

CASE 5223: Application of BURLESON
& HUFF FOR COMPULSORY POOLING, LEA
COUNTY, NEW MEXICO.

CASE No.

5233

Application,
Transcripts,
Small Exhibits

ETC.

EXAMINER HEARING

Case No.
5233

A P P E A R A N C E S

W. Thomas Kellahin, Esq.
Kellahin & Fox
500 Don Gaspar
Santa Fe, New Mexico

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

I N D E X

JACK HUFF

Direct Examination by Mr. Kellahin
Cross Examination by Mr. Stamets

PAGE

3
10

E X H I B I T S

Applicant's Exhibits Nos.
1, 2 and 3

Marked

Admitted

10

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

HUFF-DIRECT

CASE 5233

Page.....3.....

MR. STAMETS: Call the next case, Case 5233.

MR. DERRYBERRY: Case 5233. Application of
Burleson & Huff for compulsory pooling, Lea County, New
Mexico.

MR. STAMETS: Call for appearances in this Case.

MR. KELLAHIN: Tom Kellahin of Kellahin & Fox,
Santa Fe, New Mexico, appearing on behalf of the Applicant,
Burleson & Huff. I have one witness to be sworn.

MR. STAMETS: Any other appearances? The Witness
will stand and be sworn, please.

(Witness sworn.)

JACK HUFF

called as a witness, having been first duly sworn, was
examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you please state your name and occupation?

A Jack Huff, Partner in Burleson & Huff, well
operators from Midland, Texas.

Q You are the Applicant in this Case?

A Yes, sir.

Q Have you previously testified before this Com-
mission?

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0366

A Yes, sir, I have.

Q Are you familiar with and have you made a study of the facts surrounding this particular Application?

A Yes, I have.

MR. KELLAHIN: If the Examiner please, are the Witness' qualifications acceptable?

MR. STAMETS: They are.

BY MR. KELLAHIN:

Q Mr. Huff, would you please refer to what has been marked as Applicant's Exhibit No. 1, identify it, and explain briefly what Burleson & Huff is seeking by this Application?

A Yes, sir. This is a plat of the area surrounding our proposed reentry, and we propose to reenter the Burleson & Huff, formerly Texas Pacific Oil Company, Jenkins No. 3 Well situated in the SE/4 of the SW/4 of Section 29, Township 25 South, Range 37 East, and attempt completion in the Seven Rivers formation at about 3000 feet. Failing in that we would propose to plug the well back and attempt completion in the Yates Zone at about 2700 to 2800 feet.

Q Does the Applicant have the right to drill and develop the SW/4 of Section 29?

A Yes, sir, we do.

Q Please refer to what has been marked as Exhibit No. 2 and identify it?

A Exhibit No. 2 is our AFE for the No. 3 Jenkins Well. It has the total cost broken down at the bottom of the AFE and we propose, or we anticipate that the cost for testing the Seven Rivers Zone, which is shown as the lower zone there, and completing there, would be \$21,350. If we also go ahead then and test the second zone, or the Yates Zone, and complete there, the total cost would be \$24,800. In the event we should get a dry hole, including plugging and the salvage value recoverable, the total cost we anticipate would be \$22,300.

Q Will the Applicant be the operator of this Unit?

A Yes, sir.

Q And you seek in this forced-pooling application a designation of Burleson & Huff as the operator?

A Correct.

Q What other wells within the area does Burleson & Huff operate?

A Well, we have quite a number, approximately ten in this general area, all near the City of Jal. They are

mostly southeast and east of Jal.

Q Please refer to Exhibit No. 3 and identify it.

A Exhibit No. 3 is a Xerox copy of a portion of the log on the old well we propose to reenter and complete in. Our perforations are set out there for both zones.

Q With regard to this Exhibit, Mr. Huff, the Application requests that the Commission indicate a risk factor to be charged for the recompleting and equipping of this Well. Referring to this Exhibit, now, will you give us your opinion with regard to the risk, first concerning the Seven Rivers and then second concerning the Jalmat pay.

A We feel that the risk factor is fairly high in the Seven Rivers Zone because it's not producing in this area and I believe you could justifiably say it would be wildcat. The risk factor in the Yates Zone would be very low because it has produced in this very Unit and also is producing in the area here.

Q Which one of these is your primary zone of production?

A We consider the Seven Rivers the primary zone because the Yates zone has undoubtedly been drained considerably.

Q Which would be your secondary zone?

A The Yates Zone, the upper zone.

Q And, did you have a third alternative?

A Yes. In the event that we should decide to do so at a later date, we could go down and try some zones in the Queen formation, which is below the Seven Rivers, which would be approximately 3250 to 3400.

Q The Application applies for forced pooling of all zones down through the bottom of the Queen formation. Is that still your desire by this Application?

A Yes, sir.

Q Getting back to the risk factor, do you have a recommended actual percentage to be applied for all formations that are being force pooled?

A Yes, sir. We would recommend 100 percent risk factor.

Q With regard to your actual operating costs of this Well, do you have any anticipated actual costs?

A We anticipate that the operating cost would be low, and I would just have a rough monthly figure of about \$50 per month.

Q Now, in addition to the actual cost, do you have a recommended estimate for charges for supervision?

A Yes, sir, \$75 per month we find is about normal for this area for this depth, and that's our recommendation.

MR. STAMETS: That's for the combined fixed rates?

MR. KELLAHIN: That's right.

MR. HUFF: Yes, sir.

BY MR. KELLAHIN:

Q I would like to direct your attention to the second page of the Application for forced pooling and the six individuals, or entities, which, at the time of the Application, had not voluntarily committed their acreage to you. Would you please begin with that second page and tell us first of all what contacts you have made in order to get these individuals or entities to join you voluntarily?

A Well, let me generalize with all of them at first, if I may, and say that we started contacting all of the parties listed here on the second page of our Application last December, and we were in continuous contact up until the day before the hearing. The first two parties listed there, one is Norman Rooney, and Lyeth and Lyeth, who are joint tenants, have not yet granted us a lease or agreed to join with us in the operation. I do, however, have a letter from their lawyer, assuring us that we will get a

lease, but this came after we had made an application for forced pooling, and we still don't have it, so as to their interest we still need a ruling. We have acquired leases from the F.B. Jones Estate and from Mrs. Stanley Hess, and Metropolitan Royalty Corporation. Superior Oil Company has recommended that they grant us a lease in the Midland Office and the recommendation has gone to their Houston Office. We anticipate that we will obtain the lease from Superior, but we don't have it in our hands yet.

Q Was the information contained on Exhibits 1, 2 and 3 either compiled directly by you or under your direction and supervision?

A The information contained on Exhibit 1 was compiled by me; Exhibits 2 and 3 were compiled by my Partner, Louis D. Burleson.

Q Have you examined Exhibits 2 and 3, and to your knowledge are they true and accurate?

A Yes, sir, they are.

Q In your opinion will approval of this Application be in the best interests of conservation, the prevention of waste and the protection of correlative rights of others?

A Yes, it will.

MR. KELLAHIN: If the Examiner please, we move the introduction of Exhibits 1, 2 and 3.

MR. STAMETS: Exhibits 1, 2 and 3 will be admitted into evidence.

(Whereupon, Applicant's Exhibits Nos. 1, 2 and 3 were admitted into evidence.)

MR. KELLAHIN: That concludes our direct examination.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Huff, are the interests of all of the owners that you have shown on your Application the same under the entire southwest quarter of the Section?

A Yes, they are the same.

Q No difference between any quarter quarter.

A No, sir. It's undivided ownerships throughout the entire southwest quarter.

Q Now you've asked for 160 acres here in the Yates and Seven Rivers and the Queen formations specifically. Are there other formations in the area, or would these formations possibly produce oil in the subject well?

A We anticipate that the Yates and Seven Rivers would produce gas; the Queen would probably produce oil.

Q So, if you would get an oil well here then there would be no necessity of this Order being enforced in effect since you would only dedicate 40 acres?

A Well, we would still need the forced pooling as to the Queen formation, even though we got an oil well, in the event these people don't later grant us a lease or join with us, of course.

Q It would have to be on a 40-acre basis, then.

A Well, on a 40-acre basis. It is possible, however, that we'd get a gas well in the Queen formation, because there are some gas wells in this area.

Q Is there any necessity of force pooling any other formations besides the Yates, Seven Rivers and Queen?

A No, sir.

Q So, from the surface of the ground it is not necessary in this case?

A No, it would just be those formations. However, so far as I know there would be nothing above the Yates that would produce in this area anyhow.

Q Other than that you are just asking for a typical forced-pooling order?

A Yes.

Q And you would anticipate starting work within

90 days and completing the well within 120 days?

A Yes, sir. As a matter of fact, our plans are to start the first part of June.

MR. STAMETS: Are there any other questions of this Witness? You may be excused. Anything further in this Case? We'll take the Case under advisement.

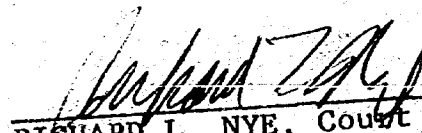
CASE 5233

Page 13

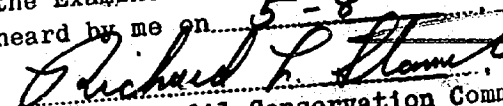
STATE OF NEW MEXICO)
COUNTY OF SANTA FE)

SS

I, RICHARD L. NYE, Court Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.


RICHARD L. NYE, Court Reporter

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5233, heard by me on 5-8-1974.


Richard L. Nye, Examiner
New Mexico Oil Conservation Commission

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2098 - SANTA FE
87501

I. R. TRUJILLO
CHAIRMAN

**LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER**

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

June 4, 1974

Mr. Tom Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Re: CASE NO. 5283

ORDER NO. R-4797

Applicant:

Burleson & Huff

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC X
 Artesia OCC
 Aztec OCC

Aztec OCC _____
 And to those listed on page 2 of the application
 Other _____

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5233
Order No. R-4797

APPLICATION OF BURLESON AND HUFF
FOR COMPULSORY POOLING, LEA
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 8, 1974,
at Santa Fe, New Mexico, before Examiner, Richard L. Stamets.

NOW, on this 4th day of June, 1974, the Commission,
a quorum being present, 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 Commission has jurisdiction of this cause and the
subject matter thereof.

(2) That the applicant, Burleson and Huff, seeks an
order pooling all mineral interests down to and including the
Queen formation underlying the SW/4 of Section 29, Township 25
South, Range 37 East, Lea County, New Mexico.

(3) That under said Section 29, the lower 100 feet of
the Seven Rivers formation and all of the Queen formation are
within the vertical limits of the Langlie Mattix Oil Pool.

(4) That oil wells in the Langlie Mattix Pool are on
40-acre spacing units.

(5) That only the Tansill and Yates formations, and all
of the Seven Rivers formation except the lowermost 100 feet
should be pooled to form a 160-acre non-standard gas spacing
and proration unit consisting of the SW/4 of said Section 29 in
the Jalmat Gas Pool, Lea County, New Mexico.

(6) That the applicant has the right to recomplete and
proposes to recomplete its Jenkins Well No. 3 located in Unit N
of said Section 25 as a Jalmat gas well.

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

(8) 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 gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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

(10) 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.

(11) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 100 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(12) 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.

(13) That following determination of reasonable well costs, any non-consenting working interest owner that 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.

(14) That \$75.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge 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.

(15) 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.

-3-

Case No. 5233
Order No. R-4797

(16) That upon the failure of the operator of said pooled unit to commence recompletion of the well to which said unit is dedicated on or before September 1, 1974, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Tansill, Yates, and Seven Rivers formations, 100 feet or more above the top of the Queen formation, underlying the SW/4 of Section 29, Township 25 South, Range 37 East, NMPM, Jalmat Gas Pool, Lea County, New Mexico, are hereby pooled to form a 160-acre non-standard gas spacing and proration unit to be dedicated to applicant's Jenkins Well No. 3 located in Unit N of said Section 29.

PROVIDED HOWEVER, that the operator of said unit shall commence the recompletion of said well on or before the 1st day of September, 1974.

PROVIDED FURTHER, that in the event said operator does not commence the recompletion of said well on or before the 1st day of September, 1974, Order (1) of this order shall be null and void and of no effect whatsoever;

PROVIDED FURTHER, that should said well not be completed as a gas well in the Jalmat Gas Pool within 120 days after commencement of workover operations, said operator shall appear before the Commission and show cause why Order (1) of this order should not be rescinded.

(2) That Burleson and Huff is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 30 days prior to commencing workover operations on said well, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(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.

Case No. 5233
Order No. R-4797

(5) That the operator shall furnish the Commission 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 Commission and the Commission 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 Commission 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 that 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, 100 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 \$75.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge 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.

-5-

Case No. 5233
Order No. R-4797

(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.

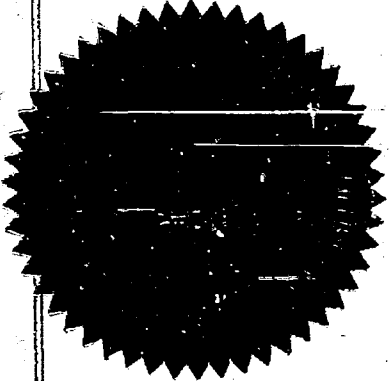
(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall 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 Commission of the name and address of said escrow agent within 90 days from the date of this order.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



[Signature]
I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member

[Signature]
A. L. PORTER, Jr., Member & Secretary

S E A L

dr/

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 8, 1974

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
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 4790: (Reopened) (Continued from April 10, 1974, Examiner Hearing)

In the matter of Case No. 4790 being reopened pursuant to the provisions of Order No. R-4370, which order established temporary rules for the Dublin-Ellenburger Gas Pool, Lea County, New Mexico, including a provision for 640-acre spacing. All interested parties may appear and show cause why said pool should not be developed on 320-acre spacing units.

CASE 5220: (Continued from the April 25, 1974, Examiner Hearing)

Application of Atlantic Richfield Company for an unorthodox gas well location and non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its McDonald State WN Well No. 24 located 1780 feet from the North line and 660 feet from the West line of Section 25, Township 22 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to be dedicated to a 320-acre non-standard gas proration unit comprising the N/2 of said Section 25.

CASE 5229: Application of Texas International Petroleum Corporation for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Lowe-Federal Well No. 1 located in Unit H of Section 31, Township 20 South, Range 30 East, Golden Lane Field, Eddy County, New Mexico, in such a manner as to produce Strawn and Morrow gas through parallel strings of tubing.

CASE 5230: Application of Gulf Oil Corporation for the amendment of Order No. R-4079, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-4079 which authorized the commingling of Hobbs Grayburg-San Andres and Hobbs-Blinbry production from its W. D. Grimes "A" and "B" leases in Sections 32 and 33, Township 18 South, Range 38 East, Lea County, New Mexico, to include in said commingling authority Bowers-Seven Rivers production.

CASE 5231: Application of Mesa Petroleum Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Nash Unit Area comprising 5,124 acres, more or less, of State, Federal and fee lands in Township 23 South, Ranges 29 and 30 East, Eddy County, New Mexico.

CASE 5232: Application of Texas Pacific Oil Company, Inc. for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Phantom Draw Unit Area comprising 8,465 acres, more or less, of Federal, State and fee lands in Township 26 South, Range 31 East, Eddy County, New Mexico.

CASE 5233: Application of Burleson & Huff for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down to and including the Queen formation underlying the SW/4 of Section 29, Township 25 South, Range 37 East, Langlie-Mattix Pool, Lea County, New Mexico, to be dedicated to its Jenkins Well No. 3 located 760 feet from the South line and 1980 feet from the West line of said Section 29. Also to be considered will be the cost of recompleting and equipping said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in recompleting and equipping said well.

CASE 5234: Application of Atlantic Richfield for a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 320-acre non-standard gas proration unit comprising the S/2 of Section 14, Township 22 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its McDonald WN State Wells Nos. 1 and 27 located in Units L and O, respectively, of said Section 14.

CASE 5235: Application of Atlantic Richfield Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the N/2 of Section 9, Township 21 South, Range 26 East, Eddy County, New Mexico, to form a standard 320-acre unit to be dedicated to a well to be drilled at a standard location for said unit, and pooling all mineral interests in the Pennsylvanian formation underlying the S/2 of said Section 9 to form a standard 320-acre unit to be dedicated to a well to be drilled at a standard location for said unit, if it is determined that said Section 9 should be developed on 320-acre spacing. Applicant further seeks a provision in said order that would pool all mineral interests in the Pennsylvanian formation underlying all of said Section 9 to form a standard 640-acre unit to be dedicated to a well to be drilled at a standard location for said unit if it is determined that said Section 9 should be developed on 640-acre spacing. Also to be considered will be the cost of drilling and completing said well, or wells, and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well, or wells, and a charge for risk involved in drilling said well, or wells.

CASE 5236: Application of Atlantic Richfield Company for five unorthodox oil well locations and an administrative procedure, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of five oil wells in the Horseshoe-Gallup Oil Pool in Township 31 North, Range 16 West, San Juan County, New Mexico, to be drilled at the following points:

Examiner Hearing - Wednesday - May 8, 1974

Dockets Nos. 12-74 and 13-74

-7-

(w) Extend the Winchester-Wolfcamp Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM
Section 35: S/2

CASE 5208: (Continued from the April 25, 1974, Examiner Hearing)

Application of S. P. Yates for an exception to Order No. R-3221, as amended, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to Order No. R-3221, as amended, authority to dispose of produced salt water in an unlined surface pit on its Federal LC 065598 lease in the SW/4 SW/4 of Section 4, and the NE/4 of Section 5, Township 17 South, Range 30 East, Square Lake Pool, Eddy County, New Mexico.

Docket No. 13-74

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 15, 1974

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
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 from seventeen prorated pools in Lea, Eddy, Roosevelt, and Chaves Counties, New Mexico, for June, 1974;
- (2) Consideration of the allowable production of gas from five prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for June, 1974.

- (g) Extend the Cabin Lake-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM
Section 11: N/2

- (h) Extend the Crossroads-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 36 EAST, NMPM
Section 26: NE/4

- (i) Extend the Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 6: SE/4

- (j) Extend the Fowler-Devonian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM
Section 10: NE/4

- (k) Extend the Indian Basin-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM
Section 31: All
Section 32: All

- (l) Extend the Penasco Draw San Andres-Yeso Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM
Section 12: NW/4

- (m) Extend the Quail Ridge-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM
Section 17: E/2

- (n) Extend the Rocky Arroyo-Wolfcamp Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 22 EAST, NMPM
Section 7: E/2
Section 8: SW/4

(o) Extend the Sand Dunes-Cherry Canyon Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM
Section 26: NW/4 SE/4

(p) Extend the North Vacuum-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM
Section 1: NE/4

(q) Extend the Vada-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 33 EAST, NMPM
Section 13: NE/4

(r) Extend the Wantz-Granite Wash Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 26: NE/4

(s) Extend the Washington Ranch-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 26 SOUTH, RANGE 24 EAST, NMPM
Section 12: N/2

(t) Extend the White City-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM
Section 17: All

(u) Extend the Wilson-Pennsylvanian Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM
Section 13: E/2

(v) Extend the Winchester-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM
Section 35: S/2

(Case 5236 continued from Page 1)

1975 feet from the North line and 890 feet from the West line of Section 28; 150 feet from the North line and 1375 feet from the East line of Section 33; 2580 feet from the South line and 295 feet from the West line of Section 35; 2605 feet from the North line and 2580 feet from the East line of Section 32; and 2540 feet from the South line and 2570 feet from the East line of Section 30.

Applicant further seeks an administrative procedure for the approval without notice and hearing of additional unorthodox locations for infill wells to be drilled within the Atlantic Horseshoe-Gallup Unit Area.

CASE 5237: Application of General American Oil Company of Texas for sixteen unorthodox oil well locations and an administrative procedure, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of sixteen oil wells in the Grayburg-Jackson Pool, Eddy County, New Mexico, to be drilled at the following points: 1295 feet from the South line and 1345 feet from the East line of Section 13; 1345 feet from the North line and 25 feet from the East line, 1295 feet from the North line and 2615 feet from the East line, 1295 feet from the North and East lines, 1295 feet from the South line and 2615 feet from the West line, 1345 feet from the South line and 25 feet from the East line, and 2615 feet from the South line and 1345 feet from the East line of Section 23; 1345 feet from the North and West lines, 2615 feet from the South line and 25 feet from the West line, 2615 feet from the South line and 1295 feet from the West line, 2615 feet from the South and West lines, 1345 feet from the South line and 2615 feet from the East line, and 1295 feet from the South line and 1345 feet from the West line of Section 24; and 25 feet from the North line and 2615 feet from the East line of Section 26, all in Township 17 South, Range 29 East, and 1295 feet from the North line and 2665 feet from the East line and 25 feet from the North line and 2615 feet from the East line of Section 30, Township 17 South, Range 30 East.

Applicant further seeks the adoption of an administrative procedure whereby additional infill wells at unorthodox locations could be drilled on its leases in this area without notice and hearing.

CASE 5238: Application of Yates Petroleum Corporation for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the San Andres formation through the indicated perforated interval of the following wells in Township 17 South, Range 25 East, Eagle Creek-San Andres Pool, Eddy County, New Mexico: from 1286 feet to 1456 feet in its Federal BZ Well No. 6 located in Unit N of Section 21; from 1270 feet to 1440 feet in its Ingram Jackson BV Well No. 2 located in Unit D of Section 26; and from 1295 feet to 1372 feet in its Gissler AV Well No. 1 located in Unit C of Section 23. Applicant further seeks an administrative procedure for approval of additional salt water disposal into the San Andres formation in the subject pool without notice and hearing.

CASE 5239: Southeastern nomenclature case calling for the création and extension of certain pools in Lea and Eddy Counties, New Mexico.

(a) Create a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the Ojo Chiso-Morrow Gas Pool. The discovery well is the Brunson & McKnight, Inc. Ojo Chiso Unit Well No. 1 located in Unit E of Section 23, Township 22 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPM
Section 23: W/2

(b) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Delaware production and designated as the Washington Ranch-Delaware Gas Pool. The discovery well is the Black River Corporation BR 4 Federal Well No. 3 located in Unit H of Section 4, Township 26 South, Range 24 East, NMPM. Said pool would comprise:

TOWNSHIP 26 SOUTH, RANGE 24 EAST, NMPM
Section 4: NE/4

(c) Extend the West Atoka-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM
Section 1: All
Section 2: E/2
Section 12: All

(d) Extend the Atoka-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 12: W/2

(e) Extend the Burton Flat-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

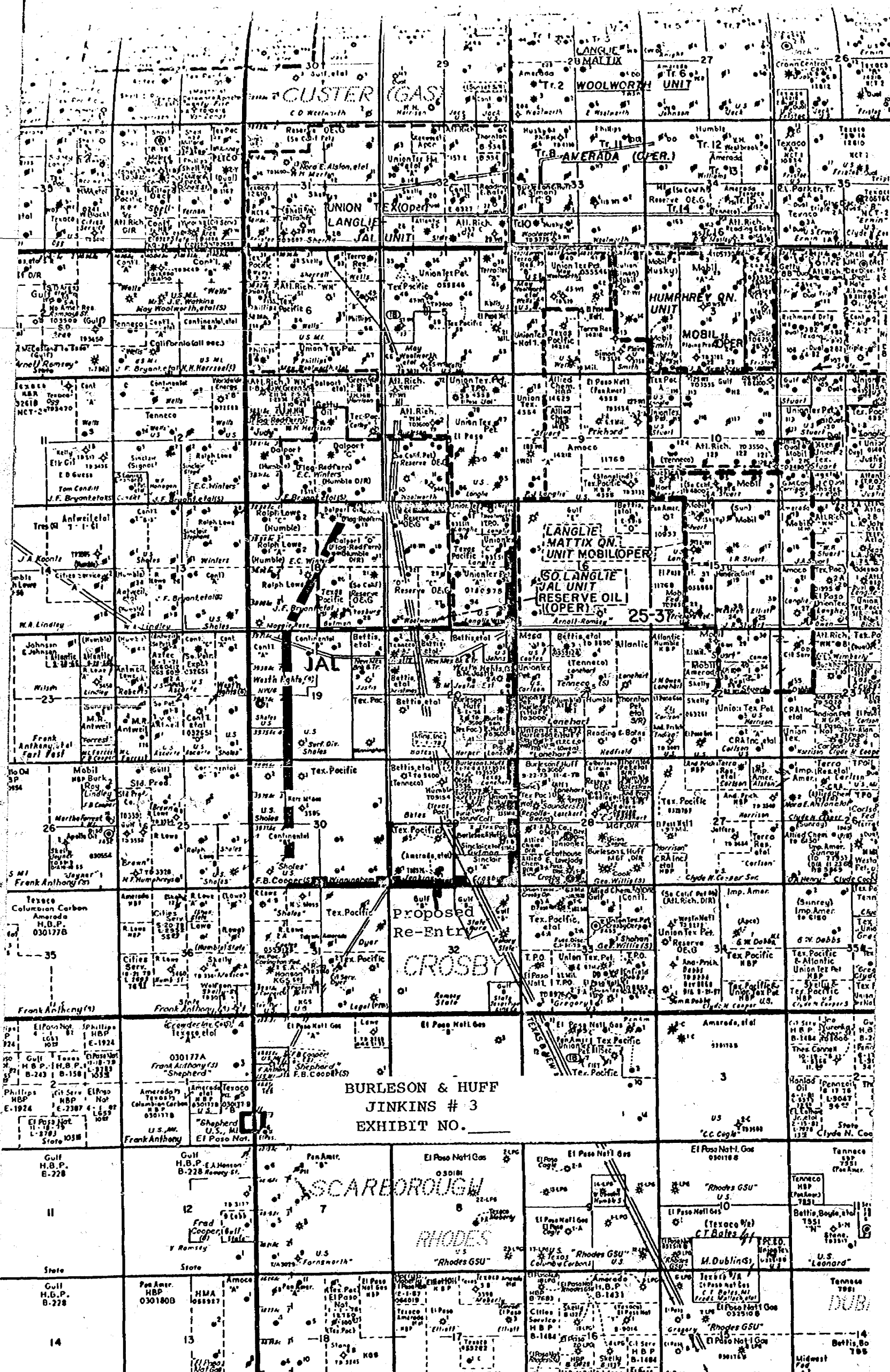
TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM
Section 27: S/2
Section 35: W/2

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 7: All
Section 11: All

(f) Extend the Burton Flat-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM
Section 35: W/2

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 11: All



BURLESON & HUFF
JINKINS # 3
EXHIBIT NO.

SCARBOROUGH
RHODES
"Rhodes GSU"

DUB

A F E

BURLESON & HUFF JINKINS NO. 3

OWWO - Texas & Pacific Jinkins No. 3, Unit N, Section 29, T-25-S,
R-37-E, Lea County, New Mexico, Jalmat Field

INTANGIBLES

Test Lower Zone:

| | |
|--|--------------------|
| 1. Pulling Unit, 15 days @ \$400.00 per day | \$ 6,750.00 |
| 2. Reverse Unit, Tank, 3 days @ \$500.00 per day | 1,500.00 |
| 3. Bit to drill cement | 200.00 |
| 4. Water for drill out & reverse unit | 150.00 |
| 5. Bridge plug, Perforate & Log | 1,000.00 |
| 6. Acidize | 2,500.00 |
| 7. Test & Swab, 5 days @ \$400.00 per day | 2,000.00 |
| 8. Dig Out Cellar - roustabout crews | 350.00 |
| | <u>\$14,500.00</u> |

Test Second or main Yates Zone:

| | |
|---|--------------------|
| 1. Bridge Plug, Perforate | 750.00 |
| 2. Acidize 1000 gallons | 1,500.00 |
| 3. Swab & Test, 3 days @ \$400.00 per day | 1,200.00 |
| | <u>\$ 3,450.00</u> |

TANGIBLES

| | |
|---------------------------------------|--------------------|
| 1. 3000' of tubing at \$2.00 per foot | 6,000.00 |
| 2. Well Head & Fittings | 500.00 |
| 3. Packer - Halliburton | 350.00 |
| | <u>\$ 6,850.00</u> |

TOTAL COSTS

| | |
|--|-------------|
| Test Lower Zone & Complete | \$21,350.00 |
| Test Second Zone & Complete in Second Zone | \$24,800.00 |
| Dry Hole including plugging and value of salvage | \$22,300.00 |

Exhibit No. _____

BURLESON & HUFF JINKINS NO. #3
Unit N, Section 29, T-25-S, R-37-E
Jalmat Field Lea County, N. M.

OWWO Texas & Pacific Jenkins No. 3

EXHIBIT NO. _____

Top Yates Sand

Main Jalmat Pay Zone

proposed perfs. if zone
No. 1 is not productive

2720'-31' 2744'-51'
2787'-96' 2820'-41'
2813-22'

Zone No. 2 - Main Yates Zone

Top 7-Rivers

To date - not producing
in this Area

proposed perfs:

2945'-70' 2999-3018'

Zone No. 1

P.B. 3040'

produced from Queen Sand 3287'-3335'

P&A - 1971

SCHUMBERGER WELL SURVEYING CORPORATION

Burleson & Huff
Company: OLSEN AND BLOUNT
Well: JINKINS # 3 Field: LAMBLE HAYES
County: LEA State: NEW MEXICO

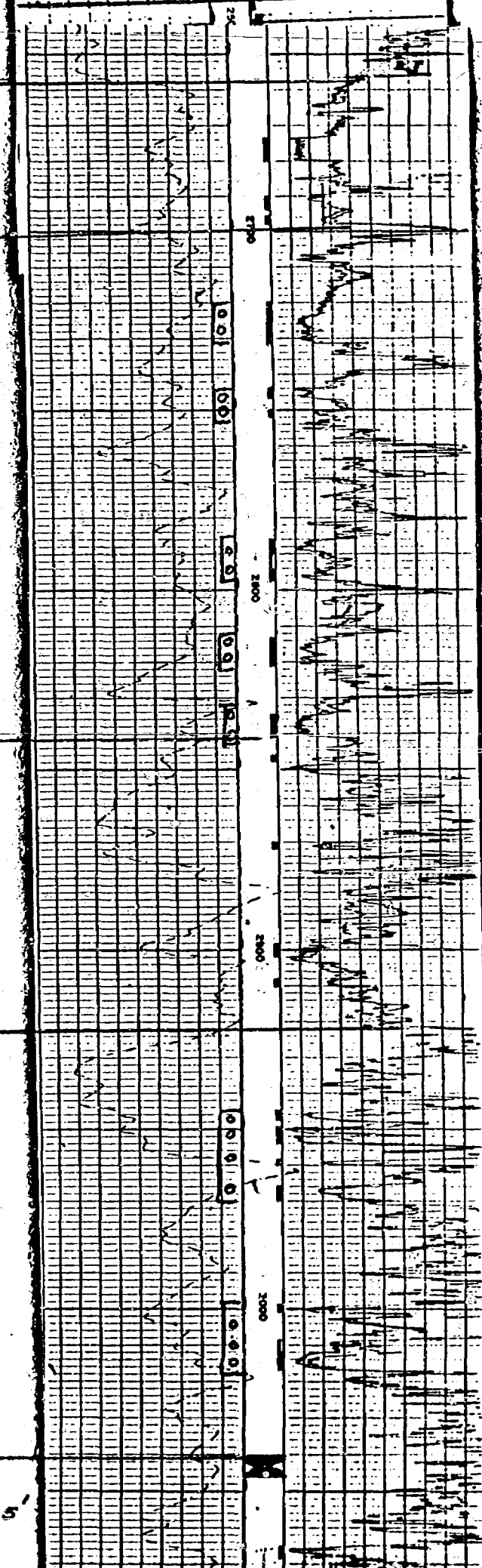
SPONTANEOUS POTENTIAL
millivolts

RESISTIVITY
ohms. m²/m

radioactivity increases

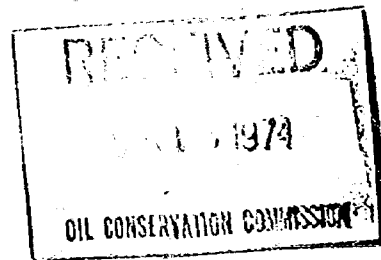
Micrologverse AO=1.5"

Micronormal AM=2"



BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF BURLESON & HUFF FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO



A P P L I C A T I O N

COMES NOW Burleson & Huff, P. O. Box 936, Midland, Texas, and apply to the Oil Conservation Commission of New Mexico for compulsory pooling of the SW/4 of Section 29, Township 25 South, Range 37 East, N.M.P.M., Lea County, New Mexico, from the surface to the base of the Queen formation, and in support thereof would show the Commission:

1. Applicant has the right to drill and develop said SW/4 of Section 29.
2. Applicant proposes to re-enter the Burleson & Huff (formerly Texas Pacific Oil Company) Jenkins No. 3 well, located 760 feet from the South line and 1980 feet from the West line of Section 29, clean it out to a depth sufficient to test the Queen formation at about 3000 feet, and to test the Yates formation at a depth interval from about 2650 feet to 2800 feet.
3. Applicant has sought to obtain voluntary agreement to the re-working of this well, but has been unable to obtain voluntary agreement from all mineral owners of interests underlying the proposes unit.
4. Interests which applicant seeks to force pool are listed with their ownership and addresses of the owners, to the best of applicant's information and belief, as follows:

Onez Norman Rooney
c/o Robert J. Emery
Lytle, Soule' & Emery
2210 First National Center
Oklahoma City, Oklahoma 73102 3/128

J. M. Richardson Lyeth, Jr. and
Munro Longyear Lyeth, Joint Tenants
c/o Robert J. Emery
Lytle, Soule' & Emery
2210 First National Center
Oklahoma City, Oklahoma 73102 3/128

F. D. Jones Estate
c/o Mr. Jonathan Moore
Texas Commerce Bank
P. O. Box 2558
Houston, Texas 77001 8% of 1/32

The Superior Oil Company
P. O. Box 1900
Midland, Texas 79701
attn: Mr. Raymond Parker 62% of 1/32

Mrs. Stanley Hess
6081 Woodway
Houston, Texas 77027 10% of 1/32

Metropolitan Royalty Corp.
c/o Mr. Milton Green
1776 Broadway
New York, N. Y. 10019 6/64

WHEREFORE applicant prays that this application be set for hearing before the Commission's Examiner at the next available Examiner Hearing on May 8, 1974, and that after notice and hearing as required by law the Commission enter its order pooling all of the mineral interest underlying the above-described tract, from the surface to the base of the Queen formation, together with an order designating applicant as operator, making provision for recovery of operator's costs of re-completing and equipping said well, costs of operation and supervision, and provision for recovery of a risk factor as provided by law, and for such other and further relief as may be proper.

Respectfully submitted,

BURLESON & HUFF

BY Jason W. Kellahin
KELLAHIN & FOX
P. O. Box 1769
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

DRAFT

dr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5233

Order No. R-4797

*Application of Burleson and Huff
for compulsory pooling, Lea County,
New Mexico*

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 8, 1974
at Santa Fe, New Mexico, before Examiner Richard L. Stinebaugh.

NOW, on this _____ day of _____, 19____, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

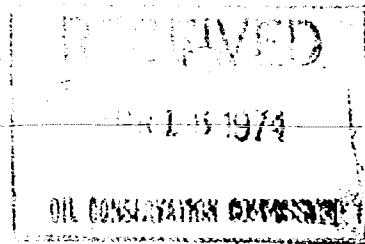
FINDS:

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

(2) That the applicant, Burleson and Huff,
seeks an order pooling all mineral interests down to and
including The Queen formation underlying the SW 1/4
of Section 29, Township 25 South, Range 37 East,
NMPM, _____, Lea County, New
Mexico.

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF BURLESON & HUFF FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO



A P P L I C A T I O N

Page 5233

COMES NOW Burleson & Huff, P. O. Box 936, Midland, Texas, and apply to the Oil Conservation Commission of New Mexico for compulsory pooling of the SW/4 of Section 29, Township 25 South, Range 37 East, N.M.P.M., Lea County, New Mexico, from the surface to the base of the Queen formation, and in support thereof would show the Commission:

1. Applicant has the right to drill and develop said SW/4 of Section 29.
2. Applicant proposes to re-enter the Burleson & Huff (formerly Texas Pacific Oil Company) Jenkins No. 3 well, located 760 feet from the South line and 1980 feet from the West line of Section 29, clean it out to a depth sufficient to test the Queen formation at about 3000 feet, and to test the Yates formation at a depth interval from about 2650 feet to 2800 feet.
3. Applicant has sought to obtain voluntary agreement to the re-working of this well, but has been unable to obtain voluntary agreement from all mineral owners of interests underlying the proposes unit.
4. Interests which applicant seeks to force pool are listed with their ownership and addresses of the owners, to the best of applicant's information and belief, as follows:

DOCKET MAILED

Date 4-25-74

See next page

Onez Norman Rooney
c/o Robert J. Emery
Lytle, Soule' & Emery
2210 First National Center
Oklahoma City, Oklahoma 73102

3/128

J. M. Richardson Lyeth, Jr. and
Munro Longyear Lyeth, Joint Tenants
c/o Robert J. Emery
Lytle, Soule' & Emery
2210 First National Center
Oklahoma City, Oklahoma 73102

3/128

F. D. Jones Estate
c/o Mr. Jonathan Moore
Texas Commerce Bank
P. O. Box 2558
Houston, Texas 77001

8% of 1/32

The Superior Oil Company
P. O. Box 1900
Midland, Texas 79701
attn: Mr. Raymond Parker

62% of 1/32

Mrs. Stanley Hess
6081 Woodway
Houston, Texas 77027

10% of 1/32

Metropolitan Royalty Corp.
c/o Mr. Milton Green
1776 Broadway
New York, N. Y. 10019

6/64

DOCKET MAILED

Date 4-25-74

WHEREFORE applicant prays that this application be set for hearing before the Commission's Examiner at the next available Examiner Hearing on May 8, 1974, and that after notice and hearing as required by law the Commission enter its order pooling all of the mineral interest underlying the above-described tract, from the surface to the base of the Queen formation, together with an order designating applicant as operator, making provision for recovery of operator's costs of re-completing and equipping said well, costs of operation and supervision, and provision for recovery of a risk factor as provided by law, and for such other and further relief as may be proper.

Respectfully submitted,

BURLESON & HUFF

BY Jason W. Kellahin
KELLAHIN & FOX
P. O. Box 1769
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

(3) That under said Section ²⁹~~25~~,
The lower 100 feet of the Seven Rivers
formation and all of the Queen
formation are within the vertical
limits of the Langlie Muffix Oil
Pool.

(4) That ~~the~~ oil wells ⁱⁿ ~~with~~ the
Langlie Muffix ~~Pool~~ are on
40-acre spacing units.

(5) That only the Tansill and Yates formations,
and ^{all of the} ~~lowermost~~ Seven Rivers formations except the
100 feet of ~~the top~~
~~of the Queen formation~~ should be
pooled to form a 160-acre
non-standard gas spacing and
proration unit consisting of
the SW/4 of said Section ²⁹~~25~~ in
the Juliet Gros Pool, Lea County,
New Mexico.

(6) That the applicant has the right to ~~drill~~ ^{recomplete} and proposes to ~~drill a well~~ ^{recomplete its Jenkins Well No 3 located in unit N of said section 25 as a gas well.}

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

(8) 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 gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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

(10) 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.

(11) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 100 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(12) 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.

(13) That following determination of reasonable well costs, any non-consenting working interest owner that 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.

(13) That \$25.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge 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.

(14) 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.

(15) That upon the failure of the operator of said pooled unit to commence ^{recompletion} ~~drilling~~ of the well to which said unit is dedicated on or before September 1, 1974, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Tansil, 1/4 Sec, and Seven Rivers ^{100 feet or more above the} ~~formations~~ ^{SW/4} underlying the SW/4 of Section 29, Township 25 South, Range 37 East, NMPM, Jalmat Gas Pool, Lea County, New Mexico, are hereby pooled to form a ~~standard~~ ^{non-standard} 160- acre gas spacing and proration unit to be dedicated ~~to a well to be drilled to~~ applicant's Jenkins Well No 3 located in unit N of said Section 29.

PROVIDED HOWEVER, that the operator of said unit shall commence the ^{recompletion} ~~drilling~~ of said well on or before the 1st day of September, 1974, and ~~shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the~~ formation.

PROVIDED FURTHER, that in the event said operator does not commence the ^{recompletion} ~~drilling~~ of said well on or before the 1st day of September, 1974, Order (1) of this order shall be null and void and of no effect whatsoever;

PROVIDED FURTHER, that should said well not be ~~drilled~~ ^{completed} ~~as a gas well in the Jalmat Gas Pool~~ ^{completion, or abandonment,} within 120 days after commencement of ~~workover operations,~~ thereof, said operator shall appear before the Commission and show cause why Order (1) of this order should not be rescinded.

(2) That Burgelson and Huff is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and ^{within} at least 30 days prior to commencing ^{workover operations on} said well, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(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.

(5) That the operator shall furnish the Commission 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 Commission and the Commission 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 Commission 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 that 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, 100 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 \$75.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge 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.

-6-

Case No.

Order No. R-

(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 interests 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 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 Commission of the name and address of said escrow agent within 90 days from the date of this order.

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

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