

CASE 5684: MORRIS R. ANTWEIL FOR
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO

CASE NO.

5684

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,

ETC.



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

#5684

TONEY ANAYA
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

March 26, 1984

Union Oil Company of California
Union Oil and Gas Division
Central Region
P.O. Box 671
Midland, Texas 79702

Attention: H. Rene Moulinet

Re: Laguna Deep Unit
T-19 and 20-S, R-33E,
Case No. 6182- Order No.
R-5684
Laguna Prospect (7729)
Lea County, NM

Dear Mr. Moulinet:

The above referenced submittal has been approved by the New Mexico Oil Conservation Division effective this date. Such approval is contingent upon like approval by the New Mexico Commissioner of Public Lands and the Bureau of Land Management.

Sincerely,

ROY E. JOHNSON
Petroleum Geologist

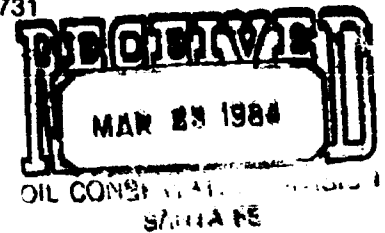
REJ/dp

cc: Commissioner of Public Lands - Santa Fe
Bureau of Land Management - Albuquerque
OCD District Office - Hobbs

Union Oil and Gas Division: Central Region

Union Oil Company of California
500 North Marienfeld, Midland, Texas 79701
P.O. Box 671, Midland, Texas 79702
Telephone (915) 682-9731

UNION



Robert V. Lockhart
District Land Manager
Midland District

March 21, 1984

Oil Conservation Division
Energy and Minerals Department
P. O. Box 2088
Santa Fe, New Mexico 87501

ATTN: Mr. Joe D. Ramey
Director

Gentlemen:


Laguna Deep Unit
T-19 and 20-S, R-33-E, N.M.P.M.
Case No. 6182 - Order No. R-5684
Laguna Prospect (7729)
Lea County, New Mexico

Enclosed for your review, please find two (2) copies of Union Oil Company of California's "1984 Plan of Development and Operation for Laguna Deep Unit Area".

Union, as Operator, respectfully requests your consideration and approval of this plan. Should you have any additional questions, please contact the undersigned.

Sincerely yours,

UNION OIL COMPANY OF CALIFORNIA


H. Rene' Moulinet
Sr. Landman

HRM:gjl

Enclosure
Certified: P220602752

1984 PLAN OF DEVELOPMENT AND OPERATION

FOR

Laguna Deep Unit Area
Lea Co., NM

TO:

UNION OIL COMPANY OF CALIFORNIA, as Unit Operator for the Laguna Deep Unit Area, pursuant to the provisions of Section 10 of the Unit Agreement for development and operation of the Laguna Deep Unit Area, dated June 22, 1978, (No. 14-08-0001-16905), respectfully submits for approval this 1984 Plan of Development and Operation for the Laguna Deep Unit Area. This plan is for the period ending December 31, 1984.

SUMMARY OF 1983 OPERATIONS:

No new wells were drilled within the Unit in 1983. Well No. 2, however, was recompleted from the Lower Morrow, where it had been depleted, to the Middle Morrow zone in May, 1983. Currently, No. 2 produces 457 MCFPD plus 7 BCPD. Well No. 1 is currently producing Lower Morrow gas at a rate of 695 MCFPD plus 46 BCPD. Well No. 3, also a Lower Morrow producer, has suffered a severe drop in bottom hole pressure and was shut-in in September, 1983, after liquid loading in the wellbore stifled gas production.

PLAN OF DEVELOPMENT AND OPERATIONS FOR 1984:

Union has no plans to drill any new wells in the Unit during 1984. Based on the apparent successful recompletion of Well No. 2, Union will evaluate Well No. 3 for a similar recompletion from the Lower Morrow to the Middle Morrow in 1984.

Our Plan may be modified or supplemented from time to time with the necessary approval needed, when necessary to meet changed conditions or to protect the interest of all parties to the Unit Agreement.

SUBMITTED this 21st day of March, 1984.

UNION OIL COMPANY OF CALIFORNIA

By: Robert V. Lockhart
Robert V. Lockhart
District Land Manager

1984 PLAN OF DEVELOPMENT AND OPERATION

FOR

Laguna Deep Unit Area
Lea Co., NM

TO:

UNION OIL COMPANY OF CALIFORNIA, as Unit Operator for the Laguna Deep Unit Area, pursuant to the provisions of Section 10 of the Unit Agreement for development and operation of the Laguna Deep Unit Area, dated June 22, 1978, (No. 14-08-0001-16905), respectfully submits for approval this 1984 Plan of Development and Operation for the Laguna Deep Unit Area. This plan is for the period ending December 31, 1984.

SUMMARY OF 1983 OPERATIONS:

No new wells were drilled within the Unit in 1983. Well No. 2, however, was recompleted from the Lower Morrow, where it had been depleted, to the Middle Morrow zone in May, 1983. Currently, No. 2 produces 457 MCFPD plus 7 BCPD. Well No. 1 is currently producing Lower Morrow gas at a rate of 695 MCFPD plus 46 BCPD. Well No. 3, also a Lower Morrow producer, has suffered a severe drop in bottom hole pressure and was shut-in in September, 1983, after liquid loading in the wellbore stifled gas production.

PLAN OF DEVELOPMENT AND OPERATIONS FOR 1984:

Union has no plans to drill any new wells in the Unit during 1984. Based on the apparent successful recompletion of Well No. 2, Union will evaluate Well No. 3 for a similar recompletion from the Lower Morrow to the Middle Morrow in 1984.

Our Plan may be modified or supplemented from time to time with the necessary approval needed, when necessary to meet changed conditions or to protect the interest of all parties to the Unit Agreement.

SUBMITTED this 21st day of March, 1984.

UNION OIL COMPANY OF CALIFORNIA

By: Robert V. Lockhart
Robert V. Lockhart
District Land Manager

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
May 26, 1976

EXAMINER HEARING

IN THE MATTER OF:

Application of Morris R. Antweil for
compulsory pooling, Eddy County,
New Mexico.

CASE
5684

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil
Conservation Commission:

William F. Carr, Esq.
Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant:

Donald G. Stevens, Esq.
Attorney at Law
214 Old Santa Fe Trail
Santa Fe, New Mexico

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

I N D E X

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Page

R. M. WILLIAMS

Direct Examination by Mr. Stevens

3

Cross Examination by Mr. Stamets

11

EXHIBIT INDEX

Page

Applicant's Exhibit 1, Forms C-101 & 102

11

Applicant's Exhibit 2, Map

11

Applicant's Exhibit 3, AFE

11

Applicant's Exhibit 4, Area Map

11

sid murrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

sid morrish reporting service
General Court Reporting Service
821 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 MR. STAMETS: We will call next Case 5684.

2 MR. CARR: Case 5684, application of Morris R.
3 Antweil for compulsory pooling, Eddy County, New Mexico.

4 MR. STEVENS: Mr. Examiner, I'm Don Stevens,
5 attorney in Santa Fe, representing the applicant in this
6 case. However, if I might prior to undertaking this, I'm
7 also representing C & K Petroleum on the next case, 5685,
8 at this time they would like to dismiss this case, they have
9 reached agreement with all non-operators about ten minutes
10 ago.

11 MR. STAMETS: Okay. We will just stop on this one
12 and call 5685 and dismiss that.

13 (THEREUPON, the Case was in recess.)

14 MR. STAMETS: Now, Mr. Stevens, you may proceed
15 with Case 5684.

16 MR. STEVENS: Mr. Examiner, we have one witness to
17 be sworn.

18 (THEREUPON, the witness was duly sworn.)

19
20 R. M. WILLIAMS

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

23
24 DIRECT EXAMINATION

25 BY MR. STEVENS:

1 Q Will you state your name, your address, your
2 occupation and by whom you are employed?

3 A R. M. Williams, I live in Hobbs, New Mexico and
4 I'm employed by Morris R. Antweil as an Engineer.

5 Q Have you previously testified before this Commission
6 and had your qualifications accepted by it?

7 A Yes, I have.

8 MR. STEVENS: Mr. Examiner, do you accept the
9 witness's qualifications?

10 MR. STAMETS: Yes.

11 Q (Mr. Stevens continuing.) Briefly, Mr. Williams,
12 would you state what the Applicant seeks in this application?

13 A He seeks a forced pooling order of all mineral
14 interests in the Wolfcamp and Pennsylvanian formations under-
15 lying the west half of Section 11, Township 22 South, Range
16 26 East, South Carlsbad Field, Eddy County, New Mexico. That
17 is lands to be dedicated to our No. 1 Mesa Grande Well.

18 Q Is this location actually within the confines of
19 the South Carlsbad or would it be classified as a wildcat?

20 A I think really it is a wildcat. It is more than
21 two miles from the closest South Carlsbad well.

22 Q Referring to what has been marked as Exhibit Number
23 One, the New Mexico C-101, would you briefly explain it for
24 the Commission?

25 A Our Exhibit Number One is the application to drill,

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 992-9212

1 a permit to drill. It is the Commission Form C-101 and the
2 accompanying plat, Form C-102, showing the acreage to be
3 dedicated to the proposed well. We are proposing to dedicate
4 the west half of Section 11, Township 22 South, Range 26
5 East.

6 Q That is a standard location for a gas well, is
7 it not?

8 A Yes, the location is a standard location, it is a
9 standard proration unit.

10 Q Now, referring to what has been marked as Exhibit
11 Number Two, would you explain it, please?

12 A Exhibit Number Two shows the reason for our request
13 of a forced pooling hearing. We have an area within the
14 proposed dedication acreage. The ownership is in controversy.
15 On Exhibit Two there is a map attached which shows what is
16 called the Brazeal lease. It is a sixty-acre lease that is
17 outlined on the map in red, with a red line. The west forty
18 acres of the Brazeal lease is included in the proposed proration
19 unit, being the northeast quarter of the southwest quarter of
20 that Section. In that forty acres, then that was subdivided
21 by Brazeal and he sold off lots and did not reserve the
22 minerals. The deeds of these sales of lots were recorded in
23 the courthouse in Carlsbad. Subsequent to that recording
24 another instrument was filed by Brazeal assigning the minerals
25 to his sons and including all of the acreage that he had

sid morrinh reporting service
General Court Reporting Service
325 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 already deeded in these lots. So, the ownership of those
2 minerals is in some doubt.

3 The mineral deed from Brazeal to his sons pre-dated
4 any of the subdivision deeds but was not recorded until
5 afterwards. When this came to our attention we requested a
6 forced pooling hearing to protect ourselves. Since that date
7 and until the time of the hearing, we have been able to
8 secure protection leases from the deeded owners of the land,
9 all of those lands that are colored yellow on the map. I
10 think there are eighteen tracts that we have secured protection
11 leases on.

12 The area that remains white on the map, there is
13 no doubt that Brazeal retained the minerals in that land there
14 and we have a lease from Brazeal.

15 The cross-hatched acreage, the one tract, one of
16 Block Four of the subdivision, that is cross-hatched with a
17 blue, we have a protection lease on two-thirds of that tract.
18 The other third is held, one-sixth each by the minor children
19 of Mr. Dowell Lee that we obtained the lease from.

20 We are presently trying to secure court approval
21 where the father can sign for these minor children and we
22 can secure that lease.

23 The tract that is colored solid blue on the map,
24 Lot Seven of Block Two of the subdivision, is owned by a
25 Mr. Bill Bernhardt who has a house on that lot in Carlsbad

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 that has been difficult to locate. He drives a truck and
2 sleeps in his truck. He has been divorced, the ownership of
3 his divorced wife is in question and we have been unable to
4 secure a lease from him and are attempting to. Our last
5 reports on his whereabouts is he had a disagreement with a
6 police officer in Carlsbad and bit the officer's finger off
7 so he might be harder to find.

8 But our ownership problem is fairly well resolved
9 since we have made our application but we do have this one
10 small problem left.

11 Q Mr. Williams, you do plan to continue looking for
12 this possible owner of this interest?

13 A Yes, we have a man who keeps his hands in his
14 pockets that is going to look for him.

15 Q In that connection you would allow him any time
16 subsequent to the completion of the well to join before
17 you get to the pay zone, I presume?

18 A Yes.

19 Q And you will offer him a lease on the same basis
20 as you made the others, is that correct?

21 A Yes, sir.

22 Q Okay, Mr. Williams, referring now to Exhibit Number
23 Three, the AFE, would you go over it please?

24 A Exhibit Number Three is our cost estimate of the
25 proposed well. The total cost is estimated at four hundred

1 and sixty-five thousand dollars.

2 Q Mr. Antweil has drilled numerous other wells in this
3 area, has he not?

4 A Yes.

5 Q Are those costs in line with those wells and with
6 other operator's costs in the area?

7 A I think so.

8 Q Referring to Exhibit Number Four.

9 A Exhibit Number Four shows the area of the proposed
10 well. The proposed well is marked in Section 11 and all of the
11 nearby wells are spotted on the map and indicated as to what
12 zone they produce from. The closest well to our proposed
13 well is the Gulf No. 1 Olive Well in Section 14 of 22, 26 and
14 it produces from the Wolfcamp. It is really a poor well or
15 a salvage completion.

16 The closest Morrow Well is the Texas Oil and Gas
17 Well in Section 13 of 22, 26. It is a Morrow completion but
18 it is also a fairly poor Morrow completion.

19 The well is in excess of two miles from a Morrow
20 completion, which is our primary zone of interest. We
21 consider it to be a wildcat and a fairly high risk well.

22 Q In that connection, how risky are the wells drilled
23 absolutely within the South Carlsbad Field itself?

24 A I think most of the operators consider the operation
25 fairly risky. If you look on the map there, along the right-

sid morrish reporting service

General Court Reporting Service
625 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 hand edge of the map in Section 5 of 22, 27, Belco drilled a
2 well in Unit "J" of that section and got a very good well.
3 They moved over to Unit "F" and drilled a well at that location,
4 approximately two thousand feet away from their initial well
5 and got a dry hole. I think that points up the risk that has
6 been encountered in the Carlsbad area with Morrow development.

7 Q On the basis of this risk do you have a recommendation
8 to the Commission as to a penalty which should be exacted
9 against non-joiners or non-leasers to you?

10 A Yes, we would recommend a two hundred percent risk
11 penalty be assessed. We consider this well as a wildcat and
12 more risky than wells in the South Carlsbad Field. Several
13 of the wells have been force pooled in the South Carlsbad and
14 have enjoyed a hundred and fifty percent and some even two
15 hundred percent penalties and I think this well would certainly
16 have comparable, if not more risk. I would also point out that
17 we are actually not force pooling working interests but just
18 unleased mineral interests and the mineral interest owner will
19 be receiving his royalty even though he is force pooled.

20 Q In effect then, he would receive one-eighth royalty
21 regardless and not subject to the risk but his working interest
22 which is unleased would be subject to the penalty assessed by
23 the Commission if it did so?

24 A That's right.

25 Q Does Morris R. Antweil, the applicant, desire to be

sid morrison reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9712

sid morrison reporting service
General Court Reporting Service
 825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
 Phone (505) 982-9212

1 the operator of this unit?

2 A Yes.

3 Q Do you have a recommendation as to what might be
 4 charged for administrative overhead for drilling and monthly
 5 operating expenses?

6 A Yes, we have working interest partners in the well
 7 and have an operating agreement. That operating agreement
 8 provides for an overhead charge of fifteen hundred dollars
 9 per month per drilling well and two hundred dollars per
 10 month for a producing well.

11 Q In your opinion is this reasonable compared with
 12 other costs in the area?

13 A Yes.

14 Q Also in your opinion will the granting of this
 15 application tend to prevent waste and protect correlative
 16 rights?

17 A Yes.

18 Q Were Exhibits One through Four prepared by you or
 19 under your direction?

20 A Yes.

21 MR. STEVENS: At this time we would like to move
 22 the introduction of the exhibits, Mr. Examiner. We have no
 23 further questions on direct.

24 MR. STAMETS: The exhibits will be admitted.

25

1 (THEREUPON, Applicant's Exhibits One
2 through Four were admitted into evidence.)
3

4 CROSS EXAMINATION

5 BY MR. STAMETS:

6 Q Mr. Williams, on this acreage it would appear to
7 have two owners, assigned two different times, how will you
8 approach the two sets of owners as to their share of the well
9 costs?

10 A They don't share in the well costs. What's going
11 to be in question will be, who has the valid ownership to
12 the royalty interest or the mineral interest. We have
13 obtained leases from both parties that claim to own the land
14 and, therefore, we have the working interest and are paying
15 the well cost.

16 Q Okay, so that will not be a problem?

17 A No.

18 MR. STAMETS: Any other questions of the witness?
19 He may be excused.

20 (THEREUPON, the witness was excused.)

21 MR. STAMETS: Anything further in this case? We
22 will take the case under advisement.

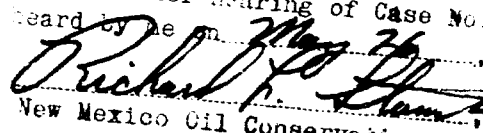
23 We will take a short recess.
24
25

REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand 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.


Sidney F. Morrish, C.S.R.

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 987-9212

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 5684
heard by me on May 26, 1976.

Richard P. Ham, Examiner
New Mexico Oil Conservation Commission

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. 5684
Order No. R-5222

APPLICATION OF MORRIS R. ANTWEIL FOR
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 26, 1976, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 1st day of June, 1976, 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, Morris R. Antweil, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the W/2 of Section 11, Township 22 South, Range 26 East, NMPM, South Carlsbad Field Area, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill his Mesa Grande Well No. 1 at a point 1980 feet from the North line and 1980 feet from the West line of said Section 11.

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

(5) 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.

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

(7) 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.

(8) 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 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) 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.

(10) 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.

(11) That \$1500.00 per month while drilling, and \$200.00 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.

(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.

(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 September 1, 1976, 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 Wolfcamp and Pennsylvanian formations underlying the W/2 of Section 11, Township 22 South, Range 26 East, NMPM, South Carlsbad Field Area, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to applicant's Mesa Grande Well No. 1, to be drilled 1980 feet from the North line and 1980 feet from the West line of said Section 11.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of September, 1976, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Wolfcamp and Pennsylvanian formations;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of September, 1976, Order (1) of this order shall be null and void and of no effect whatsoever; unless said operator obtains a time extension from the Commission 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 Commission and show cause why Order (1) of this order should not be rescinded.

(2) That Morris R. Antwell 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 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, 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 \$1500.00 per month while drilling, and \$200.00 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 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 Eddy 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.

-5-

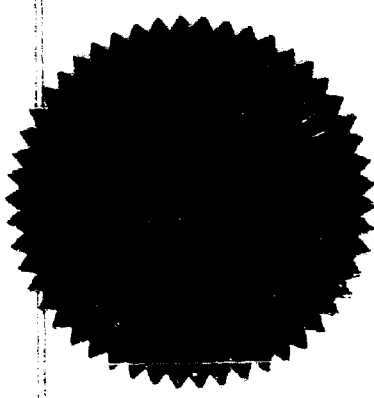
Case No. 5684

Order No. R-5222

(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


Phil R. Lucero
PHIL R. LUCERO, Chairman

Emery C. Arnold
EMERY C. ARNOLD, Member

Joe D. Ramey
JOE D. RAMEY, Member & Secretary

S E A L

dr/

NO. OF COPIES RECEIVED	
DISTRIBUTION	
SANTA FE	
FILE	
U.S.G.S.	
LAND OFFICE	
OPERATOR	

NEW MEXICO OIL CONSERVATION COMMISSION

30-015-21815
Form C-101
Revised 1-1-65

RECEIVED

MAY 6 1976

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK			
1a. Type of Work b. Type of Well OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input checked="" type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>			
2. Name of Operator Morris R. Antweil			
3. Address of Operator Box 2010, Hobbs, New Mexico 88240			
4. Location of Well UNIT LETTER F LOCATED 1980 FEET FROM THE North LINE AND 1980 FEET FROM THE West LINE OF SEC. 11 TWP. 22S RGE. 26E NMPM			
5. Indicate Type of Lease STATE <input type="checkbox"/> FEDERAL <input checked="" type="checkbox"/>			
6. State Oil & Gas Lease No.			
7. Unit Agreement Name			
8. Farm or Lease Name Mesa Grande			
9. Well No. 1			
10. Field and Pool, or Wildcat Wildcat			
12. County Eddy			
19. Proposed Depth 11,500'		19A. Formation Morrow	20. Rotary or C.T. Rotary
21. Elevations (Show whether DF, RT, etc.) 3152' GR	21A. Kind & Status Plug. Bond Blanket	21B. Drilling Contractor Not Selected	22. Approx. Date Work will start 20 May 1976

PROPOSED CASING AND CEMENT PROGRAM					
SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
17-1/2"	13-3/8"	52#	300'	300 sx.	circulated
12-1/4"	9-5/8"	36# & 40#	2700'	*	circulated
8-3/4"	5-1/2"	15.5, 17, 20#	11500'	**	9500'

* 9-5/8" cementing in 2 stages with DU tool at top of Delaware:
1st. stage- 2700'-2000' - 300 sx. Class "C" Cement.
2nd. stage- 2000' - surface- 500 sx. thick-set cement, 300 sx.
Halliburton lite & 300 sx. Class "C" w/2% CaCl₂.

**5-1/2" cementing program: 250 sx. Halliburton lite & 325 sx. Class "H".

BOP Program: 1- 10" X1500 series double Shaffer BOP
1- 10' X1500 series Hydril.

Acreage dedicated to proposed well is not committed to a gas contract.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.		BEFORE EXAMINER STAMETS OIL CONSERVATION COMMISSION EXHIBIT NO. 1		APPROVAL VALID FOR 90 DAYS UNLESS DRILLING COMMENCED, EXPIRES 8-20-76	
I hereby certify that the information above is true and complete to the best of my knowledge and belief.		CASE NO. 5684		Date 5 May 1976	
Signed <u>R. M. Williams</u>		Agent		Hearing Date 26 May 76	
(This space for State Use)		Submitted by <u>Applicant</u>		MAY 20 1976	
APPROVED BY <u>W. A. Gressett</u>		TITLE SUPERVISOR, DISTRICT II		DATE	
CONDITIONS OF APPROVAL, IF ANY: Subject to case # 5684 5-26-76		Cement must be circulated to surface behind 13 3/8" & 9 5/8" casing		Notify N.M.O.C.C. in sufficient time to witness cementing the 9 5/8" casing	

EXHIBIT

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form O-102
Supersedes O-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section

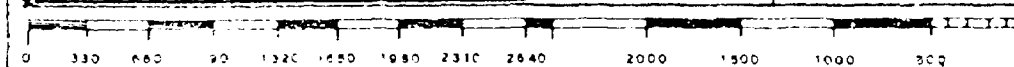
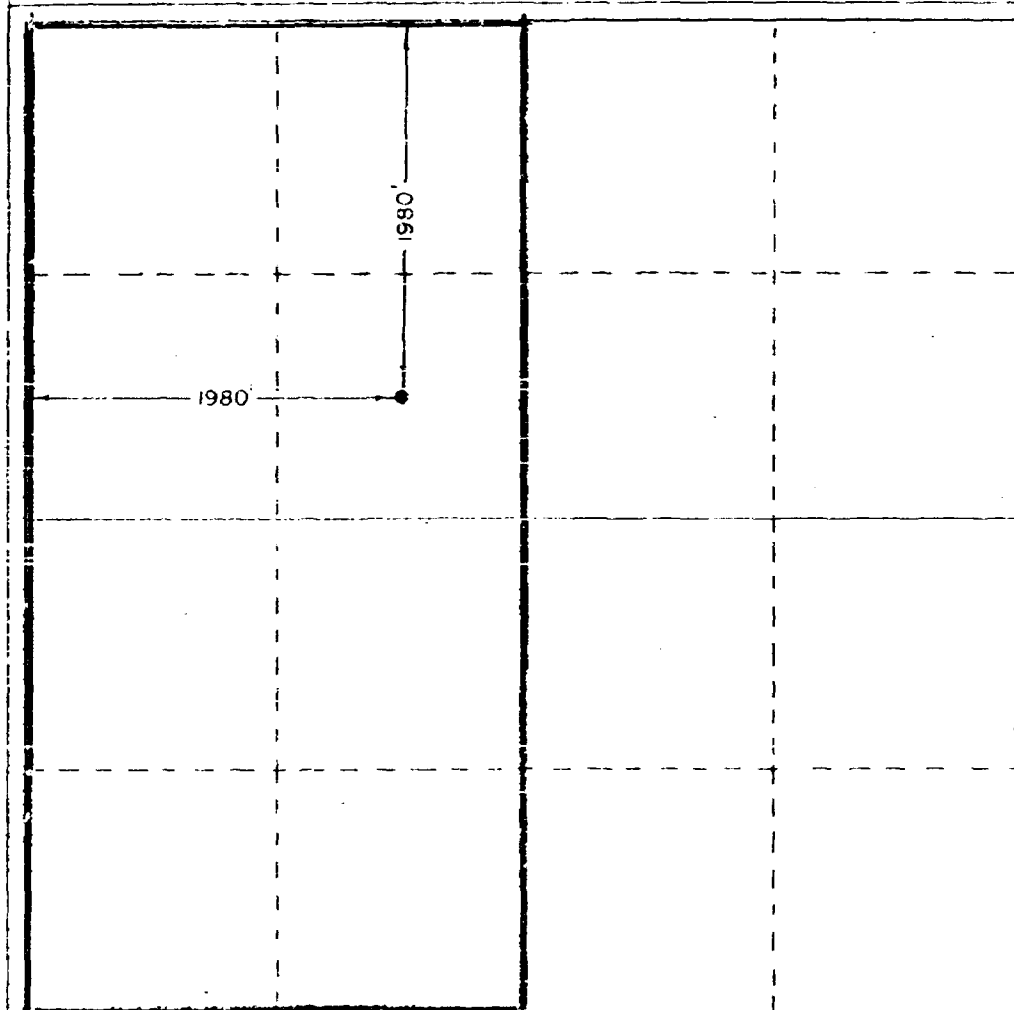
Operator Morris R. Antweil		Lease Mesa Grande		Acres 1
Unit Letter F	Section 11	Township 22 South	Range 26 East	County Eddy
Actual Well Location of Well:				
1980	feet from the	North	line and	1980
Ground Level Elev. 3151.7	Producing Formation Morrow		Pool Wildcat	Estimated Acreage 320

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty). **See Reverse Side.**
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☒ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) **Majority W.I. consolidated - force pooling requested.**

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

R. M. Williams

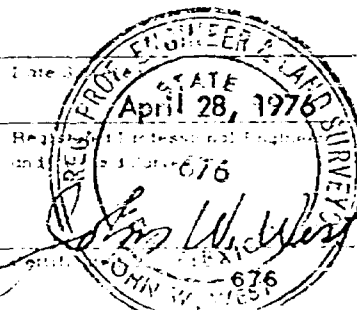
Name
R. M. Williams

Position
Agent

Company
Morris R. Antweil

Date
5 May 1976

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.



AREA OF OWNERSHIP CONTROVERSY

Area Outlined in Red - 60-acre Brazeal lease.

White area clearly belongs to Brazeal.

Tracts Colored Yellow - 18 tracts on which we have secured protection leases.

Tract Colored Blue - Lot 7, Blk. 2, Brazeal Subd.

Possibly owned by:

Bill Bernhardt

Jewel Street

Carlsbad, N.M.

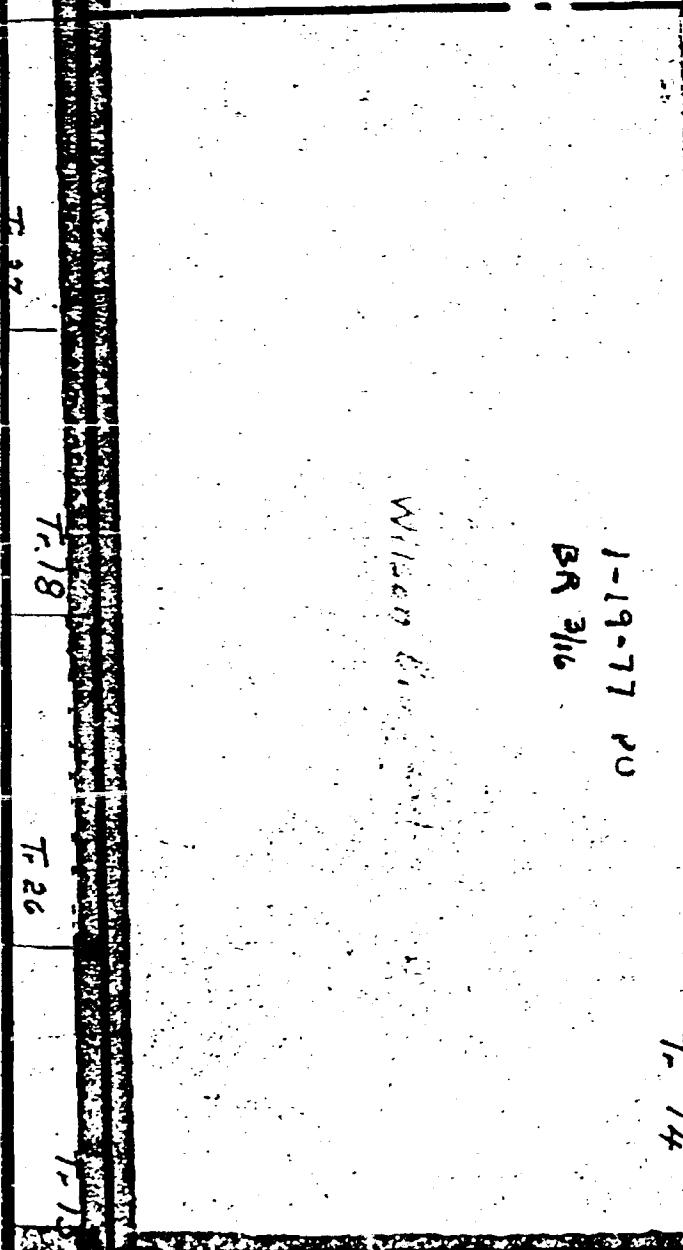
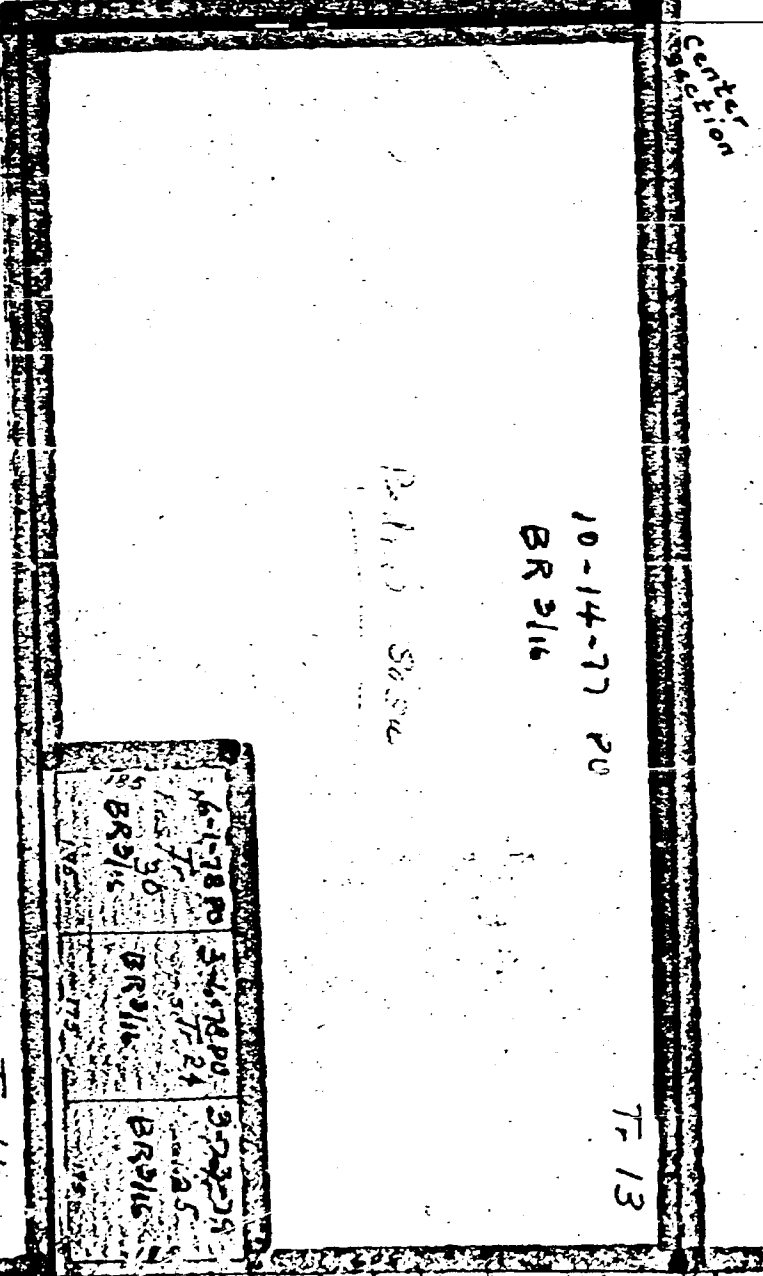
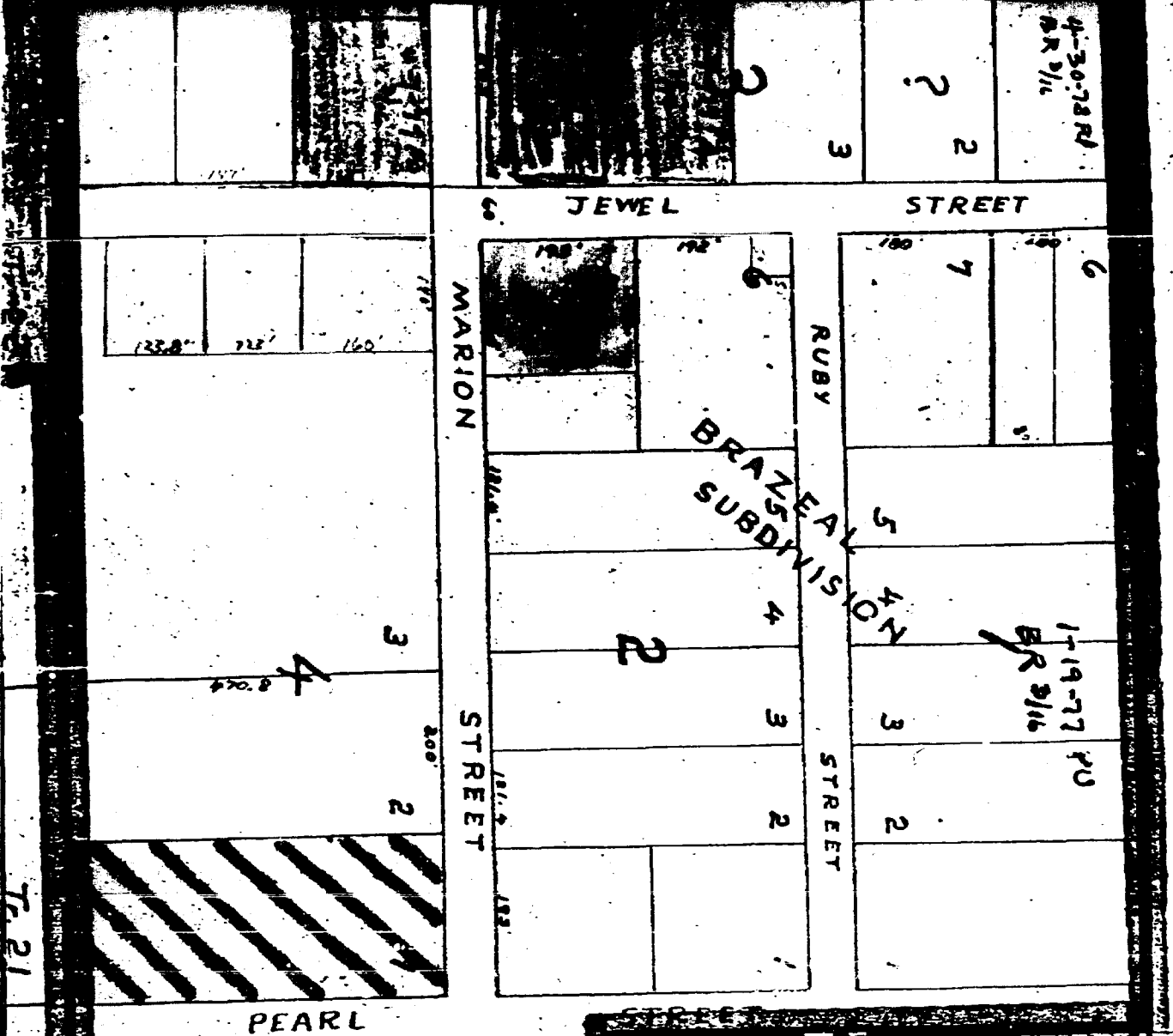
Interest of his divorced wife in question.

Tract Cross-hatched in Blue - Lot 1, Blk. 4, Brazeal Subd.

We have obtained protection lease from James Dowley and his daughter, Glenda Joyce Dowley Crum for 2/3 of interest. The remaining 1/3 is held 1/6 each by the minor children of James Dowley: James Henry Dowley and Tonya Jo Dowley. We are attempting to secure appointment of a guardian so a lease can be obtained.

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
EXHIBIT NO.	2
CASE NO.	5684
Submitted by	Applicant
Hearing Date	30 May 76

EXHIBIT 2



AFE - COST ESTIMATE

NO. 1 MESA GRANDE

F-11-22-26

ITEM	TANGIBLE	INTANGIBLE	TOTAL
<u>COST TO DRILL 11,500-FOOT TEST</u>			
Roads, Location & Damages	\$	\$ 12,000	\$ 12,000
Footage Drilling-11,500'			
@ \$11.20/ft.		128,800	128,800
Day-work Operations-6 Days			
@ \$2,750/day		16,500	16,500
Mud & Water		24,000	24,000
Surface Casing-300', 13-3/8"			
@ \$15.50/ft.	4,650		4,650
Cement & Service-13-3/8" Casing		1,750	1,750
Intermediate Casing-2,700', 9-5/8"			
@ \$ 9.50/ft.	25,650		25,650
Cement & Service - 9-5/8" Casing		11,250	11,250
Drill Stem Test Service-2 DST's		2,000	2,000
Logging Service-Comp. Sonic-Neutron			
Density, DLL & MLL		17,100	17,100
Rental Tools & Equipment		3,000	3,000
Wellhead & Connections	3,000		3,000
Supervision & Expenses		2,500	2,500
Transportation & Misc. Labor		4,000	4,000
Contingencies		26,300	26,300
COST TO CASING POINT	\$ 33,300	\$ 249,200	\$ 282,500

COMPLETION COSTS

Production Casing-11,500', 5-1/2"			
@ \$ 6.70/ft.	\$ 77,050		\$ 77,050
Cement & Service - 5-1/2" Casing		5,500	5,500
Day-work-2 Days @ \$2,650/Day		5,300	5,300
Well Service Unit-10 Days		6,000	6,000
Perforating Service & Permanent			
Packer		5,000	5,000
Tubing-11,300', 2-3/8", N			
@ \$ 2.35/ft.	26,550		26,550
Rental Tools & Equipment		1,000	1,000
Acid Treatment		7,000	7,000
Wellhead & Connections	7,000		7,000
Separator - Treater Unit	20,000		20,000
Supervision & Expenses		3,500	3,500
Transportation & Misc. Labor		5,000	5,000
Contingencies		13,600	13,600
COMPLETION COST	\$ 130,600	\$ 51,900	\$ 182,500

COMPLETION COST
OIL CONSERVATION COMMISSION

EXHIBIT NO. 3

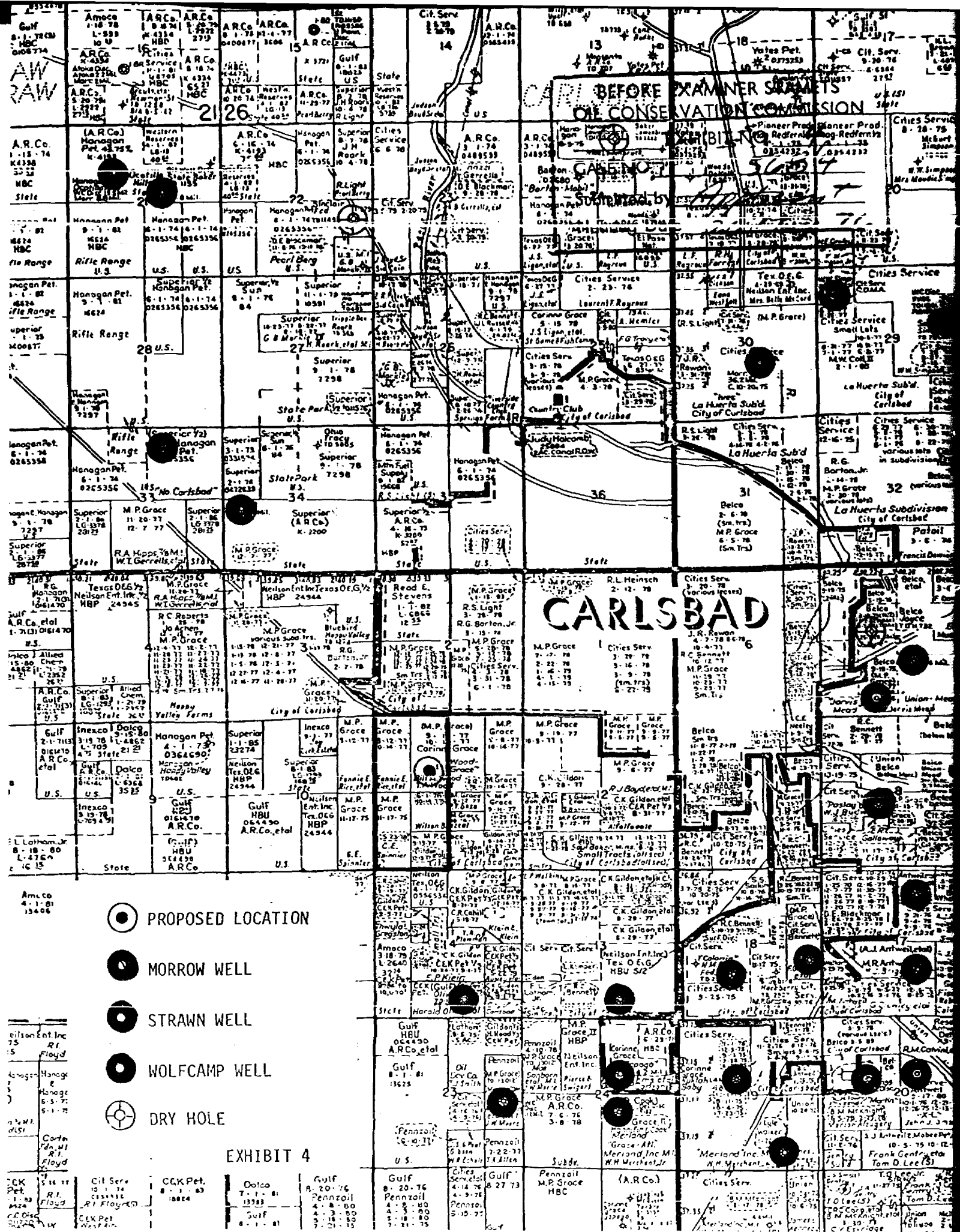
TOTAL AFE COST 568,400

\$ 163,900 \$ 301,100 \$ 465,000

Submitted by Applicant

Hearing Date 26 11 24 76

EXHIBIT 3



Dockets Nos. 16-76 and 17-76 are tentatively set for hearing on June 9 and June 23, 1976. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 26, 1976

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. Stanets, Examiner, or Daniel S. Nutter, Alternate Examiner:

CASE 5473: (Reopened) (Continued from May 12, 1976 Examiner Hearing)

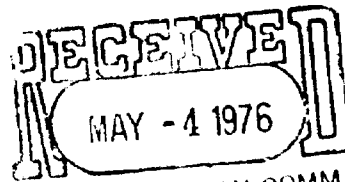
In the matter of Case 5473 being reopened pursuant to the provisions of Order No. R-5029, which order established special rules and regulations for the West Knowles-Drinkard Pool, Lea County, New Mexico, including a provision for 80-acre spacing and proration units. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units.

CASE 5684: Application of Morris R. Antwell for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the W/2 of Section 11, Township 22 South, Range 26 East, South Carlsbad Field, Eddy County, New Mexico, to be dedicated to applicant's Mesa Grande Well No. 1 to be drilled 1980 feet from the North and West lines of said Section 11. 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. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5685: Application of C & K Petroleum, Inc. 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 all of Section 15, Township 24 South, Range 26 East, White City-Pennsylvanian Gas Pool, Eddy County, New Mexico, to be dedicated to a well to be drilled at an orthodox location in Unit K of said Section 15. 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. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5686: Application of Anadarko Production Company for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in the Loco Hills Pool by the injection of water into the Premier Sand formation through its Federal "L" Well No. 2, located in Unit E of Section 31, Township 17 South, Range 30 East, Eddy County, New Mexico. Applicant further seeks an administrative procedure for expansion of the project by approval of additional injection and production wells at standard and non-standard locations.

CASE 5687: Application of Atlantic Richfield Company for an unorthodox gas well location and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to simultaneously dedicate a previously approved 160-acre non-standard gas proration unit comprising the SW/4 of Section 25, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to its J. M. Brownlee Well No. 4, located in Unit N of said Section 25 and to its Brownlee Well No. 1, at an unorthodox gas well location 2310 feet from the South and West lines of said Section 25.



Case 5684

OIL CONSERVATION COMM.
Santa Fe

BEFORE THE

OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF MORRIS R. ANTWEIL FOR COMPULSORY
POOLING OF HIS #1 MESA GRANDE WILD-
CAT WELL, EDDY COUNTY, NEW MEXICO

A P P L I C A T I O N

COMES NOW Morris R. Antweil, as provided by Section 65-31-4, New Mexico Statutes, 1953, as amended, applies to the Oil Conservation Commission of New Mexico for an order pooling all the mineral interests in and under the W/2 of Section 11, Township 22 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, from the surface to the base of the Morrow formation, and in support thereof Applicant would show:

1. Applicant is the owner of the right to drill and develop the following described acreage: W/2 of Section 11, Township 22 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

2. Applicant has obtained voluntary agreement for pooling from the surface to the base of the Morrow formation from all known owners of mineral rights under the subject leasehold but has reason to believe there may be title defects and possibly unknown owners under the subject lease.

3. Applicant requests that it be designated operator of the pooled unit requested above.

4. For reasons stated in Paragraph 2 above, applicant has been unable to obtain agreement for the pooling of any possible unpooled interests indicated in said Paragraph 2, and in order to avoid the drilling of unnecessary wells to protect correlative rights, and to prevent waste, the Commission should pool all interests in the spacing or proration unit as a unit.

5. The risk and expense of drilling and completing the well is great and if any owners of any other possible interests in the

W/2 Section 11 do not choose to pay their share of the cost of drilling and completion, applicant should be allowed a reasonable charge for the supervision and a charge for the risk involved in addition to recovery of the actual cost of drilling and completing the well.

WHEREFORE, Applicant respectfully requests that the Commission set this matter for hearing before the Commission's duly appointed examiner, and that after notice and hearing as required by law the Commission enter its order pooling all interests from the surface to the base of the Morrow formation underlying the W/2 of Section 11, Township 22 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, and designating applicant operator of the pooled unit, together with provision for applicant to recover his costs out of production including a risk factor to be determined by the Commission and with provisions for the payment of operating costs and costs of supervision out of production to be allocated among the owners as their interests may be determined and for further orders as may be proper in the premises.

Respectfully submitted,

MORRIS R. ANTWEIL

By 

DONALL G. STEVENS
P.O. Box 1797
Santa Fe, New Mexico 87501

ATTORNEY FOR APPLICANT

Care 5684

5/3/76

case from Bob Williams

Application of Antwerp for compulsory pooling
W/Z Sec 11, T 22S R 26E

So. Carlisle
pooling surface to base of Morrow
(Morrow & N. Morrow)
will to be drilled 1980 FN+WL

cloud on title - not able to discover
whether or not there are interests
which need to be pooled.

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. 5684

Order No. R-5222

APPLICATION OF MORRIS R. ANTWEIL FOR
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 26, 1976
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this day of June, 1976, 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, Morris R. Antweil,
seeks an order pooling all mineral interests in the Wolfcamp
and Pennsylvanian formations underlying the W/2
of Section 11, Township 22 South, Range 26 East,
NMPM, South Carlsbad Field Area, Eddy County, New
Mexico.

(3) That the applicant has the right to drill and proposes his Moss Grande Well No. 1 at a point 1980 feet from the to drill/~~axvett~~ North line and 1980 feet from the West line of said Section 11.

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

(5) 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.

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

(7) 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.

(8) 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 200 ~~00~~ ^{percent} thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) 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.

(10) 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.

-3-
Case No.
Order No. R-

white drilling, and \$200 per month white
producing,
(11) That \$1500.00 per month should be fixed as a reason-
able charge 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.

(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.

(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 September 1, 1976, 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 Wolfcamp and Pennsylvanian formations underlying the W/2
of Section 11, Township 22 South, Range 26 East,
NMPM, South Carlsbad Field Area, Eddy County, New Mexico,
are hereby pooled to form a standard 320-acre gas spacing
and proration unit to be dedicated to applicant's Mesa Grande Well
No. 1 to be drilled 1980 feet from the North line and 1980 feet from the
West line of said Section 11.

PROVIDED HOWEVER, that the operator of said unit shall
commence the drilling of said well on or before the 15th day of
September, 1976, and shall thereafter continue the drilling
of said well with due diligence to a depth sufficient to test the
Wolfcamp and Pennsylvanian formations;

PROVIDED FURTHER, that in the event said operator does not
commence the drilling of said well on or before the 15th day of
September, 1976, Order (1) of this order shall be null
and void and of no effect whatsoever; unless said operator obtains
a time extension from the Commission 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 Commission and show cause why Order (1) of this order should not be rescinded.

(2) That Morris R. Angtweil 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 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, 200 ^{per month} 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. *while drilling, and \$200.00 per month while producing, are*

(9) That \$1500.00 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 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.

-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 Eddy 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.