Continued from September 1, 1982, Examiner Hearing)

Application of Yates Petroleum Corporation for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the N/2 of Section 26, Township 14 South, Range 27 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 7652: (Continued from August 18, 1982, Examiner Hearing)

Application of Conoco Inc. for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Cisco formation underlying all of partial Sections 34 and 35, Township 20 1/2 South, Range 23 East, underlying a previously approved 688-acre non-standard proration unit, to be dedicated to a well at a previously approved unorthodox location which is to be re-entered. Also to be considered will be the cost of re-entering said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in re-entering said well.

CASE 7672: (Continued from September 1, 1982, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, assigning discovery allowable, contracting, and extending certain pools in Chaves, Eddy, Lea and Roosevelt Counties, New Mexico:

- (a) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Brushy Canyon production and designated as the Brushy Draw-Brushy Canyon Pool. Further, to assign approximately 25,410 barrels of discovery allowable to the discovery well, the J. C. Williamson UCBHW Federal Well No. 1 located in Unit M of Section 25, Township 26 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 26 SOUTH, RANGE 29 EAST, NMPM
Section 25: SW/4

- (b) CREATE a new pool in Lea County, New Mexico classified as an oil pool for San Andres production and designated as the Hobbs Channel-San Andres Pool. The discovery well is the Bass Enterprises Production Company Humble City Unit Well No. 1 located in Unit D of Section 36, Township 17 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM
Section 36: NW/4

- (c) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the Humphreys Mill-Morrow Gas Pool. The discovery well is the Florida Exploration Company Reno Com Well No. 1 located in Unit D of Section 11, Township 25 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 25 SOUTH, RANGE 35 EAST, NMPM
Section 11: N/2

- (d) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Abo production and designated as the Justis-Abo Pool. The discovery well is the Sant Fe Energy Company Carlson B-25 Federal Well No. 3 located in Unit O of Section 25, Township 25 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM
Section 25: SE/4

- (e) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Upper Pennsylvanian production and designated as the McMillan-Upper Pennsylvanian Gas Pool. The discovery well is the Southland Royalty Company Pecos River Federal 20 Com Well No. 1 located in Unit J of Section 20, Township 19 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM
Section 20: E/2

- (f) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the Mosley Canyon-Strawn Gas Pool. The discovery well is W. A. Moncrief, Jr., Jurnegan State Well No. 1 located in Unit C of Section 8, Township 24 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 25 EAST, NMPM
Section 8: N/2

- (g) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Tubb production and designated as the West Nadine-Tubb Pool. The discovery well is the Tamarack Petroleum Company, Inc. Komegay A Well No. 1 located in Unit F of Section 9, Township 20 South, Range 38 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 9: NW/4

- (h) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the Pitchfork Ranch-Morrow Gas Pool. The discovery well is the HNG Oil Company Madera 32 State Com Well No. 1 located in Unit C of Section 32, Township 24 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 34 EAST, NMPM
Section 32: N/2

- (i) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Yesso production and designated as the Seven Rivers-Yesso Pool. The discovery well is Chama Petroleum Corporation Irami Federal Well No. 1 located in Unit N of Section 34, Township 19 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM
Section 34: SW/4

- (j) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Abo production and designated as the East Skaggs-Abo Pool. The discovery well is the Texaco Inc. Ch. H. Weir A Well No. 12 located in Unit G of Section 12, Township 20 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM
Section 12: NE/4

- (k) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Tubb production and designated as the Teague-Tubb Pool. The discovery well is the Alpha Twenty-One Production Company Lea Well No. 2 located in Unit A of Section 17, Township 23 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM
Section 17: NE/4

- (l) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Devonian production and designated as the Townsend-Devonian Pool. The discovery well is the Kimbark Oil and Gas Company New Mexico 1-4 State Com Well No. 1 located in Unit N of Section 4, Township 16 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
Section 4: Lots 11, 12, 13, and 14

- (m) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Bone Spring production and designated as the Welch-Bone Spring Pool. The discovery well is the Quanah Petroleum, Inc. Hay B Federal Com Well No. 1 located in Unit K of Section 9, Township 26 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 26 SOUTH, RANGE 27 EAST, NMPM
Section 9: SW/4

- (n) CONTRACT the horizontal limits of the Buckeye-Abo Pool in Lea County, New Mexico, by the deletion of the following described area:

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM
Section 3: W/2 NW/4

Examiner Hearing - WEDNESDAY - SEPTEMBER 15, 1982

- (o) CONTRACT the horizontal limits of the Vacuum-Abo Reef Pool in Lea County, New Mexico, by the deletion of the following described area:

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM
Section 3: E/2 NW/4

- (p) EXTEND the Antelope Sink-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 23 EAST, NMPM
Section 13: N/2
Section 14: N/2

- (q) EXTEND the West Arkansas Junction-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 36 EAST, NMPM
Section 20: NW/4

- (r) EXTEND the Atoka-Yaso Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 26: E/2

- (s) EXTEND the Bilbrey-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 32 EAST, NMPM
Section 5: NW/4
Section 6: E/2

- (t) EXTEND the Bunker Hill-Penrose Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 31 EAST, NMPM
Section 14: N/2 S/2 and NE/4

- (u) EXTEND the Cemetery-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM
Section 3: S/2
Section 4: All

- (v) EXTEND the Comanche Stateline Tansill-Yates-Seven Rivers-Queen Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM
Section 26: NW/4
Section 27: NE/4 and E/2 NW/4

- (w) EXTEND the South Empire-Morrow Gas Pool in Eddy County, New Mexico to include therein:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 35: S/2
Section 36: W/2

- (x) EXTEND the South Empire-Wolfcamp Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 36: E/2 NE/4

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM
Section 31: NW/4 and S/2 NE/4

- (y) EXTEND the Forty Niner Ridge-Bone Spring Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 30 EAST, NMPM
Section 16: SE/4

- (2) EXTEND the Hardy-Tubb Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM
Section 2: Lots 11, 12, 13, 14, and S/2
Section 11: NW/4

- (aa) EXTEND the Northeast Lovington-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM
Section 20: NW/4

- (bb) EXTEND the West Milnesand-Pennsylvanian Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 34 EAST, NMPM
Section 19: W/2

- (cc) EXTEND the South Peterson-Pennsylvanian Associated Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 5 SOUTH, RANGE 33 EAST, NMPM
Section 30: SE/4
Section 31: N/2 NE/4

TOWNSHIP 6 SOUTH, RANGE 33 EAST, NMPM
Section 15: S/2

- (dd) EXTEND the Race Track-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 28 EAST, NMPM
Section 18: NE/4 and S/2 SE/4

- (ee) EXTEND the Ross Draw-Wolfcamp Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 26 SOUTH, RANGE 30 EAST, NMPM
Section 23: S/2
Section 26: N/2

- (ff) EXTEND the West Sand Dunes-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM
Section 17: S/2
Section 20: All

- (gg) EXTEND the Saunders Permo-Upper Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 33 EAST, NMPM
Section 21: NE/4

DOCKET: COMMISSION HEARING - WEDNESDAY - SEPTEMBER 22, 1982

OIL CONSERVATION COMMISSION-MORGAN HALL - 9 A.M.
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases were continued from the August 26, 1982, Commission Hearing:

CASE 7656: Application of Cities Service Company for determination of reasonable well costs, Lea County, New Mexico. Applicant, in the above-styled cause, pursuant to the provisions of Section 70-2-17 C, NMSA, 1978 Comp., and Paragraph (5) of Division Order No. R-6781, seeks a determination of reasonable well costs for two wells drilled under the provisions of said Order No. R-6781 by Doyle Hartman on lands pooled by said order.

CASE 7657: Application of Harvey E. Yates Company for non-rescission of Order No. R-6873, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the non-rescission of Order No. R-6873, which order pooled certain lands to be dedicated to a proposed Ordovician test well to be drilled thereon, being the W/2 of Section 18, Township 9 South, Range 27 East. Said order provided that should the unit well not be drilled to completion, or abandonment, within 120 days after commencement thereof, operator shall appear and show cause why the pooling order should not be rescinded.

CASE 7658: (Readvertised)

Application of Harvey E. Yates Company for a dual completion and downhole commingling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Seymour State No. 1 located in Section 18, Township 9 South, Range 27 East, in such a manner that Abo perforations from 4912 feet to 4929 feet would be commingled with Upper Atoka perforations from 5926 feet to 5952 feet and the aforesaid intervals dually completed with Lower Atoka perforations from 6008 feet to 6048 feet and produced through parallel strings of tubing.

KELLAHIN AND KELLAHIN

Attorneys at Law

El Patio, 117 Guadalupe

Post Office Box 1769

Santa Fe, New Mexico 87501

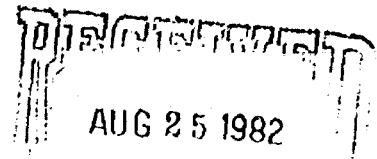
Telephone (505) 982-4285

Jason Kellahin
W. Thomas Kellahin

Karen Aubrey
James B. Grant

August 25, 1982

Mr. Joe D. Ramey
Oil Conservation Division
P.O. Box 2088
Santa Fe, N.M. 87501



Re: C & K Petroleum

Case 2629

Dear Mr. Ramey:

Please set the enclosed application for hearing on
the Examiner Docket now scheduled for September 15,
1982.

Very truly yours,

KELLAHIN & KELLAHIN

A large, stylized handwritten signature in dark ink, appearing to read "W. Thomas Kellahin". The signature is written over the typed name "W. Thomas Kellahin".

W. Thomas Kellahin

WTK:mm

Enc.

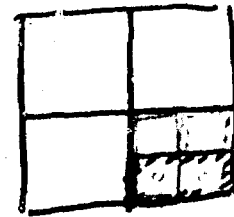
cc: Mrs. Dani Lebow,
Enstar Petroleum

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF
C & K PETROLEUM, INC. FOR AMENDMENT
OF ORDER R-4857, LEA COUNTY, NEW MEXICO

RECEIVED
AUG 25 1982

IN THE MATTER OF THE APPLICATION OF
C & K PETROLEUM, INC. FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO



A P P L I C A T I O N

Case 76-77

R-4857A

Comes now C & K Petroleum, Inc., by and through its attorneys, Kellahin & Kellahin, and applies to the New Mexico Oil Conservation Division for an order pooling all of the mineral interests in the Pennsylvanian formations underlying the W/2SE/4 of Section 27, T16S, R37E, NMPM, Lea County, New Mexico and for an order amending Division Order R-4857 and R-4857-A to change the pooled proration unit from the S/2SE/4 of Section 27 to the W/2SE/4 of Section 27, T16S, R37E, NMPM, and in support thereof would show:

1. Applicant proposes to drill its Shipp 27-Well No. 2 in the SE/4SE/4 of said Section 27 to test the Casey-Strawn Pool, as shown on Exhibit "A" attached hereto.

2. Applicant proposes the subject well in order to offset Mesa Petroleum Company's Knowles No. 8 Well in Section 34 and thereby prevent drainage of the C & K Petroleum acreage in the S/2SE/4 of Section 27.

3. In order to drill the subject well, Applicant requests:

(a) That Division Order R-4857 and R-4857-A be amended to change the proration unit from the S/2SE/4 of Section 27 to the W/2SE/4 of Section 27, and

(b) For an Order pooling all mineral interests in the Pennsylvanian formation underlying the E/2SE/4 of Section 27.

4. That all mineral interests in the SE/4 of Section 27 are identical and this application will not adversely affect any party's interest in the acreage or the subject wells.


5. The Applicant has sought to obtain the cooperation of all parties.

6. In order to obtain their just and equitable share of the production underlying the above lands, Applicant needs an order pooling the mineral interest involved.

7. Those who have not consented to join in the drilling of the well, with their addresses, to the best of the Applicant's information and belief are as set forth on Exhibit "B" attached hereto and incorporated by reference.

WHEREFORE Applicant prays that this application be set for hearing before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling all of the mineral interests in the Pennsylvanian formation underlying the E/2SE/4 of Section 27, Township 16 South, Range 37 East, NMPM. Applicant further prays that it be named operator of the well, and that the order make provision for Applicant to recover out of production its costs of drilling the subject well, completing and equipping it, costs of operation, including costs of supervision and a risk factor in the amount of 200% for the drilling of the well. Applicant further prays for an order amending Division Order R-4857 and R-4857-A by changing the pooled proration unit from the S/2SE/4 of said Section 27 to the W/2SE/4 of said Section 27, and for such other and further relief as may be proper.

Respectfully submitted,

By: 
Kellahin & Kellahin
P.O. Box 1769
Santa Fe, N.M. 87501
(505) 982-4285

Attorneys for Applicant

R·37·E

T·16·S

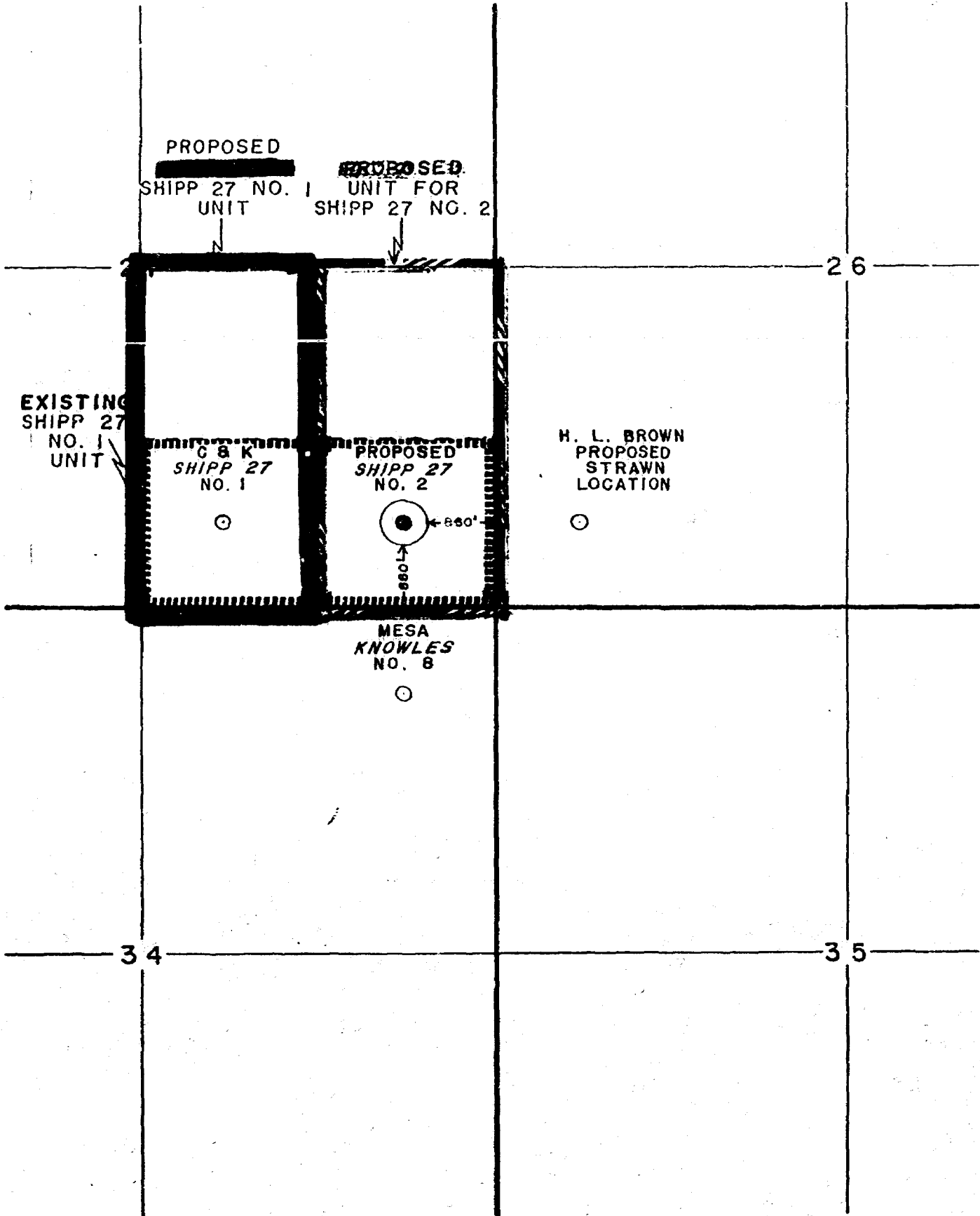


EXHIBIT B

Texaco, Inc.
Box 3109
Midland, Texas 79702

Leasehold
Interest 1/6

J. V. Ringold
Address unknown
Unleased minerals
Interest 1/768

J. D. Parks
Address unknown
Unleased minerals
Interest 1/768

H. M. Parks
Address unknown

Leasehold
Interest 1/768

C. W. Parks
Address unknown
Unleased minerals
Interest 1/768

Ruth Armstrong
Address unknown

Unleased minerals
Interest 1/384

Luther Emery
Address unknown

Unleased minerals
Interest 1/256

Lenora Parke, a widow
For her life with remainder
upon her death to:
Mrs. Robert L. Christopher
Address unknown

Unleased minerals
Interest 1/320

Enserch Exploration, Inc.
Box 4815
Midland, Texas 79704

Enserch has a gross WI of 43.16936% and currently has a 13.2829% WI in the Shipp 27-1 well. Enserch has orally agreed to participate in the subject unit but has not executed the appropriate documents as of the date of this application.

E1/2 SE1/4 S27 T16S R37E

Order

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

ALL *JGR*

MIS
[Signature]

CASE NO. 7679

Order No. R-⁷⁰⁹⁴~~2703~~

APPLICATION OF C & K PETROLEUM, INC.
FOR THE AMENDMENT OF ORDER NO. R-4857-A
AND FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 29, 1982, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this _____ day of October, 1982, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

*Subst. H. to
from (D. on)*

(2) That by Order No. R-4857, entered September 10, 1974, the ~~Commission~~ ^{Division} pooled all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the SW/4 SE/4 of Section 27, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, to form a standard 40-acre oil spacing and proration unit to be dedicated to a well to be drilled at an orthodox location for said unit, and further providing that in the event said well should be completed in the Devonian formation, said formation would also be deemed to be pooled.

(3) That subsequent to the entry of the aforesaid order, the applicant, C & K Petroleum, Inc., completed the well as a dry hole in the Devonian formation and plugged said well back to the Strawn formation where it was completed as a producing oil well.

Division

(4) That by Order No. R-4992, dated April 1, 1975, the ~~Commission~~ created the Casey-Strawn Pool comprising the SE/4 of Section 27, Township 16 South, Range 37 East, and promulgated ~~Temporary~~ Special Rules and Regulations therefor, including a provision for 80-acre spacing and proration units.

Oil & Gas

(5) That by Order No. R-4857-A entered April 1, 1975, the ~~Commission~~ amended the area pooled in said Order No. R-4857 from the SW/4 SE/4 of Section 27, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, to the entire S/2 SE/4 of said Section 27, to comply with the spacing provisions as set forth in the aforesaid Order No. R-4992.

OK

(6) ~~That~~ That the applicant, C & K Petroleum, Inc., ^{now} seeks the amendment of Division Order No. R-4857-A to provide that the lands pooled by said order shall be the W/2 SE/4 of Section 27, Township 16 South, Range 37 East, NMPM, ^{with such acreage to be} dedicated to its Shipp 27 Well No. 2 located in Unit 0 of said Section 27.

(7) ~~That~~ That all mineral interests in the ~~SW/4 SE/4~~ ^{SW/4 SE/4} and W/2 SE/4 of said Section 27 are identical, and the ~~proposed~~ ^{proposed} aforesaid proposed amendment will not adversely affect any party's interest in the subject well.

(8) ~~That~~ That the amendment of Order No. R-4857-A as proposed will not cause waste nor violate correlative rights and should be approved.

(9) ~~13~~ That the applicant further seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 SE/4 of the aforesaid Section 27 to be dedicated to a well to be drilled at a standard location in Unit P of said Section 27.

(10) ~~14~~ That there are interest owners in the proposed proration unit who have not agreed to pool their interests.

(11) ~~15~~ That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the ^{oil}/~~gas~~ in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(12) ~~16~~ That the applicant should be designated the operator of the subject well and unit.

(13) ~~17~~ That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well

costs to the operator in lieu of paying his share of reasonable well costs out of production.

(14) ~~185~~ That any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(15) ~~185~~ That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(16) ~~185~~ That following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(17) ~~185~~ That \$ 4180 per month while drilling and \$ 423 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(16) (12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(19) (13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1983, the order pooling said unit should become null and void and of no effect

whatsoever.

(20) That the effective date of this order and of the amendment and pooling contained herein should be 7:00 a.m. October 1, 1982.
2 o'clock

IT IS THEREFORE ORDERED:

(1) That Order Paragraph (1) of Order No. R-4857-A is hereby amended to read in its entirety as follows:

"(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying ~~the S/2 SE/4~~ of Section 27, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 80-acre oil spacing and proration unit to be dedicated to a well to be drilled at an orthodox location for said unit."

The W/2 SE/4

(2) ~~That~~ ^{It is further ordered that} all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the E/2 SE/4 of the aforesaid Section 27, Lea County, New Mexico, are hereby pooled to form a standard 80-acre ^{oil} ~~gas~~ spacing and proration unit to be dedicated to a well to be drilled at a standard location in Unit P of said Section 27.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of January, 1983, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of January, 1983, Order (2) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (2) of this order should not be rescinded.

³
(2) That C & K Petroleum, Inc. is hereby designated the operator of the subject well and unit.

⁴
(3) That after the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

⁵
(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

⁶
(5) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the

Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$ 4180⁰⁰ per month while drilling and \$ 423⁰⁰ per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess

of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(14) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JOE D. RAMEY,
Director

S E A L

(13) The effective date of this order and of the amendment and pooling contained herein shall be 7:00 o'clock a.m. October 1, 1982.

LEWIS COUNTY, NEW MEXICO