

CASE 6536: BLACK RIVER CORPORATION FOR
TWO NON-STANDARD GAS PRORATION UNITS,
LEA COUNTY, NEW MEXICO

Cont to
5/23

CASE NO.

6536

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
23 May 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Black River Corpor-) CASE
ation for two non-standard) 6536
gas proration units,)
Lea County, New Mexico.)

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

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Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87503

For the Applicant:

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WILLIAM P. AYCOCK

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1 MR. STAMETS: We'll call next Case 6536,
2 being application of Black River Corporation for two non-
3 standard gas proration units, Lea County, New Mexico.

4 MR. CARR: May it please the Examiner,
5 I am William F. Carr, Campbell and Black, P. A., Santa Fe,
6 appearing on behalf of the applicant.

7 I have one witness who needs to be sworn.

8 MR. STAMETS: If you'd stand, please.

9
10 (Witness sworn.)

11
12 WILLIAM P. AYCOCK

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

15
16 DIRECT EXAMINATION

17 BY MR. CARR:

18 Q Will you please state your name and
19 place of residence?

20 A William P. Aycock, Midland, Texas.

21 Q Mr. Aycock, by whom are you employed and
22 in what capacity?

23 A I am one of the principals in the con-
24 sulting engineering firm of Sikes, Williamson, and Aycock,
25 Incorporated. I'm employed in this connection by Black

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1 River Corporation as a consultant.

2 Q Have you previously testified before this
3 Commission and had your credentials accepted and made a
4 matter of record?

5 A Yes, sir, I have.

6 Q Are you familiar with the subject matter
7 of Case 6536?

8 A Yes, sir, I am.

9 MR. CARR: Are the witness' credentials
10 acceptable?

11 MR. STAMETS: The only thing is, Mr.
12 Aycock has not been here in such a long time that I've for-
13 gotten how to spell his name.

14 A A-Y-C-O-C-K.

15 MR. STAMETS: Okay. Other than that, I
16 feel he's well qualified.

17 Q (Mr. Carr continuing.) Mr. Aycock, would
18 you briefly state what Black River Corporation is seeking
19 with this application?

20 A Black River Corporation is seeking a non-
21 standard proration unit for a Jalmat Pool gas well to be
22 located in the north half of the southeast quarter of
23 Section 22, let's see, this is what, 24 South, 36 East, I
24 believe -- 23 South, pardon me, Range 36 East, in Lea
25 County, New Mexico.

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1 Q Will you refer to what has been marked
2 for identification as Applicant's Exhibit Number One and
3 explain to the Examiner what it is and what it shows?

4 A This is a land map of the Langlie-Mattix
5 Jalmat Pool area in which the proposed non-standard pro-
6 ration unit is located, showing all wells, both those
7 classified as Queen oil producers in the Langlie-Mattix
8 Pool, and gas producers in the Jalmat-Tansill-Seven Rivers-
9 Yates Pool.

10 Q And this plat also reflects both the non-
11 standard proration units which are the subject of this
12 application.

13 A That's correct.

14 Q Will you now refer to what has been
15 marked for identification as Exhibit Number Two and explain
16 this to the Examiner.

17 A Exhibit Number Two is simply a map in
18 which the Queen wells that are in the Langlie-Mattix Pool
19 have been removed and the only wells that are shown are
20 those that are in the Jalmat-Tansill-Yates-Seven Rivers
21 Pool.

22 Q And this exhibit also contains traces
23 which correspond with the cross sections which you will
24 later testify --

25 A Cross sections which will be subsequently

1 presented, yes, sir.

2 Q Mr. Aycock, will you now refer to what
3 has been marked as Exhibit Number Three and explain to the
4 Examiner what it shows?

5 A Exhibit Number Three is cross section
6 A-A', which the Examiner may note is essentially a north/
7 south cross section, in which the -- that does not run
8 through the proposed location but in which the proposed
9 location has been projected.

10 The purpose of this cross section is to
11 demonstrate to the Examiner that the Seven Rivers formation
12 in particular has not been developed to the immediate north
13 of the proposed location, even though it is -- there's no
14 differentiation made in the pool between the formations,
15 the Seven Rivers itself was not penetrated by the well
16 now operated by Grace Petroleum, which was originally
17 drilled by Humble Oil and Refining Company in 1950.

18 The consistency of all formations is,
19 I think, pretty well demonstrated in the north/south
20 direction by this cross section.

21 Q Will you now refer to what has been marked
22 as Exhibit Number Four and explain this to the Examiner?

23 A Exhibit Number Four is a southwest/north-
24 east cross section that purports to demonstrate that the
25 initial wells are plugged and abandoned. We do not have

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1 any information on the second well from the right because
2 it was drilled in 1929 before there were any logs, open
3 hole logs, available.

4 The well on the far northeast side, both
5 the Queen perforations in the Langlie-Mattix Pool, as well
6 as the perforations throughout the Yates interval, are
7 shown. It does not appear to be -- have any completion
8 intervals in the Seven Rivers formation, as well.

9 Q Mr. Aycock, has notice of this application
10 been given to the operators of all offsetting units?

11 A Yes, sir, it has.

12 Q And have waivers been received from those
13 operators?

14 A Yes, sir, they have.

15 Q Now, in regard to the offsetting operators
16 to the south half of the southeast quarter, have waivers
17 been received from those operators?

18 A South half of the southeast quarter being
19 El Paso, I believe we do have a waiver from El Paso, do we
20 not?

21 Okay, we do not have it on the south
22 half, that's correct.

23 Q All right. Mr. Aycock, will creation of
24 two non-standard proration units in the southeast quarter
25 of Section 22 and the drilling of Black River's proposed

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1 well on the north half of the southeast quarter result in
2 the recovery of hydrocarbons that would otherwise not be
3 recovered?

4 A. I believe it probably will, Mr. Carr,
5 because you will notice that the wells to the west, the
6 southwest, three of them have been plugged and abandoned.
7 The El Paso well is now producing at capacity at about
8 4500 Mcf per month. The Grace well to the immediate north
9 is of about the same capacity.

10 So if there are reserves still undrained
11 it does not appear that wells that are in existence now
12 will adequately drain them.

13 Q. Mr. Aycock, in your opinion will granting
14 the application both prevent waste and protect correlative
15 rights?

16 A. Yes, sir, I believe it will.

17 Q. Were Exhibits One through Four prepared
18 either by you or under your direction and supervision?

19 A. Yes, sir, they were.

20 MR. CARR: At this time, Mr. Examiner,
21 we would offer Black River Corporation's Exhibits One
22 through Four.

23 MR. STAMETS: These exhibits will be ad-
24 mitted.

25 MR. CARR: I have nothing further on

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1 direct.

3 CROSS EXAMINATION

4 BY MR. STAMETS:

5 Q Mr. Aycock, what is the ownership under
6 the southeast quarter of Section 22?

7 A The ownership, to my knowledge, Mr.
8 Stamets, and I've not seen a land map, is because of the
9 name of the leases, it originated originally from Shell
10 Oil Company through El Paso.

11 Q The thing that piques my curiosity here
12 is that the north half of this quarter section will be
13 operated by Black River, I presume.

14 A Yes, sir.

15 Q And the south half is going to be oper-
16 ated by El Paso?

17 A Yes, sir, that's the current proposal.

18 Q Okay, well, I just wondered what authority
19 Black River has to come in and seek a non-standard pro-
20 ration unit for itself and for El Paso.

21 A As far as I know, they have a farm-in
22 agreement from El Paso, which constitutes their authority
23 in this application, Mr. Examiner.

24 Q Do we have a copy of that?

25 A Yes, we do have.

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1 MR. CARR: Would you like that marked
2 and offered?

3 MR. STAMETS: Yes, I would like it.

4 MR. CARR: All right.

5 MR. STAMETS: Like to see that.

6 MR. CARR: Well, we don't have a stamp
7 in the room at the moment.

8 MR. STAMETS: Okay.

9 MR. CARR: That will be Black River Cor-
10 poration's Exhibit Number Five, and that is a copy of the
11 farm-out.

12 Q (Mr. Stamets continuing.) Mr. Aycock,
13 have you reviewed this?

14 A No, sir, I have not.

15 Q Just a quick glance through this, does
16 seem to indicate that what you've said is correct.

17 MR. STAMETS: Mr. Carr, I'm going to re-
18 turn this document to you so that you may mark it as Ex-
19 hibit Number Five in this case, and also so that you may
20 find the appropriate sections and mark those for the Examiner
21 so that he may review them at his leisure later to deter-
22 mine that in fact Black River does have the agreement of
23 El Paso and El Paso is in full agreement with this appli-
24 cation.

25 We do have a representative of El Paso

1 Natural Gas here in the audience today.

2 Mr. Kendrick, are you familiar with this
3 application?

4 MR. KENDRICK: Yes, sir, I am, Mr. Exam-
5 iner, and El Paso does concur in the application of Black
6 River Corporation for establishment of these two non-standard
7 proration units.

8 MR. STAMETS: Thank you. We appreciate
9 that.

10 Q (Mr. Stamets continuing.) Now, another
11 question, was it Black River's intention to get an excep-
12 tion to the NGPA infill drilling requirement by this order,
13 or will you do that subsequently through our administrative
14 process?

15 MR. CARR: Mr. Examiner, we, at the time
16 we requested this case be docketed, we requested that it
17 also be set for an infill finding. We were advised at that
18 time by the Commission counsel that that was not appro-
19 priate due to the fact that this would not be a second
20 well on a proration unit, but we would have a new proration
21 unit and this in fact would be the first well on it.

22 Q I concur with that.

23 MR. CARR: Mr. Examiner, at this time I
24 would like to offer in evidence Black River Corporation
25 Exhibit Five, which is the farm-out agreement.

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MR. STAMETS: That exhibit will be ad-
mitted.

Any other questions of this witness?
Anything further in this case?

The case will be taken under advisement.

(Hearing concluded.)

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REPORTER'S CERTIFICATE

I, SALLY W. BOYD, a Court Reporter, DO HEREBY
CERTIFY that the foregoing and attached Transcript of
Hearing is a full, true, and correct record of the hearing
before the Oil Conservation Division, prepared by me to
the best of my ability, skill, and knowledge, from my
notes taken at the time of the hearing.

Sally W. Boyd CSR
Sally W. Boyd, CSR

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 6536
heard by me on 5-23-78 1978
Richard L. Stumel Examiner
Oil Conservation Division

See page 4 - paragraph D

10236

FARMOUT AGREEMENT

THIS AGREEMENT, made and entered into this 12 day of March, 1979, by and between EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose mailing address is Post Office Box 1492, El Paso, Texas 79978 (hereinafter referred to as "El Paso"), and BLACK RIVER CORPORATION, a corporation, whose mailing address is 2100 First National Bank Bldg., Midland, Texas 79701 (hereinafter referred to as "Farmoutee");

WITNESSETH:

WHEREAS, El Paso is the owner of certain oil and gas leases (hereinafter referred to as "subject leases") covering lands located in Lea County, New Mexico (hereinafter referred to as "subject lands"), more fully described in Exhibit "A" attached hereto and made a part hereof for all purposes; and

WHEREAS, Farmoutee desires to acquire and El Paso desires to farmout to Farmoutee a portion of its interest in the subject lands and leases under the terms and conditions hereinafter set out;

NOW, THEREFORE, for and in consideration of the premises and of the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are mutually acknowledged, the parties hereto agree as follows;

I.

TITLE

El Paso makes no representation or warranty, either express or implied, as to its title to the subject lands and leases. Farmoutee shall have a period of thirty (30) days from the date of this Agreement in which to conduct such examination and investigation of title as it may desire and to approve or reject title to the subject leases and lands. If Farmoutee fails to notify El Paso within the said thirty (30) day period of time that it has rejected title to the subject leases and lands, then Farmoutee shall be deemed to have approved such title. If title should be rejected by Farmoutee, this Agreement shall terminate and thereafter Farmoutee shall have no rights hereunder nor shall either party be liable

to the other hereunder except that Farmoutee shall indemnify and hold El Paso harmless, pursuant to Paragraph III.E. hereof, for any claims which might arise as a consequence of its actions taken in anticipation or as a consequence of this Agreement.

II.

MAINTENANCE OF SUBJECT LEASES

EL Paso shall continue to pay all royalties, minimum royalties, and rentals (charges) necessary to be paid in order to maintain the subject leases in full force and effect during their primary terms until Farmoutee has earned an assignment of said leases or a portion thereof as herein provided. Farmoutee shall reimburse El Paso upon submission of billing therefor for all such charges applicable to the subject lands accruing after the date of this Agreement and paid by El Paso. Farmoutee will continue to so reimburse El Paso for all such charges until Farmoutee has earned an interest in all of the subject lands and leases or until Farmoutee has forfeited its right to earn an interest in any or all of the subject lands and leases by failure to prosecute drilling operations in accordance with all of the terms and provisions of this Agreement. However, after Farmoutee has fully satisfied all of its obligations hereunder, and provided that Farmoutee is not in breach of any provision of this Agreement, Farmoutee may notify El Paso in writing that it does not wish to exercise any options granted it by this Agreement and does not wish to earn any rights not theretofore earned pursuant to this Agreement.

Thereafter, Farmoutee shall not be obligated to reimburse El Paso for any charges paid by El Paso to maintain in force any lease in which Farmoutee was entitled to earn an interest pursuant to the terms of the option it elected not to exercise; provided, however, that Farmoutee shall be required to so notify El Paso at least forty-five (45) days in advance of the date on which such charges were due on a lease or Farmoutee shall remain obligated to reimburse El Paso for such charges as to such lease. After the date of any assignment earned by Farmoutee hereunder, Farmoutee shall pay all charges applicable to the subject lands assigned to Farmoutee thereafter falling due under the terms and provisions of subject leases. The parties hereto shall exercise reasonable diligence in the payment of all such charges, but neither El Paso nor Farmoutee shall be liable to the other for failure to pay any such charges unless such failure shall be willful.

DRILLING OPERATIONS

A. Farmoutee shall have the firm obligation to commence, on or before one hundred twenty (120) days from the effective date of this agreement, the actual drilling of a well (hereinafter called "obligation well") at a legal location of its choice and to continue the drilling thereof with due diligence to a depth sufficient to test adequately the "Interval" shown on the Exhibit "A" or to the "Proposed Depth" shown on the Exhibit "A" for such location, whichever is lesser, (hereinafter called "objective depth"). Farmoutee shall complete such well as a producing well or plug and abandon same with reasonable diligence. Failure to drill said well shall result in termination of Farmoutee's rights hereunder and in such event, El Paso shall not be entitled to money damages. Completion date shall be defined as the date production tubing is run, or if production tubing is not run, the date on which the last string of casing is set.

B. If Farmoutee timely commences the drilling of the obligation well, or substitute therefor, and thereafter drills said well to the objective depth, completes or plugs and abandons said well, and otherwise complies with all of the terms and provisions of this Agreement, Farmoutee shall have the option to commence the actual drilling of a well at a location of its choice on the subject leases and lands. Drilling operations on said optional well ("first optional well") must be commenced within one hundred twenty (120) days from the date the obligation well, or substitute therefor, was completed as a well capable of producing oil and/or gas in paying quantities or plugged and abandoned. Farmoutee shall have the option to drill additional optional wells on locations of its choice on the subject leases and lands, actual drilling operations on each of said wells to be commenced within one hundred twenty (120) days from the date the preceding optional well was completed as a well capable of producing oil and/or gas in paying quantities or was plugged and abandoned.

After Farmoutee has drilled an obligation well which earns the right to drill, complete or abandon an option well or wells within the (120) day period, any number of days on which drilling is commenced before the (120) day period shall be hereinafter designated "saved days" which shall be added to any time period in which Farmoutee may have the right to drill the next option well, or any option well thereafter.

All of the above wells (referred to collectively as "optional wells") shall be drilled and completed or plugged and abandoned within the time limitation, to the objective depth or interval, whichever is lesser, and in full compliance with all of the other terms and provisions herein contained pertaining to the obligation well. Failure to timely commence actual drilling operations on any optional well shall terminate Farmoutee's rights to earn an assignment hereunder of any acreage not theretofore earned.

If Farmoutee is unable to commence any option well within the 120 day option period because of any unforeseen delays caused by any Federal or State regulatory agency, or the unavailability of drilling rigs, it shall request in writing from El Paso an extension of the date on which a well is required to be commenced in order to continue Farmoutee's rights to earn an assignment hereunder. Such written request shall fully explain the circumstances involved in the delay and El Paso shall not unreasonably withhold approval of any request for extension if Farmoutee has made timely and appropriate applications to the regulatory agencies.

C. All operations provided for in this Agreement shall be conducted by Farmoutee at its sole cost, risk and expense, with due diligence and dispatch and in a good and workmanlike manner. In performing operations pursuant to this Agreement, Farmoutee shall furnish drilling rig, material, labor, supervision, equipment, services and fittings adequate to drill, rework, test, complete and equip (into and including the separator in the event of a gas well) or plug and abandon as the case may be, such well or wells in an efficient manner using sound and customary operating and engineering practices, without right of reimbursement from El Paso for Farmoutee's costs so incurred.

D. Farmoutee agrees to allow no liens to attach to the subject lands and leases during the drilling of said obligation well, or substitute therefor.

E. Farmoutee agrees to indemnify and forever hold and save El Paso harmless against all claims whatsoever for death or bodily injury, or damage to property; provided, however, that Farmoutee shall not indemnify El Paso against any claims whatsoever for death or bodily injury, or damage to property arising from the sole or concurrent negligence of El Paso, its agents and employees, or an independent contractor who is

directly responsible to El Paso; provided further that the foregoing limitations of this indemnity provision shall be limited in their effect to agreements pertaining to wells for oil, gas, or water, or mines for any minerals.

IV.

SUBSTITUTE WELL

If Farmoutee, while drilling any well hereunder, prior to reaching the objective depth encounters:

1. Mechanical difficulties which make further drilling of said well impracticable; or
2. Excessively high pressure water or gas sand, cavities or other formations where returns are lost; or
3. Any formation impracticable to penetrate after reasonable efforts to do so; or
4. Any other conditions, whether similar or dissimilar to any of those enumerated, beyond the reasonable control of Farmoutee which make further drilling impossible or impracticable;

then Farmoutee shall promptly plug and abandon such well and shall have the option to continue all its rights under this Agreement which are dependent upon drilling such well in full force and effect by drilling a substitute well; provided that actual drilling operations on such substitute well must be commenced within thirty (30) days after the plugging and abandoning of any such well at a legal location of Farmoutee's choice and such substitute well shall be drilled in accordance with all of the terms and provisions herein provided for the well for which the substitute is to be drilled.

V.

RIGHTS EARNED BY DRILLING

A. Provided Farmoutee shall hereafter furnish El Paso satisfactory proof that it has completed any well provided for herein as a well capable of producing oil and/or gas in paying quantities in full compliance with all the terms, provisions and conditions of this Agreement, then, upon receipt of written request from Farmoutee to El Paso therefor, El Paso shall promptly execute and deliver to Farmoutee a recordable assignment of its right, title and interest in and to the subject leases and lands within the Tract in which the well is located. It is further provided that said assignment shall contain the following reservations and exceptions, shall be limited as hereinafter set out, and shall be subject to the other provisions and conditions hereinafter set out:

1. Said assignment shall be limited as to depth from the top of the Tansill formation to a point 100 feet above the base of the Seven Rivers formation, including all of the Yates formation, in Tracts No. 1, 2, 3, 4, and 6 and from a point 100 feet above the base of the Seven Rivers formation to the base of the Queen formation in Tract No. 7.

The assignment on Tract No. 5 shall be limited as to depth from the top of the Tansill formation to a point 100 above the base of the Seven Rivers formation, including all of the Yates formation, if the earning well on such tract is completed in only the Jalmat Gas Pool. Should the well be completed in the Langlie-Mattix Gas Pool, the assignment shall be limited as to depth from the top of the Tansill formation to the base of the Queen formation, including the Yates and Seven Rivers formations.

2. Said assignment shall contain no warranty of title, either express or implied, and shall be effective as of the completion date of the well which earned such assignment. El Paso agrees that it will not willfully do anything to change the title to the subject lands and leases, as to the depths which may be earned by Farmoutee hereunder, between the time this Agreement is entered into and the time or times any assignment is made hereunder to Farmoutee, or until such time as Farmoutee no longer has a right to earn an interest in the subject lands and leases pursuant to the terms and provisions of this Agreement. Said assignment of shall be subject to all royalties, overriding royalties and other leasehold burdens which, as of the date of this Agreement, are applicable to the interest assigned.

3. El Paso shall except from said assignments of leases and lands described in Exhibit "A" hereto, and reserve and retain unto itself, its successors, representatives and assigns, an overriding royalty interest of twenty-seven and one-half percent (27.5%) of all gas on Tracts No. 1, 3, 4, 5, 6 and 7 and twenty-seven and one-half percent (27.5%) of all oil and gas on Tract No. 2 produced from and/or allocated to, as hereinafter provided, the lands and leases subject to said assignments. Said overriding royalty interests reserved by El Paso shall bear and absorb all presently existing royalties, overriding royalties and production payments and other leasehold burdens affecting the interests assigned by El Paso and shall be free and clear of all drilling and operating expenses but shall bear their proportionate part of all taxes and assessments

levied upon or against or measured by production of oil and gas therefrom. In the event El Paso owns less than the entire and undivided oil and gas leasehold estate in the leases covered by said assignment, the overriding royalty interest reserved by El Paso shall be reduced proportionately.

B. Any assignment made pursuant to this Paragraph V. and the interest thereby conveyed shall be subject to all terms, provisions and conditions of this Agreement and any and all other agreements, contracts and conveyances as modified or amended, affecting or pertaining to the subject leases and lands. Any assignments or conveyances hereafter made by Farmoutee to any third party or parties of any interests in the subject leases and lands shall be made expressly subject to this Farmout Agreement.

C. If the subject leases and lands in which an overriding royalty interest is reserved by El Paso shall be pooled with other leases and lands to form a consolidated unit for the production of oil and/or gas, there shall be allocated, for the purpose of calculating the overriding royalty, to the subject lands covered by the subject leases, to the extent said lands are included within the aforesaid unit, that pro rata portion of oil and/or gas produced from the unit which the number of surface acres covered by the subject leases and included within the unit bears to the number of surface acres included within the unit.

D. El Paso agrees to consent to the formation of new proration units on said tracts so as to exclude any proration units heretofore covering any part thereof to the end that farmoutee shall be entitled to form a proration unit to cover each tract in Exhibit "A".

VI.

OPTION TO TAKE OVER WELL

If Farmoutee desires to plug and abandon any well drilled under this Agreement, whether before or after Farmoutee attempts to complete such well as a producer of oil and/or gas, it shall immediately notify El Paso upon the cessation of operations upon such well. El Paso shall have forty-eight (48) hours within which to elect to take over such well, and if El Paso elects to take over such well, El Paso shall pay Farmoutee the salvage value of all material and equipment it may have in and on such

well less the reasonable cost of salvaging such material and equipment, and thereafter all such material and equipment in and on such well shall be owned by El Paso, and all of Farmoutec's rights as to such well hereunder shall automatically terminate. Thereafter, all operations conducted on such well shall be at El Paso's sole cost and risk, including the cost of plugging and abandoning the well if El Paso is unable to complete such well as a producer.

VII.

CONFORMANCE WITH LAWS, RULES,

REGULATIONS AND CONTRACTS

All operations conducted by Farmoutec pursuant to this Agreement shall be conducted in full compliance with the applicable laws and the rules and regulations of the regulatory authorities having jurisdiction and the applicable terms of the aforesaid subject leases.

VIII.

ACCESS TO PREMISES AND WELL INFORMATION

Farmoutec shall allow representatives of El Paso, at El Paso's sole risk, to have free access to all wells drilled pursuant to this Agreement and to the derrick floor and full and complete information concerning said wells and shall furnish to El Paso, at El Paso Natural Gas Company's office, Midland, Texas, Attention: Mr. L. M. Brooks, all information pertaining to such wells as El Paso may request, including but not limited to the following:

A. Reports in writing concerning the results of any tests, with two (2) copies of DST charts, two (2) copies of all core analyses and two (2) copies of any paleontological and insoluble residue reports concerning said wells. The reports shall be delivered to El Paso as soon as possible after the completion of the test, analysis and/or report.

B. Two (2) copies of field prints and four (4) copies of all final prints of all electrical surveys, electrical logs, velocity and/or dip meter surveys and all other logs and surveys made on said wells by Farmoutec or any third party. Copies of the above shall be delivered to El Paso forthwith upon completion of the survey and logging operations.

C. Drilling time and well cuttings, if taken, washed and dried, at not more than 10-foot intervals from base of surface casing to total

depth delivered weekly to El Paso's office in Midland, Texas. Representative samples of any fluid recovered on formation tests, including good water samples whether obtained on a drillstem or by swabbing tests.

D. A daily progress report with full information as to the status of any well as of 6:00 a.m. on such day.

E. Farmoutee shall notify El Paso at its Midland, Texas office, Attention: Mr. O. L. Dilworth at (915) 684-5701 during working hours or 682-4468 at night, or if Mr. Dilworth is unavailable, Mr. L. M. Brooks at (915) 684-5701 during working hours when there is encountered any formation containing oil or gas in reasonably substantial quantity or pressure. El Paso shall also be notified in a similar manner in time for El Paso to have a representative present to witness any of the following: (1) All drillstem tests or other tests of said well, or (2) the logging of any electrical log or other survey, or (3) any coring operations, or (4) plugging operations.

F. One (1) copy of each report to any governmental authority having jurisdiction pertaining to the drilling of any well by Farmoutee under agreement shall be furnished by Farmoutee to El Paso's main office, El Paso, Texas, Attention: Land Department, and one (1) copy of each report shall be furnished by Farmoutee to El Paso's Midland, Texas office, Attention: Mr. L. M. Brooks. All such reports shall be delivered to El Paso's office at the same time as such reports are furnished to such governmental authority.

G. During the drilling of any of the wells or substitute wells as provided herein, cores and/or sidewall samples shall be taken and analyzed as good oil field practice indicates. All drillstem tests, if any, shall have an initial shut-in period of not less than forty-five (45) minutes and a final shut-in period equal to the flow period unless waived by an El Paso representative on location. If no El Paso representative is present and mechanical problems encountered so dictate, the test procedure may be altered in accordance with prudent oil field practices.

H. In the absence of Farmoutee or any third party running any velocity and/or dip meter survey, El Paso, at its sole cost, risk and expense, including the cost of rig time, shall have the right to run a

velocity and/or dip meter survey on any well drilled pursuant to the terms of this Agreement. The information obtained from this survey shall be solely for El Paso's use and benefit.

IX.

GOVERNMENTAL REGULATIONS

This Agreement shall be subject to all valid and applicable State and Federal laws, rules, orders and regulations, and in the event this Agreement or any provision hereof is, or the operations contemplated hereby are, found to be inconsistent with or contrary to any such law, rule, regulation, or order, then such law, rule, regulation or order shall be deemed to control and this Agreement shall be regarded as modified accordingly and, as so modified, shall continue in full force and effect.

X.

FORCE MAJEURE

In the event any party hereto shall be rendered unable, wholly or in part, by force majeure or other causes herein specified, to carry out its obligations under this Agreement, it is agreed that upon such party's giving notice and reasonably full particulars of such force majeure or other causes to the other party within a reasonable time after the occurrence of the cause relied upon, then the obligations of the party giving such notice insofar as and to the extent that they are affected by such force majeure, or other causes herein specified, shall be suspended during the continuance of any inability so caused, but for no longer, and such cause shall, insofar as possible, be remedied with all reasonable dispatch.

The term "force majeure" as used herein shall mean acts of God or the public enemy, wars, blockades, insurrection, riots, epidemics, landslides, fires, floods, tornadoes, lightning, explosions, acts or requests of the Federal or State government, or of any State or Federal officer or agent purporting to act under duly constituted authority, lockouts, interruptions of transportation, freight embargoes, or the loss of hole or blowout. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirement that any force majeure shall be

remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of the opposing party when such course is inadvisable in the discretion of the party having the difficulty.

XI.

NOTICE

All notices, demands or statements required or permitted hereunder to be given to the parties hereto other than those specified in Paragraph VIII shall be deemed to have been properly given when delivered personally or when sent by registered mail or telegraph, with all postage or charges fully prepaid, and addressed to such parties at their respective addresses set forth below or to such address as any party may have furnished in writing to the party sending the notice, demand or statement.

El Paso Natural Gas Company
Post Office Box 1492
El Paso, Texas 79978
Attention: Land Department

with a copy to:
El Paso Natural Gas Company
1800 Wilco Building
Midland, Texas 79701
Attention: Regional Land Manager

Black River Corporation
2100 First National Bank Building
Midland, Texas 79701

XII.

INSURANCE

A. To protect against liability, loss or expense arising from damage to property, or injury or death of any person or persons incurred in any way out of, in connection with, or resulting from the operations provided hereunder, Farmoutee shall obtain and, whenever practicable, shall require each of its subcontractors hereunder to obtain, insurance as provided below from reliable insurance companies acceptable to El Paso and authorized to do business in the state in which the operations are to be performed. Each policy shall provide for a waiver of subrogation rights against El Paso. Farmoutee shall maintain in force during the entire period of this agreement, the following schedule of insurance coverages:

<u>COVERAGES</u>	<u>MINIMUM LIMITS OF LIABILITY</u>
1. Workmen's Compensation and Employers' Liability	Statutory \$100,000.00 per person

2. Comprehensive General Liability,
including Premises/Operations,
Personal Injury, Owners and
Contractors Protective Liability,
Contractual Liability, Products
and Completed Operations.

Bodily Injury Liability	\$300,000.00 per occurrence
Property Damage Liability	\$300,000.00 per occurrence

3. Comprehensive Automobile Liability
including coverage for Owned,
Non-Owned and Hired Cars

Bodily Injury Liability	\$300,000.00 per person
	\$300,000.00 per occurrence
Property Damage Liability	\$300,000.00 per occurrence

4. Aviation Liability if Operator
uses Owned or Non-Owned
aircraft

Combined Single Limit	
Bodily Injury and Prop- erty Damage Liability	\$3,000,000.00 per occurrence
Passenger Liability	\$100,000.00 per passenger seat

B. Before work is commenced, Certificates evidencing that satisfactory coverage of the type and limits set forth above in Paragraph A. is in effect shall be furnished to El Paso. Such Certificates shall evidence that no cancellation or material change in the policies shall become effective except upon thirty (30) days written notice to El Paso. Such insurance shall contain such exclusions as the operator deems prudent.

C. Irrespective of the requirements as to insurance to be carried by Farmoutee as provided herein, insolvency, bankruptcy, or failure of any insurance company to pay all claims accruing, shall not be held to relieve Farmoutee of any obligations hereunder.

XIII.

ASSIGNABILITY

This Agreement shall inure to the benefit of and be binding upon the parties hereto, their personal representatives, successors and assigns; provided, however, that Farmoutee shall not assign this Agreement in whole or part without the written consent of El Paso, provided, however this provision shall not be deemed to be a restriction on assignability affecting rights earned by assignments hereunder.

XIV.

REASSIGNMENT

In the event Farmoutee shall at any time after earning or receiving from El Paso an assignment of a working interest in the subject lands and leases desire to surrender, release, abandon or otherwise terminate such interest, or any portion thereof, it shall first give written notice of such desire to El Paso at least sixty (60) days prior to such surrender, release, abandonment or termination and in no event less than sixty (60) days prior to the date by which any obligations or actions must be performed or taken in order to maintain and continue such leases and lands or portion thereof in effect, and El Paso shall have thirty (30) days from receipt of such notice in which to elect to receive an assignment of the interest proposed for surrender, release, abandonment or termination. Promptly upon such request, Farmoutee shall execute and deliver such assignment to El Paso, and Farmoutee shall thereupon be relieved of all obligations, debts and liabilities thereafter arising or accruing attributable to the leasehold interest so assigned; provided, however, that Farmoutee shall not be relieved of its obligations or its portion of debts and liabilities arising or accruing prior to such assignment.

XV.

CHANGES OR MODIFICATIONS

No change, modification or alteration of this Agreement shall be valid unless the same be made in writing signed by the parties hereto, and no course of dealing between the parties shall be construed to alter the terms hereof.

XVI.

RELATIONS OF PARTIES

The rights, duties, obligations and liabilities of the parties hereto shall be several and not joint or collective, and nothing herein contained shall ever be construed as creating a partnership of any kind, an agency, joint venture, an association or trust or as imposing upon any one or more of the parties hereto any partnership duty, obligation or liability. Each party hereto shall be individually responsible only for its obligations, as set out in this Agreement.

XVII.

RIGHT TO PURCHASE GAS

As part of the consideration for this Agreement, Farmoutee hereby grants to El Paso the exclusive right to purchase all natural gas (which term includes casinghead gas, gas condensate and extracted liquids) which may be produced from or allocated to the lands described in Exhibit "A" hereto and attributable to the interest of Farmoutee whether or not these gas rights were acquired from El Paso. In the event El Paso desires to purchase Farmoutee's share of said gas, then El Paso may give Farmoutee written notice of its desire to purchase and shall thereupon have the right to purchase Farmoutee's share at the price then being paid by El Paso in the area for gas of similar quantity, quality and pressure, and Farmoutee shall enter into El Paso's standard gas purchase contract and use in the area. If El Paso is not then purchasing gas in the area, then the price to be paid shall be the wellhead market price in the area for gas of similar quantity, quality and pressure sold in interstate commerce, such price in no event to exceed the price established for such gas by the Federal Energy Regulatory Commission or any other applicable regulatory authority. Any purchase contract shall be for a term of five (5) years.

XIII.

AUDIT

El Paso shall have the right at all times to audit Farmoutee's accounts and records relating to this Agreement. Farmoutee shall be advised in writing of El Paso's desire to conduct an audit and such audit shall be conducted during normal business hours in a manner to cause a minimum of inconvenience to Farmoutee.

XIX.

ELECTION

Each of the parties hereto hereby elects, under the authority of Section 761 of the Internal Revenue Code of 1954 and the regulations promulgated thereunder to be excluded from the application of all of the provisions of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954. If the income tax laws of the state or states in which the property covered hereby is located contain or may hereafter

contain provisions similar to those contained in the subchapter of the Internal Revenue Code of 1954 above referred to under which a similar election is permitted, each party hereto hereby agrees to be excluded from such partnership provisions of such state or states income tax laws.

XX.

EXECUTION

It is intended that this Farmout Agreement shall be executed in duplicate originals and that same be fully executed by both parties hereto and a duplicate original hereof returned by Farmouttee to El Paso within thirty (30) days from the date hereof. In the event Farmouttee does not execute and return one fully executed copy hereof to El Paso within thirty (30) days from the date hereof this Agreement shall be deemed to be a nullity and of no force and effect whatever.

IN WITNESS WHEREOF, this Agreement has been executed as of the day and year first hereinabove written.

ATTEST:

James H. ...
Assistant Secretary

EL PASO NATURAL GAS COMPANY

By: T. W. Bittick
Vice President



ATTEST:

James H. ...
Secretary

BLACK RIVER CORPORATION

By: Jimmy Phipps
Executive Vice President

STATE OF TEXAS)

COUNTY OF EL PASO)

The foregoing instrument was acknowledged before me this 12 day of March, 1979, by T. W. BITTICK, Vice President of EL PASO NATURAL GAS COMPANY, a Delaware corporation, on behalf of said corporation.

Elaine Busse
Notary Public

My Commission Expires
ELAINE BUSSE
Notary Public in and for El Paso County, Texas
My Commission expires 6-30-80

STATE OF TEXAS)

COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 14th day of March, 1979, by Jimmy Phipps Vice President of BLACK RIVER CORPORATION, a Delaware corporation, on behalf of said corporation.

Donna D. Lemarie
Notary Public

My Commission Expires
DONNA D. LEMARIE Notary Public
In and for El Paso County, Texas
My Commission expires May 1, 1980

EXHIBIT "A"

Attached to and made a part of that certain Farmout Agreement dated the 12 day of March 1979, by and between EL PASO NATURAL GAS COMPANY and BLACK RIVER CORPORATION.

TRACT NO. 1

Lease(s): NM 10

Oil and Gas Lease made and entered into by and between State of New Mexico as Lessor, and Shell Petroleum Corp., as Lessee, dated effective September 15, 1933, bearing Serial No. B-1167-16, insofar and only insofar as said lease covers the following described lands situated in Lea County, New Mexico, to wit:

Township 23 South, Range 36 East, NMPM
Section 22: N/2 SE/4
containing 80.00 acres, more or less

Proposed Depth: 3550'

Interval: Jalmat Gas Pool

TRACT NO. 2

Lease(s): NM 10-A

Oil and Gas Lease made and entered into by and between State of New Mexico as Lessor, and Shell Petroleum Corp., as Lessee, dated effective September 15, 1933, bearing Serial No. B-1167, insofar and only insofar as said lease covers the following described lands situated in Lea County, New Mexico, to wit:

Township 23 South, Range 37 East, NMPM
Section 32: N/2 SW/4
Containing 80.00 acres, more or less

Proposed Depth: 3250'

Interval: Jalmat Gas Pool

TRACT NO. 3

Lease(s): NM 16

Oil and Gas Lease made and entered into by and between James Franklin Black as Lessor, and Roxana Petroleum Corp., as Lessee, dated effective May 25, 1927, insofar and only insofar as said lease covers the following described lands situated in Lea County, New Mexico, to wit:

Township 24 South, Range 37 East, NMPM
Section 21: NW/4 SE/4, SE/4 SW/4
Containing 80.00 acres, more or less

Proposed Depth: 3225'

Interval: Jalmat Gas Pool

TRACT NO. 4

Lease(s): NM 46

Oil and Gas Lease made and entered into by and between the United States of America, as Lessor, and Union Texas, et al, as Lessee, dated effective July 1, 1962, bearing Serial No. LC 032511 (E) insofar and only insofar as said lease covers the following described lands situated in Lea County, New Mexico, to wit:

Township 25 South, Range 37 East, NMPM
Section 8: S/2 SE/4, NE/4 SE/4
Containing 120.00 acres, more or less

Proposed Depth: 3250'

Interval: Jalmat Gas Pool

EXHIBIT "A" (Cont'd.)

TRACT NO. 5

Lease(s): (1) NM 67

Oil and Gas Lease made and entered into by and between the United States of America, as Lessor, and El Paso Natural Gas Company as Lessee, dated effective September 1, 1960, bearing Serial No. LC-060942, recorded in Book 187, Page 502 of the records of Lea County, New Mexico, insofar and only insofar as said lease covers the following described lands situated in Lea County, New Mexico, to wit:

Township 25 South, Range 37 East, NMPM
Section 11: S/2 SE/4
Containing 80.00 acres, more or less

(2) NM 82

Oil and Gas Lease made and entered into by and between the United States of America, as Lessor, and Anderson Prichard Oil Co., et al, as Lessee, dated effective September 1, 1960, bearing Serial No. NM-0140977 insofar and only insofar as said lease covers the following described lands situated in Lea County, New Mexico, to wit:

Township 25 South, Range 37 East, NMPM
Section 11: N/2 SE/4
Containing 80.00 acres, more or less

Proposed Depth: 3500'

Interval: Langlie-Mattix

TRACT NO. 6

Lease(s): (1) NM 52

Oil and Gas Lease made and entered into by and between the United States of America, as Lessor, and Anderson Prichard Oil Co., as Lessee, dated effective February 1, 1960, bearing Serial No. LC-032579-B, insofar and only insofar as said lease covers the following described lands situated in Lea County, New Mexico, to wit:

Township 25 South, Range 37 East, NMPM
Section 27: S/2 NE/4, NE/4 NW/4
Containing 120.00 acres, more or less

(2) NM 71

Oil and Gas Lease made and entered into by and between the United States of America, as Lessor, and Union Texas, et al, as Lessee, dated effective November 1, 1961, bearing Serial No. LC-032579-F, insofar and only insofar as said lease covers the following described lands situated in Lea County, New Mexico, to wit:

Township 25 South, Range 37 East, NMPM
Section 27: S/2 NW/4
Containing 80.00 acres, more or less

Proposed Depth: 3150'

Interval: Jalmat Gas Pool

EXHIBIT "A" (Cont'd.)

TRACT NO. 7

Lease(s): NM 58

Oil and Gas Lease made and entered into by and between the United States of America, as Lessor, and Anderson Prichard Oil Co., et al, as Lessee, dated effective March 1, 1950, bearing Serial No. LC-054667, insofar and only insofar as said lease covers the following described lands situated in Lea County, New Mexico, to wit:

Township 25 South, Range 37 East, NMPM
Section 33: NW/4 NW/4, S/2 NW/4, NE/4 SW/4
Containing 160.00 acres, more or less

Proposed Depth: 3300'

Interval: Langlie-Mattix

RECEIVED

APR 30 1979

Oil Conservation

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

APPLICATION OF BLACK RIVER CORPORATION
FOR APPROVAL OF TWO NON-STANDARD GAS
PRORATION UNITS, JALMAT GAS POOL,
LEA COUNTY, NEW MEXICO.

Case No. 6536

APPLICATION

Comes now BLACK RIVER CORPORATION, by their undersigned attorneys, and applies to the New Mexico Oil Conservation Division for approval of two 80-acre non-standard gas proration units, Jalmat Gas Pool, Lea County, New Mexico, and in support of its Application states:

1. El Paso Natural Gas Company is the operator of the SE/4 of Section 22, Township 23 South, Range 36 East, Lea County, New Mexico, which is dedicated to its Shell State Well No. 3 located in Unit P of said Section 22.

2. Applicant has received a farm out from El Paso Natural Gas of the N/2, SE/4 of said Section 22.

3. Applicant seeks the establishment of two 80-acre non-standard gas proration units in the Jalmat Gas Pool; one comprising all of the N/2 SE/4 of said Section 22, which non-standard unit would be dedicated to a well to be drilled in Unit J of said Section and the other comprising all of the S/2 SE/4 of said Section 22 to be dedicated to the El Paso Natural Gas Company's Shell State Well No. 3 located in Unit P of said Section 22.

4. Approval of this Application will be in the interest of conservation, will prevent waste and will protect correlative rights.

WHEREFORE, applicant respectfully requests that this matter be set for hearing before the Division or one of its duly appointed examiners and that after notice and hearing as required by law, the Division enter its order approving the Application.

Respectfully submitted,
CAMPBELL AND BLACK, P.A.

By William F. Carr
William F. Carr
Post Office Box 2208
Santa Fe, New Mexico 87501
Attorneys for Applicant

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
9 May 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Black River Corp.
for two non-standard gas
proration units, Lea County,
New Mexico.

CASE
6536

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87503

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
2020 Plaza Blanca (636) 471-2462
Santa Fe, New Mexico 87501

1 MR. NUTTER: Call Case 6536.

2 MR. PADILLA: Case 6536. Application of
3 Black River Corp. for two non-standard gas proration
4 units, Lea County, New Mexico.

5 The applicant in this case has requested that
6 it be continued to the May 23rd Examiner Hearing.

7 MR. NUTTER: Case Number 6536 will be continued
8 to the Examiner Hearing scheduled to be held at this
9 same place at 9:00 o'clock a.m. May 23, 1979.

10 (Hearing concluded.)

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (606) 471-2462
Santa Fe, New Mexico 87501

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REPORTER'S CERTIFICATE

I, SALLY WALTON BOYD, a Court Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, knowledge, and skill, from my notes taken at the time of the hearing.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (SOS) 471-2462
Santa Fe, New Mexico 87501

Sally W. Boyd CSP
Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6536 heard by me on 5/9 19 79.

[Signature], Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
9 May 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Black River Corp.
for two non-standard gas
proration units, Lea County,
New Mexico.

CASE
6536

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87503

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3010 Plaza Blanca (SOS) 471-2462
Santa Fe, New Mexico 87501

1 MR. NUTTER: Call Case 6536.

2 MR. PADILLA: Case 6536. Application of
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10 (Hearing concluded.)
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SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (606) 471-2462
Santa Fe, New Mexico 87501

REPORTER'S CERTIFICATE

I, SALLY WALTON BOYD, a Court Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, knowledge, and skill, from my notes taken at the time of the hearing.

Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6586 heard by me on 5/9 1979.

 Examiner
Oil Conservation Division

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (606) 471-2462
Santa Fe, New Mexico 87501

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
23 May 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Black River Corpor-) CASE
ation for two non-standard) 6536
gas proration units,)
Lea County, New Mexico.)

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Ernest L. Padilla, Esq.
Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87503

For the Applicant: William F. Carr, Esq.
CAMPBELL & BLACK
Jefferson Plaza
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (SOS) 471-2462
Santa Fe, New Mexico 87501

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INDEX

WILLIAM P. AYCOCK

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SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (G08) 471-2462
Santa Fe, New Mexico 87501

1 MR. STAMETS: We'll call next Case 6536,
2 being application of Black River Corporation for two non-
3 standard gas proration units, Lea County, New Mexico.

4 MR. CARR: May it please the Examiner,
5 I am William F. Carr, Campbell and Black, P. A., Santa Fe,
6 appearing on behalf of the applicant.

7 I have one witness who needs to be sworn.

8 MR. STAMETS: If you'd stand, please.

9
10 (Witness sworn.)

11
12 WILLIAM P. AYCOCK

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

15
16 DIRECT EXAMINATION

17 BY MR. CARR:

18 Q Will you please state your name and
19 place of residence?

20 A William P. Aycock, Midland, Texas.

21 Q Mr. Aycock, by whom are you employed and
22 in what capacity?

23 A I am one of the principals in the con-
24 sulting engineering firm of Sikes, Williamson, and Aycock,
25 Incorporated. I'm employed in this connection by Black

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CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

1 River Corporation as a consultant.

2 Q Have you previously testified before this
3 Commission and had your credentials accepted and made a
4 matter of record?

5 A Yes, sir, I have.

6 Q Are you familiar with the subject matter
7 of Case 6536?

8 A Yes, sir, I am.

9 MR. CARR: Are the witness' credentials
10 acceptable?

11 MR. STAMETS: The only thing is, Mr.
12 Aycock has not been here in such a long time that I've for-
13 gotten how to spell his name.

14 A A-Y-C-O-C-K.

15 MR. STAMETS: Okay. Other than that, I
16 feel he's well qualified.

17 Q (Mr. Carr continuing.) Mr. Aycock, would
18 you briefly state what Black River Corporation is seeking
19 with this application?

20 A Black River Corporation is seeking a non-
21 standard proration unit for a Jalmat Pool gas well to be
22 located in the north half of the southeast quarter of
23 Section 22, let's see, this is what, 24 South, 36 East, I
24 believe -- 23 South, pardon me, Range 36 East, in Lea
25 County, New Mexico.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (S.O.E.) 471-2462
Santa Fe, New Mexico 87501

1 Q Will you refer to what has been marked
2 for identification as Applicant's Exhibit Number One and
3 explain to the Examiner what it is and what it shows?

4 A This is a land map of the Langlie-Mattix
5 Jalmat Pool area in which the proposed non-standard pro-
6 ration unit is located, showing all wells, both those
7 classified as Queen oil producers in the Langlie-Mattix
8 Pool, and gas producers in the Jalmat-Tansill-Seven Rivers-
9 Yates Pool.

10 Q And this plat also reflects both the non-
11 standard proration units which are the subject of this
12 application.

13 A That's correct.

14 Q Will you now refer to what has been
15 marked for identification as Exhibit Number Two and explain
16 this to the Examiner.

17 A Exhibit Number Two is simply a map in
18 which the Queen wells that are in the Langlie-Mattix Pool
19 have been removed and the only wells that are shown are
20 those that are in the Jalmat-Tansill-Yates-Seven Rivers
21 Pool.

22 Q And this exhibit also contains traces
23 which correspond with the cross sections which you will
24 later testify --

25 A Cross sections which will be subsequently

1 presented, yes, sir.

2 Q Mr. Aycock, will you now refer to what
3 has been marked as Exhibit Number Three and explain to the
4 Examiner what it shows?

5 A Exhibit Number Three is cross section
6 A-A', which the Examiner may note is essentially a north/
7 south cross section, in which the --- that does not run
8 through the proposed location but in which the proposed
9 location has been projected.

10 The purpose of this cross section is to
11 demonstrate to the Examiner that the Seven Rivers formation
12 in particular has not been developed to the immediate north
13 of the proposed location, even though it is --- there's no
14 differentiation made in the pool between the formations,
15 the Seven Rivers itself was not penetrated by the well
16 now operated by Grace Petroleum, which was originally
17 drilled by Humble Oil and Refining Company in 1950.

18 The consistancy of all formations is,
19 I think, pretty well demonstrated in the north/south
20 direction by this cross section.

21 Q Will you now refer to what has been marked
22 as Exhibit Number Four and explain this to the Examiner?

23 A Exhibit Number Four is a southwest/north-
24 east cross section that purports to demonstrate that the
25 initial wells are plugged and abandoned. We do not have

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1 any information on the second well from the right because
2 it was drilled in 1929 before there were any logs, open
3 hole logs, available.

4 The well on the far northeast side, both
5 the Queen perforations in the Langlie-Mattix Pool, as well
6 as the perforations throughout the Yates interval, are
7 shown. It does not appear to be -- have any completion
8 intervals in the Seven Rivers formation, as well.

9 Q Mr. Aycock, has notice of this application
10 been given to the operators of all offsetting units?

11 A Yes, sir, it has.

12 Q And have waivers been received from those
13 operators?

14 A Yes, sir, they have.

15 Q Now, in regard to the offsetting operators
16 to the south half of the southeast quarter, have waivers
17 been received from those operators?

18 A South half of the southeast quarter being
19 El Paso, I believe we do have a waiver from El Paso, do we
20 not?

21 Okay, we do not have it on the south
22 half, that's correct.

23 Q All right. Mr. Aycock, will creation of
24 two non-standard proration units in the southeast quarter
25 of Section 22 and the drilling of Black River's proposed

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1 well on the north half of the southeast quarter result in
2 the recovery of hydrocarbons that would otherwise not be
3 recovered?

4 A. I believe it probably will, Mr. Carr,
5 because you will notice that the wells to the west, the
6 southwest, three of them have been plugged and abandoned.
7 The El Paso well is now producing at capacity at about
8 4500 Mcf per month. The Grace well to the immediate north
9 is of about the same capacity.

10 So if there are reserves still undrained
11 it does not appear that wells that are in existence now
12 will adequately drain them.

13 Q Mr. Aycok, in your opinion will granting
14 the application both prevent waste and protect correlative
15 rights?

16 A. Yes, sir, I believe it will.

17 Q Were Exhibits One through Four prepared
18 either by you or under your direction and supervision?

19 A. Yes, sir, they were.

20 MR. CARR: At this time, Mr. Examiner,
21 we would offer Black River Corporation's Exhibits One
22 through Four.

23 MR. STAMETS: These exhibits will be ad-
24 mitted.

25 MR. CARR: I have nothing further on

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1 direct.

3 CROSS EXAMINATION

4 BY MR. STAMETS:

5 Q Mr. Aycock, what is the ownership under
6 the southeast quarter of Section 22?

7 A The ownership, to my knowledge, Mr.
8 Stamets, and I've not seen a land map, is because of the
9 name of the leases, it originated originally from Shell
10 Oil Company through El Paso.

11 Q The thing that piques my curiosity here
12 is that the north half of this quarter section will be
13 operated by Black River, I presume.

14 A Yes, sir.

15 Q And the south half is going to be oper-
16 ated by El Paso?

17 A Yes, sir, that's the current proposal.

18 Q Okay, well, I just wondered what authority
19 Black River has to come in and seek a non-standard pro-
20 ration unit for itself and for El Paso.

21 A As far as I know, they have a farm-in
22 agreement from El Paso, which constitutes their authority
23 in this application, Mr. Examiner.

24 Q Do we have a copy of that?

25 A Yes, we do have.

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1 MR. CARR: Would you like that marked
2 and offered?
3 MR. STAMETS: Yes, I would like it.
4 MR. CARR: All right.
5 MR. STAMETS: Like to see that.
6 MR. CARR: Well, we don't have a stamp
7 in the room at the moment.
8 MR. STAMETS: Okay.
9 MR. CARR: That will be Black River Cor-
10 poration's Exhibit Number Five, and that is a copy of the
11 farm-out.
12 Q (Mr. Stamets continuing.) Mr. Aycock,
13 have you reviewed this?
14 A No, sir, I have not.
15 Q Just a quick glance through this, does
16 seem to indicate that what you've said is correct.
17 MR. STAMETS: Mr. Carr, I'm going to re-
18 turn this document to you so that you may mark it as Ex-
19 hibit Number Five in this case, and also so that you may
20 find the appropriate sections and mark those for the Examiner
21 so that he may review them at his leisure later to deter-
22 mine that in fact Black River does have the agreement of
23 El Paso and El Paso is in full agreement with this appli-
24 cation.
25 We do have a representative of El Paso

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1 Natural Gas here in the audience today.

2 Mr. Kendrick, are you familiar with this
3 application?

4 MR. KENDRICK: Yes, sir, I am, Mr. Exam-
5 iner, and El Paso does concur in the application of Black
6 River Corporation for establishment of these two non-standard
7 proration units.

8 MR. STAMETS: Thank you. We appreciate
9 that.

10 Q (Mr. Stamets continuing.) Now, another
11 question, was it Black River's intention to get an excep-
12 tion to the NGPA infill drilling requirement by this order,
13 or will you do that subsequently through our administrative
14 process?

15 MR. CARR: Mr. Examiner, we, at the time
16 we requested this case be docketed, we requested that it
17 also be set for an infill finding. We were advised at that
18 time by the Commission counsel that that was not appro-
19 priate due to the fact that this would not be a second
20 well on a proration unit, but we would have a new proration
21 unit and this in fact would be the first well on it.

22 Q I concur with that.

23 MR. CARR: Mr. Examiner, at this time I
24 would like to offer in evidence Black River Corporation
25 Exhibit Five, which is the farm-out agreement.

1 MR. STAMETS: That exhibit will be ad-
2 mitted.

3 Any other questions of this witness?
4 Anything further in this case?

5 The case will be taken under advisement.

6
7 (Hearing concluded.)
8
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REPORTER'S CERTIFICATE

I, SALLY W. BOYD, a Court Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing is a full, true, and correct record of the hearing before the Oil Conservation Division, prepared by me to the best of my ability, skill, and knowledge, from my notes taken at the time of the hearing.

Sally W. Boyd, CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. _____ heard by me on _____ 19____.

_____, Examiner
Oil Conservation Division

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Santa Fe, New Mexico 87501

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 6536
Order No. R-6019

APPLICATION OF BLACK RIVER CORP.
FOR TWO NON-STANDARD GAS PRORATION
UNITS, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on May 23, 1979,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 7th day of June, 1979, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS:

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

(2) That the applicant, Black River Corp., seeks approval
of two 80-acre non-standard gas proration units comprising the
N/2 SE/4 of Section 22, Township 23 South, Range 36 East, NMPM,
to be dedicated to its well to be drilled in Unit J of said
Section 22 and the S/2 SE/4 of said Section 22 to be dedicated
to El Paso Natural Gas Company's Shell State Well No. 3 located
in Unit P.

(3) That for each of the above non-standard proration units,
the entire unit may reasonably be presumed productive of gas from
the Jalmat Gas Pool and that the entire unit can be efficiently
and economically drained and developed by the unit well.

(4) That El Paso Natural Gas Company has granted the appli-
cant a farmout on the N/2 SE/4 of said Section 22 and concurs
in the application for the non-standard proration units.

-2-

Case No. 6536

Order No. R-6019

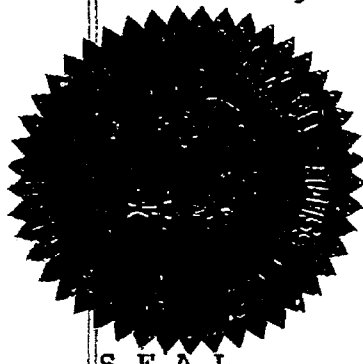
(5) That approval of the subject application will afford both the applicant and El Paso Natural Gas Company the opportunity to produce their just and equitable share of the gas in the Jalmat Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That two 80-acre non-standard gas proration units in the Jalmat Gas Pool comprising the N/2 SE/4 and the S/2 SE/4 of Section 22, Township 23 South, Range 36 East, NMPM, Lea County, New Mexico, are hereby established and dedicated, respectively, to the Black River Corporation well to be drilled in Unit J of said Section 22, and to El Paso Natural Gas Company's Shell State Well No. 3 located in Unit P of said Section 22.

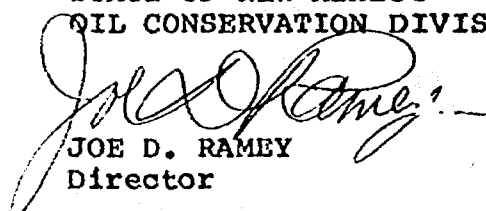
(2) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY
Director

fd/

El Paso NATURAL GAS
COMPANY

RECEIVED
MAY 23 1979
P. O. BOX 1492
EL PASO, TEXAS 79978
PHONE 915-543-2600
OIL CONSERVATION DIVISION
SANTA FE

May 10, 1979

CERTIFIED MAIL

RECEIVED
MAY 14 1979
ATLANTIC RICHFIELD COMPANY
LAND DEPT.

Atlantic Richfield Company
Western Region, Permian District
P. O. Box 1610
Midland, Texas 79702
ATTN: Mr. Clarence Cardwell

Continental Oil Company
Midland Division Production
P. O. Box 1959
Midland, Texas 79702
ATTN: Mr. J. E. Whitman

Gackle Oil Company
P. O. Box 2038
Hobbs, New Mexico 88240
ATTN: Mr. Albert Gackle

Grace Petroleum Corp.
405 Wall Towers East
Midland, Texas 79701
ATTN: Mr. William E. Lorenz

Re: Request for New Non-Standard
Proration Unit in the Jalmat
(Yates-Seven Rivers) Gas Pool
N/2 SE/4 Sec. 22, T-23-S, R-36-E
Lea County, New Mexico

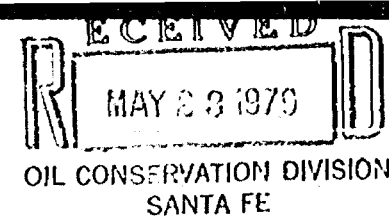
Gentlemen:

Black River Corporation plans to request segregation of the north half of the present Jalmat proration unit which covers the SE/4 of Section 22, T-23-S, R-36-E, Lea County, New Mexico and under farmout from El Paso Natural Gas Company drill a Jalmat gas well on the newly formed 80 acre unit.

We request waiver from you as an offset operator under Oil Conservation Division Order R-1670, covering prorated gas pools in Southeast New Mexico.

Enclosed are two copies of this letter along with stamped addressed envelopes.

May 10, 1979
Page Two



Please execute the waiver below and send one copy to the Oil Conservation Division and one copy to us.

Thank you for your consideration in this matter.

Yours very truly,

EL PASO NATURAL GAS COMPANY

Richard B. Isaacks

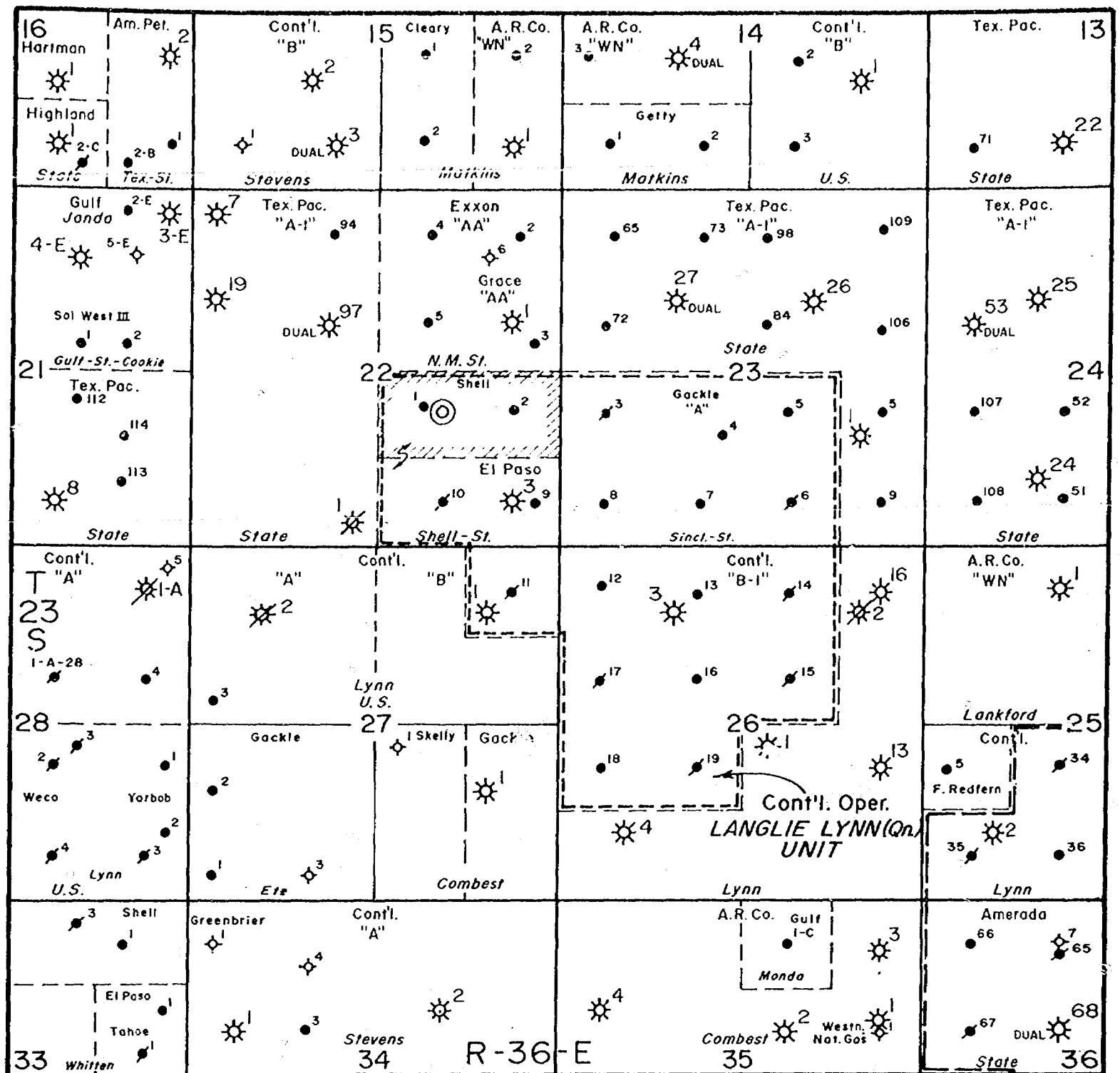
Richard B. Isaacks
Staff Landman
Land Department
Energy Resource Development

DI:ec

Waiver under Rule 104 is
Approved this 21 day of
May, 1979

Atlantic Richfield Company
Company

By: *J. J. [Signature]*



LAND MAP			
JALMAT (Tansil-Yates-7 Rivers) POOL			
FIELD: LANGLEIE MATTIX		County LEA	State N.MEX.
Engineer W. P. A.	Drwn. H's	Date 5-18-79	File ALPHA 21 CORP.
SIPES, WILLIAMSON & AYCOCK, INC.		Ref. No.	EXH. No.
Consulting Engineer		9.2472	

FARMOUT AGREEMENT

THIS AGREEMENT, made and entered into this 12 day of March, 1979, by and between EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose mailing address is Post Office Box 1492, El Paso, Texas 79978 (hereinafter referred to as "El Paso"), and BLACK RIVER CORPORATION, a corporation, whose mailing address is 2100 First National Bank Bldg., Midland, Texas 79701 (hereinafter referred to as "Farmoutee");

WITNESSETH:

WHEREAS, El Paso is the owner of certain oil and gas leases (hereinafter referred to as "subject leases") covering lands located in Lea County, New Mexico (hereinafter referred to as "subject lands"), more fully described in Exhibit "A" attached hereto and made a part hereof for all purposes; and

WHEREAS, Farmoutee desires to acquire and El Paso desires to farmout to Farmoutee a portion of its interest in the subject lands and leases under the terms and conditions hereinafter set out;

NOW, THEREFORE, for and in consideration of the premises and of the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are mutually acknowledged, the parties hereto agree as follows;

I.

TITLE

El Paso makes no representation or warranty, either express or implied, as to its title to the subject lands and leases. Farmoutee shall have a period of thirty (30) days from the date of this Agreement in which to conduct such examination and investigation of title as it may desire and to approve or reject title to the subject leases and lands. If Farmoutee fails to notify El Paso within the said thirty (30) day period of time that it has rejected title to the subject leases and lands, then Farmoutee shall be deemed to have approved such title. If title should be rejected by Farmoutee, this Agreement shall terminate and thereafter Farmoutee shall have no rights hereunder nor shall either party be liable

to the other hereunder except that Farmoutee shall indemnify and hold El Paso harmless, pursuant to Paragraph III.E. hereof, for any claims which might arise as a consequence of its actions taken in anticipation or as a consequence of this Agreement.

II.

MAINTENANCE OF SUBJECT LEASES

EL Paso shall continue to pay all royalties, minimum royalties, and rentals (charges) necessary to be paid in order to maintain the subject leases in full force and effect during their primary terms until Farmoutee has earned an assignment of said leases or a portion thereof as herein provided. Farmoutee shall reimburse El Paso upon submission of billing therefor for all such charges applicable to the subject lands accruing after the date of this Agreement and paid by El Paso. Farmoutee will continue to so reimburse El Paso for all such charges until Farmoutee has earned an interest in all of the subject lands and leases or until Farmoutee has forfeited its right to earn an interest in any or all of the subject lands and leases by failure to prosecute drilling operations in accordance with all of the terms and provisions of this Agreement. However, after Farmoutee has fully satisfied all of its obligations hereunder, and provided that Farmoutee is not in breach of any provision of this Agreement, Farmoutee may notify El Paso in writing that it does not wish to exercise any options granted it by this Agreement and does not wish to earn any rights not theretofore earned pursuant to this Agreement.

Thereafter, Farmoutee shall not be obligated to reimburse El Paso for any charges paid by El Paso to maintain in force any lease in which Farmoutee was entitled to earn an interest pursuant to the terms of the option it elected not to exercise; provided, however, that Farmoutee shall be required to so notify El Paso at least forty-five (45) days in advance of the date on which such charges were due on a lease or Farmoutee shall remain obligated to reimburse El Paso for such charges as to such lease. After the date of any assignment earned by Farmoutee hereunder, Farmoutee shall pay all charges applicable to the subject lands assigned to Farmoutee thereafter falling due under the terms and provisions of subject leases. The parties hereto shall exercise reasonable diligence in the payment of all such charges, but neither El Paso nor Farmoutee shall be liable to the other for failure to pay any such charges unless such failure shall be willful.

DRILLING OPERATIONS

A. Farmoutee shall have the firm obligation to commence, on or before one hundred twenty (120) days from the effective date of this agreement, the actual drilling of a well (hereinafter called "obligation well") at a legal location of its choice and to continue the drilling thereof with due diligence to a depth sufficient to test adequately the "Interval" shown on the Exhibit "A" or to the "Proposed Depth" shown on the Exhibit "A" for such location, whichever is lesser, (hereinafter called "objective depth"). Farmoutee shall complete such well as a producing well or plug and abandon same with reasonable diligence. Failure to drill said well shall result in termination of Farmoutee's rights hereunder and in such event, El Paso shall not be entitled to money damages. Completion date shall be defined as the date production tubing is run, or if production tubing is not run, the date on which the last string of casing is set.

B. If Farmoutee timely commences the drilling of the obligation well, or substitute therefor, and thereafter drills said well to the objective depth, completes or plugs and abandons said well, and otherwise complies with all of the terms and provisions of this Agreement, Farmoutee shall have the option to commence the actual drilling of a well at a location of its choice on the subject leases and lands. Drilling operations on said optional well ("first optional well") must be commenced within one hundred twenty (120) days from the date the obligation well, or substitute therefor, was completed as a well capable of producing oil and/or gas in paying quantities or plugged and abandoned. Farmoutee shall have the option to drill additional optional wells on locations of its choice on the subject leases and lands, actual drilling operations on each of said wells to be commenced within one hundred twenty (120) days from the date the preceding optional well was completed as a well capable of producing oil and/or gas in paying quantities or was plugged and abandoned.

After Farmoutee has drilled an obligation well which earns the right to drill, complete or abandon an option well or wells within the (120) day period, any number of days on which drilling is commenced before the (120) day period shall be hereinafter designated "saved days" which shall be added to any time period in which Farmoutee may have the right to drill the next option well, or any option well thereafter.

All of the above wells (referred to collectively as "optional wells") shall be drilled and completed or plugged and abandoned within the time limitation, to the objective depth or interval, whichever is lesser, and in full compliance with all of the other terms and provisions herein contained pertaining to the obligation well. Failure to timely commence actual drilling operations on any optional well shall terminate Farmoutee's rights to earn an assignment hereunder of any acreage not theretofore earned.

If Farmoutee is unable to commence any option well within the 120 day option period because of any unforeseen delays caused by any Federal or State regulatory agency, or the unavailability of drilling rigs, it shall request in writing from El Paso an extension of the date on which a well is required to be commenced in order to continue Farmoutee's rights to earn an assignment hereunder. Such written request shall fully explain the circumstances involved in the delay and El Paso shall not unreasonably withhold approval of any request for extension if Farmoutee has made timely and appropriate applications to the regulatory agencies.

C. All operations provided for in this Agreement shall be conducted by Farmoutee at its sole cost, risk and expense, with due diligence and dispatch and in a good and workmanlike manner. In performing operations pursuant to this Agreement, Farmoutee shall furnish drilling rig, material, labor, supervision, equipment, services and fittings adequate to drill, rework, test, complete and equip (into and including the separator in the event of a gas well) or plug and abandon as the case may be, such well or wells in an efficient manner using sound and customary operating and engineering practices, without right of reimbursement from El Paso for Farmoutee's costs so incurred.

D. Farmoutee agrees to allow no liens to attach to the subject lands and leases during the drilling of said obligation well, or substitute therefor.

E. Farmoutee agrees to indemnify and forever hold and save El Paso harmless against all claims whatsoever for death or bodily injury, or damage to property; provided, however, that Farmoutee shall not indemnify El Paso against any claims whatsoever for death or bodily injury, or damage to property arising from the sole or concurrent negligence of El Paso, its agents and employees, or an independent contractor who is

directly responsible to El Paso; provided further that the foregoing limitations of this indemnity provision shall be limited in their effect to agreements pertaining to wells for oil, gas, or water, or mines for any minerals.

IV.

SUBSTITUTE WELL

If Farmoutee, while drilling any well hereunder, prior to reaching the objective depth encounters:

1. Mechanical difficulties which make further drilling of said well impracticable; or
2. Excessively high pressure water or gas sand, cavities or other formations where returns are lost; or
3. Any formation impracticable to penetrate after reasonable efforts to do so; or
4. Any other conditions, whether similar or dissimilar to any of those enumerated, beyond the reasonable control of Farmoutee which make further drilling impossible or impracticable;

then Farmoutee shall promptly plug and abandon such well and shall have the option to continue all its rights under this Agreement which are dependent upon drilling such well in full force and effect by drilling a substitute well; provided that actual drilling operations on such substitute well must be commenced within thirty (30) days after the plugging and abandoning of any such well at a legal location of Farmoutee's choice and such substitute well shall be drilled in accordance with all of the terms and provisions herein provided for the well for which the substitute is to be drilled.

V.

RIGHTS EARNED BY DRILLING

A. Provided Farmoutee shall hereafter furnish El Paso satisfactory proof that it has completed any well provided for herein as a well capable of producing oil and/or gas in paying quantities in full compliance with all the terms, provisions and conditions of this Agreement, then, upon receipt of written request from Farmoutee to El Paso therefor, El Paso shall promptly execute and deliver to Farmoutee a recordable assignment of its right, title and interest in and to the subject leases and lands within the Tract in which the well is located. It is further provided that said assignment shall contain the following reservations and exceptions, shall be limited as hereinafter set out, and shall be subject to the other provisions and conditions hereinafter set out:

1. Said assignment shall be limited as to depth from the top of the Tansill formation to a point 100 feet above the base of the Seven Rivers formation, including all of the Yates formation, in Tracts No. 1, 2, 3, 4, and 6 and from a point 100 feet above the base of the Seven Rivers formation to the base of the Queen formation in Tract No. 7.

The assignment on Tract No. 5 shall be limited as to depth from the top of the Tansill formation to a point 100 above the base of the Seven Rivers formation, including all of the Yates formation, if the earning well on such tract is completed in only the Jalmat Gas Pool. Should the well be completed in the Langlie-Mattix Gas Pool, the assignment shall be limited as to depth from the top of the Tansill formation to the base of the Queen formation, including the Yates and Seven Rivers formations.

2. Said assignment shall contain no warranty of title, either express or implied, and shall be effective as of the completion date of the well which earned such assignment. El Paso agrees that it will not willfully do anything to change the title to the subject lands and leases, as to the depths which may be earned by Farmoutee hereunder, between the time this Agreement is entered into and the time or times any assignment is made hereunder to Farmoutee, or until such time as Farmoutee no longer has a right to earn an interest in the subject lands and leases pursuant to the terms and provisions of this Agreement. Said assignment of shall be subject to all royalties, overriding royalties and other leasehold burdens which, as of the date of this Agreement, are applicable to the interest assigned.

3. El Paso shall except from said assignments of leases and lands described in Exhibit "A" hereto, and reserve and retain unto itself, its successors, representatives and assigns, an overriding royalty interest of twenty-seven and one-half percent (27.5%) of all gas on Tracts No. 1, 3, 4, 5, 6 and 7 and twenty-seven and one-half percent (27.5%) of all oil and gas on Tract No. 2 produced from and/or allocated to, as hereinafter provided, the lands and leases subject to said assignments. Said overriding royalty interests reserved by El Paso shall bear and absorb all presently existing royalties, overriding royalties and production payments and other leasehold burdens affecting the interests assigned by El Paso and shall be free and clear of all drilling and operating expenses but shall bear their proportionate part of all taxes and assessments

levied upon or against or measured by production of oil and gas therefrom. In the event El Paso owns less than the entire and undivided oil and gas leasehold estate in the leases covered by said assignment, the overriding royalty interest reserved by El Paso shall be reduced proportionately.

B. Any assignment made pursuant to this Paragraph V. and the interest thereby conveyed shall be subject to all terms, provisions and conditions of this Agreement and any and all other agreements, contracts and conveyances as modified or amended, affecting or pertaining to the subject leases and lands. Any assignments or conveyances hereafter made by Farmoutee to any third party or parties of any interests in the subject leases and lands shall be made expressly subject to this Farmout Agreement.

C. If the subject leases and lands in which an overriding royalty interest is reserved by El Paso shall be pooled with other leases and lands to form a consolidated unit for the production of oil and/or gas, there shall be allocated, for the purpose of calculating the overriding royalty, to the subject lands covered by the subject leases, to the extent said lands are included within the aforesaid unit, that pro rata portion of oil and/or gas produced from the unit which the number of surface acres covered by the subject leases and included within the unit bears to the number of surface acres included within the unit.

D. El Paso agrees to consent to the formation of new proration units on said tracts so as to exclude any proration units heretofore covering any part thereof to the end that farmoutee shall be entitled to form a proration unit to cover each tract in Exhibit "A".

VI.

OPTION TO TAKE OVER WELL

If Farmoutee desires to plug and abandon any well drilled under this Agreement, whether before or after Farmoutee attempts to complete such well as a producer of oil and/or gas, it shall immediately notify El Paso upon the cessation of operations upon such well. El Paso shall have forty-eight (48) hours within which to elect to take over such well, and if El Paso elects to take over such well, El Paso shall pay Farmoutee the salvage value of all material and equipment it may have in and on such

well less the reasonable cost of salvaging such material and equipment, and thereafter all such material and equipment in and on such well shall be owned by El Paso, and all of Farmoutee's rights as to such well hereunder shall automatically terminate. Thereafter, all operations conducted on such well shall be at El Paso's sole cost and risk, including the cost of plugging and abandoning the well if El Paso is unable to complete such well as a producer.

VII.

CONFORMANCE WITH LAWS, RULES,

REGULATIONS AND CONTRACTS

All operations conducted by Farmoutee pursuant to this Agreement shall be conducted in full compliance with the applicable laws and the rules and regulations of the regulatory authorities having jurisdiction and the applicable terms of the aforesaid subject leases.

VIII.

ACCESS TO PREMISES AND WELL INFORMATION

Farmoutee shall allow representatives of El Paso, at El Paso's sole risk, to have free access to all wells drilled pursuant to this Agreement and to the derrick floor and full and complete information concerning said wells and shall furnish to El Paso, at El Paso Natural Gas Company's office, Midland, Texas, Attention: Mr. L. M. Brooks, all information pertaining to such wells as El Paso may request, including but not limited to the following:

A. Reports in writing concerning the results of any tests, with two (2) copies of DST charts, two (2) copies of all core analyses and two (2) copies of any paleontological and insoluble residue reports concerning said wells. The reports shall be delivered to El Paso as soon as possible after the completion of the test, analysis and/or report.

B. Two (2) copies of field prints and four (4) copies of all final prints of all electrical surveys, electrical logs, velocity and/or dip meter surveys and all other logs and surveys made on said wells by Farmoutee or any third party. Copies of the above shall be delivered to El Paso forthwith upon completion of the survey and logging operations.

C. Drilling time and well cuttings, if taken, washed and dried, at not more than 10-foot intervals from base of surface casing to total

depth delivered weekly to El Paso's office in Midland, Texas. Representative samples of any fluid recovered on formation tests, including good water samples whether obtained on a drillstem or by swabbing tests.

D. A daily progress report with full information as to the status of any well as of 6:00 a.m. on such day.

E. Farmoutee shall notify El Paso at its Midland, Texas office, Attention: Mr. O. L. Dilworth at (915) 684-5701 during working hours or 682-4468 at night, or if Mr. Dilworth is unavailable, Mr. L. M. Brooks at (915) 684-5701 during working hours when there is encountered any formation containing oil or gas in reasonably substantial quantity or pressure. El Paso shall also be notified in a similar manner in time for El Paso to have a representative present to witness any of the following: (1) All drillstem tests or other tests of said well, or (2) the logging of any electrical log or other survey, or (3) any coring operations, or (4) plugging operations.

F. One (1) copy of each report to any governmental authority having jurisdiction pertaining to the drilling of any well by Farmoutee under agreement shall be furnished by Farmoutee to El Paso's main office, El Paso, Texas, Attention: Land Department, and one (1) copy of each report shall be furnished by Farmoutee to El Paso's Midland, Texas office, Attention: Mr. L. M. Brooks. All such reports shall be delivered to El Paso's office at the same time as such reports are furnished to such governmental authority.

G. During the drilling of any of the wells or substitute wells as provided herein, cores and/or sidewall samples shall be taken and analyzed as good oil field practice indicates. All drillstem tests, if any, shall have an initial shut-in period of not less than forty-five (45) minutes and a final shut-in period equal to the flow period unless waived by an El Paso representative on location. If no El Paso representative is present and mechanical problems encountered so dictate, the test procedure may be altered in accordance with prudent oil field practices.

H. In the absence of Farmoutee or any third party running any velocity and/or dip meter survey, El Paso, at its sole cost, risk and expense, including the cost of rig time, shall have the right to run a

velocity and/or dip meter survey on any well drilled pursuant to the terms of this Agreement. The information obtained from this survey shall be solely for El Paso's use and benefit.

IX.

GOVERNMENTAL REGULATIONS

This Agreement shall be subject to all valid and applicable State and Federal laws, rules, orders and regulations, and in the event this Agreement or any provision hereof is, or the operations contemplated hereby are, found to be inconsistent with or contrary to any such law, rule, regulation, or order, then such law, rule, regulation or order shall be deemed to control and this Agreement shall be regarded as modified accordingly and, as so modified, shall continue in full force and effect.

X.

FORCE MAJEURE

In the event any party hereto shall be rendered unable, wholly or in part, by force majeure or other causes herein specified, to carry out its obligations under this Agreement, it is agreed that upon such party's giving notice and reasonably full particulars of such force majeure or other causes to the other party within a reasonable time after the occurrence of the cause relied upon, then the obligations of the party giving such notice insofar as and to the extent that they are affected by such force majeure, or other causes herein specified, shall be suspended during the continuance of any inability so caused, but for no longer, and such cause shall, insofar as possible, be remedied with all reasonable dispatch.

The term "force majeure" as used herein shall mean acts of God or the public enemy, wars, blockades, insurrection, riots, epidemics, landslides, fires, floods, tornadoes, lightning, explosions, acts or requests of the Federal or State government, or of any State or Federal officer or agent purporting to act under duly constituted authority, lockouts, interruptions of transportation, freight embargoes, or the loss of hole or blowout. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirement that any force majeure shall be

remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of the opposing party when such course is inadvisable in the discretion of the party having the difficulty.

XI.

NOTICE

All notices, demands or statements required or permitted hereunder to be given to the parties hereto other than those specified in Paragraph VIII shall be deemed to have been properly given when delivered personally or when sent by registered mail or telegraph, with all postage or charges fully prepaid, and addressed to such parties at their respective addresses set forth below or to such address as any party may have furnished in writing to the party sending the notice, demand or statement.

El Paso Natural Gas Company
Post Office Box 1492
El Paso, Texas 79978
Attention: Land Department

with a copy to:
El Paso Natural Gas Company
1800 Wilco Building
Midland, Texas 79701
Attention: Regional Land Manager

Black River Corporation
2100 First National Bank Building
Midland, Texas 79701
XII.

INSURANCE

A. To protect against liability, loss or expense arising from damage to property, or injury or death of any person or persons incurred in any way out of, in connection with, or resulting from the operations provided hereunder, Farmoutee shall obtain and, whenever practicable, shall require each of its subcontractors hereunder to obtain, insurance as provided below from reliable insurance companies acceptable to El Paso and authorized to do business in the state in which the operations are to be performed. Each policy shall provide for a waiver of subrogation rights against El Paso. Farmoutee shall maintain in force during the entire period of this agreement, the following schedule of insurance coverages:

<u>COVERAGES</u>	<u>MINIMUM LIMITS OF LIABILITY</u>
1. Workmen's Compensation and Employers' Liability	Statutory \$100,000.00 per person

2. Comprehensive General Liability,
including Premises/Operations,
Personal Injury, Owners and
Contractors Protective Liability,
Contractual Liability, Products
and Completed Operations.

Bodily Injury Liability	\$300,000.00 per occurrence
Property Damage Liability	\$300,000.00 per occurrence

3. Comprehensive Automobile Liability
including coverage for Owned,
Non-Owned and Hired Cars

Bodily Injury Liability	\$300,000.00 per person
	\$300,000.00 per occurrence
Property Damage Liability	\$300,000.00 per occurrence

4. Aviation Liability if Operator
uses Owned or Non-Owned
aircraft

Combined Single Limit	
Bodily Injury and Prop- erty Damage Liability	\$3,000,000.00 per occurrence
Passenger Liability	\$100,000.00 per passenger seat

B. Before work is commenced, Certificates evidencing that satisfactory coverage of the type and limits set forth above in Paragraph A. is in effect shall be furnished to El Paso. Such Certificates shall evidence that no cancellation or material change in the policies shall become effective except upon thirty (30) days written notice to El Paso. Such insurance shall contain such exclusions as the operator deems prudent.

C. Irrespective of the requirements as to insurance to be carried by Farmoutee as provided herein, insolvency, bankruptcy, or failure of any insurance company to pay all claims accruing, shall not be held to relieve Farmoutee of any obligations hereunder.

XIII.

ASSIGNABILITY

This Agreement shall inure to the benefit of and be binding upon the parties hereto, their personal representatives, successors and assigns; provided, however, that Farmoutee shall not assign this Agreement in whole or part without the written consent of El Paso, provided, however this provision shall not be deemed to be a restriction on assignability affecting rights earned by assignments hereunder.

XIV.

REASSIGNMENT

In the event Farmoutee shall at any time after earning or receiving from El Paso an assignment of a working interest in the subject lands and leases desire to surrender, release, abandon or otherwise terminate such interest, or any portion thereof, it shall first give written notice of such desire to El Paso at least sixty (60) days prior to such surrender, release, abandonment or termination and in no event less than sixty (60) days prior to the date by which any obligations or actions must be performed or taken in order to maintain and continue such leases and lands or portion thereof in effect, and El Paso shall have thirty (30) days from receipt of such notice in which to elect to receive an assignment of the interest proposed for surrender, release, abandonment or termination. Promptly upon such request, Farmoutee shall execute and deliver such assignment to El Paso, and Farmoutee shall thereupon be relieved of all obligations, debts and liabilities thereafter arising or accruing attributable to the leasehold interest so assigned; provided, however, that Farmoutee shall not be relieved of its obligations or its portion of debts and liabilities arising or accruing prior to such assignment.

XV.

CHANGES OR MODIFICATIONS

No change, modification or alteration of this Agreement shall be valid unless the same be made in writing signed by the parties hereto, and no course of dealing between the parties shall be construed to alter the terms hereof.

XVI.

RELATIONS OF PARTIES

The rights, duties, obligations and liabilities of the parties hereto shall be several and not joint or collective, and nothing herein contained shall ever be construed as creating a partnership of any kind, an agency, joint venture, an association or trust or as imposing upon any one or more of the parties hereto any partnership duty, obligation or liability. Each party hereto shall be individually responsible only for its obligations, as set out in this Agreement.

XVII.

RIGHT TO PURCHASE GAS

As part of the consideration for this Agreement, Farmoutee hereby grants to El Paso the exclusive right to purchase all natural gas (which term includes casinghead gas, gas condensate and extracted liquids) which may be produced from or allocated to the lands described in Exhibit "A" hereto and attributable to the interest of Farmoutee whether or not these gas rights were acquired from El Paso. In the event El Paso desires to purchase Farmoutee's share of said gas, then El Paso may give Farmoutee written notice of its desire to purchase and shall thereupon have the right to purchase Farmoutee's share at the price then being paid by El Paso in the area for gas of similar quantity, quality and pressure, and Farmoutee shall enter into El Paso's standard gas purchase contract and use in the area. If El Paso is not then purchasing gas in the area, then the price to be paid shall be the wellhead market price in the area for gas of similar quantity, quality and pressure sold in interstate commerce, such price in no event to exceed the price established for such gas by the Federal Energy Regulatory Commission or any other applicable regulatory authority. Any purchase contract shall be for a term of five (5) years.

XIII.

AUDIT

El Paso shall have the right at all times to audit Farmoutee's accounts and records relating to this Agreement. Farmoutee shall be advised in writing of El Paso's desire to conduct an audit and such audit shall be conducted during normal business hours in a manner to cause a minimum of inconvenience to Farmoutee.

XIX.

ELECTION

Each of the parties hereto hereby elects under the authority of Section 761 of the Internal Revenue Code of 1954 and the regulations promulgated thereunder to be excluded from the application of all of the provisions of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954. If the income tax laws of the state or states in which the property covered hereby is located contain or may hereafter

contain provisions similar to those contained in the subchapter of the Internal Revenue Code of 1954 above referred to under which a similar election is permitted, each party hereto hereby agrees to be excluded from such partnership provisions of such state or states income tax laws.

XX.

EXECUTION

It is intended that this Farmout Agreement shall be executed in duplicate originals and that same be fully executed by both parties hereto and a duplicate original hereof returned by Farmouttee to El Paso within thirty (30) days from the date hereof. In the event Farmouttee does not execute and return one fully executed copy hereof to El Paso within thirty (30) days from the date hereof this Agreement shall be deemed to be a nullity and of no force and effect whatever.

IN WITNESS WHEREOF, this Agreement has been executed as of the day and year first hereinabove written.

ATTEST:

[Signature]
Assistant Secretary

EL PASO NATURAL GAS COMPANY

By: [Signature]

Vice President



ATTEST:

[Signature]
Secretary

BLACK RIVER CORPORATION

By: [Signature]

Executive Vice President

STATE OF TEXAS)

COUNTY OF EL PASO)

The foregoing instrument was acknowledged before me this 12 day of March, 1979, by T. W. BITTICK, Vice President of EL PASO NATURAL GAS COMPANY, a Delaware corporation, on behalf of said corporation.

[Signature]
Notary Public

My Commission Expires
ELOISE BUSSE
Notary Public in and for El Paso County, Texas
My Commission expires 6-30-80

STATE OF TEXAS)

COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 14th day of March, 1979, by Tommy Phipps ^{Executive} Vice President of BLACK RIVER CORPORATION, a New Mexico corporation, on behalf of said corporation.

[Signature]
Notary Public

My Commission Expires
DONNA D. LEMARIE
Notary Public
In and for Midland County, Texas
My Commission Expires May 1, 1980

EXHIBIT "A"

Attached to and made a part of that certain Farmout Agreement dated the 12 day of March 1979, by and between EL PASO NATURAL GAS COMPANY and BLACK RIVER CORPORATION.

TRACT NO. 1

Lease(s): NM 10

Oil and Gas Lease made and entered into by and between State of New Mexico as Lessor, and Shell Petroleum Corp., as Lessee, dated effective September 15, 1933, bearing Serial No. B-1167-16, insofar and only insofar as said lease covers the following described lands situated in Lea County, New Mexico, to wit:

Township 23 South, Range 36 East, NMPM
Section 22: N/2 SE/4
containing 80.00 acres, more or less

Proposed Depth: 3550'

Interval: Jalmat Gas Pool

TRACT NO. 2

Lease(s): NM 10-A

Oil and Gas Lease made and entered into by and between State of New Mexico as Lessor, and Shell Petroleum Corp., as Lessee, dated effective September 15, 1933, bearing Serial No. B-1167, insofar and only insofar as said lease covers the following described lands situated in Lea County, New Mexico, to wit:

Township 23 South, Range 37 East, NMPM
Section 32: N/2 SW/4
Containing 80.00 acres, more or less

Proposed Depth: 3250'

Interval: Jalmat Gas Pool

TRACT NO. 3

Lease(s): NM 16

Oil and Gas Lease made and entered into by and between James Franklin Black as Lessor, and Roxana Petroleum Corp., as Lessee, dated effective May 25, 1927, insofar and only insofar as said lease covers the following described lands situated in Lea County, New Mexico, to wit:

Township 24 South, Range 37 East, NMPM
Section 21: NW/4 SE/4, SE/4 SW/4
Containing 80.00 acres, more or less

Proposed Depth: 3225'

Interval: Jalmat Gas Pool

TRACT NO. 4

Lease(s): NM 46

Oil and Gas Lease made and entered into by and between the United States of America, as Lessor, and Union Texas, et al, as Lessee, dated effective July 1, 1962, bearing Serial No. LC 032511 (E) insofar and only insofar as said lease covers the following described lands situated in Lea County, New Mexico, to wit:

Township 25 South, Range 37 East, NMPM
Section 8: S/2 SE/4, NE/4 SE/4
Containing 120.00 acres, more or less

Proposed Depth: 3250'

Interval: Jalmat Gas Pool

EXHIBIT "A" (Cont'd.)

TRACT NO. 5

Lease(s): (1) NM 67

Oil and Gas Lease made and entered into by and between the United States of America, as Lessor, and El Paso Natural Gas Company as Lessee, dated effective September 1, 1960, bearing Serial No. LC-060942, recorded in Book 187, Page 502 of the records of Lea County, New Mexico, insofar and only insofar as said lease covers the following described lands situated in Lea County, New Mexico, to wit:

Township 25 South, Range 37 East, NMPM

Section 11: S/2 SE/4

Containing 80.00 acres, more or less

(2) NM 82

Oil and Gas Lease made and entered into by and between the United States of America, as Lessor, and Anderson Prichard Oil Co., et al, as Lessee, dated effective September 1, 1960, bearing Serial No. NM-0140977 insofar and only insofar as said lease covers the following described lands situated in Lea County, New Mexico, to wit:

Township 25 South, Range 37 East, NMPM

Section 11: N/2 SE/4

Containing 80.00 acres, more or less

Proposed Depth: 3500'

Interval: Langlie-Mattix

TRACT NO. 6

Lease(s): (1) NM 52

Oil and Gas Lease made and entered into by and between the United States of America, as Lessor, and Anderson Prichard Oil Co., as Lessee, dated effective February 1, 1960, bearing Serial No. LC-032579-B, insofar and only insofar as said lease covers the following described lands situated in Lea County, New Mexico, to wit:

Township 25 South, Range 37 East, NMPM

Section 27: S/2 NE/4, NE/4 NW/4

Containing 120.00 acres, more or less

(2) NM 71

Oil and Gas Lease made and entered into by and between the United States of America, as Lessor, and Union Texas, et al, as Lessee, dated effective November 1, 1961, bearing Serial No. LC-032579-F, insofar and only insofar as said lease covers the following described lands situated in Lea County, New Mexico, to wit:

Township 25 South, Range 37 East, NMPM

Section 27: S/2 NW/4

Containing 80.00 acres, more or less

Proposed Depth: 3150'

Interval: Jalmat Gas Pool

EXHIBIT "A" (Cont'd.)

TRACT NO. 7

Lease(s): NM 58

Oil and Gas Lease made and entered into by and between the United States of America, as Lessor, and Anderson Prichard Oil Co., et al, as Lessee, dated effective March 1, 1950, bearing Serial No. LC-054667, insofar and only insofar as said lease covers the following described lands situated in Lea County, New Mexico, to wit:

Township 25 South, Range 37 East, NMPM
Section 33: NW/4 NW/4, S/2 NW/4, NE/4 SW/4
Containing 160.00 acres, more or less

Proposed Depth: 3300'

Interval: Langlie-Mattix

BLACK RIVER CORPORATION

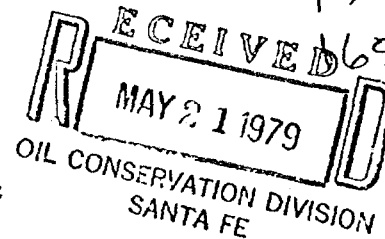
2100 FIRST NATIONAL BANK BUILDING
MIDLAND, TEXAS 79701

915 683-5384

May 8, 1979

Grace Petroleum Corporation
405 Wall Towers East
Midland, Texas 79701

Attention: Mr. William E. Lorenz



Re: Request for New Non-Standard
Proration Unit in the Jalmat (Yates -
Seven Rivers) Gas Pool covering
N/2 SE/4, Section 22, T23S, R36E,
Lea County, New Mexico

Gentlemen:

Black River Corporation plans to request segregation of the N/2 of the present Jalmat Proration Unit which covers the SE/4 of Section 22, T23S, R36E, Lea County, New Mexico and under farmout from El Paso Natural Gas Company drill a Jalmat gas well on the newly formed eighty acre unit.

We request waiver from you as an offset operator under Oil Conservation Division Rule No. 104.

Enclosed are two copies of this letter along with stamped, addressed envelopes. Please execute the waiver below and send one copy to the Oil Conservation Division and one copy to us.

Thank you for your consideration in this matter.

Very truly yours,

Tommy Phipps
Tommy Phipps, Executive Vice President

TP:rm

CERTIFIED RETURN RECEIPT REQUESTED

Waiver under OCC Rule No. 104
is approved:

Billy J. Knight
Signed
5-17-79
Date

L. P. Thompson
Division Manager

John R. Kemp
Assistant Division Manager

Production Department
Hobbs Division
North American Production

CONOCO

RECEIVED

MAY 16 1979

Continental Oil Company
P.O. Box 460
1001 North Turner
Hobbs, New Mexico 88240
(505) 393-4141

OIL CONSERVATION DIVISION
SANTA FE

May 15, 1979

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

Attention Mr. Joe D. Ramey

Gentlemen:

Request for New Non-Standard Proration Unit in the Jalmat (Yates-Seven Rivers) Gas Pool Covering N/2 SE/4, Section 22, T-23-S, R-36-E, Lea County, New Mexico

Attached is Continental Oil Company's approval of Black River Corporation's requested waiver. By copy of this letter, one approved copy is being returned to the applicant.

Yours very truly,

John R. Kemp

HAI:cab

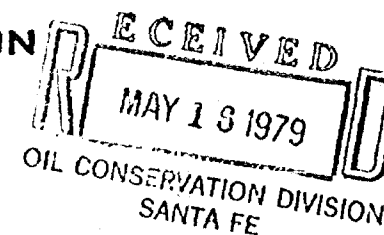
cc: Black River Corporation

BLACK RIVER CORPORATION

2100 FIRST NATIONAL BANK BUILDING
MIDLAND, TEXAS 79701

915 683-5384

May 8, 1979



Continental Oil Company
Midland Division Production
P. O. Box 1959
Midland, Texas 79702

Attention: Mr. J. E. Whitman, Division Manager

Re: Request for New Non-Standard
Proration Unit in the Jalmat (Yates -
Seven Rivers) Gas Pool covering
N/2 SE/4, Section 22, T23S, R36E,
Lea County, New Mexico

Gentlemen:


Black River Corporation plans to request segregation of the N/2 of the present Jalmat Proration Unit which covers the SE/4 of Section 22, T23S, R36E, Lea County, New Mexico and under farmout from El Paso Natural Gas Company drill a Jalmat gas well on the newly formed eighty acre unit.

We request waiver from you as an offset operator under Oil Conservation Division Rule No. 104.

Enclosed are two copies of this letter along with stamped, addressed envelopes. Please execute the waiver below and send one copy to the Oil Conservation Division and one copy to us.

Thank you for your consideration in this matter.


Very truly yours,


Tommy Phipps, Executive Vice President

TP:rm

CERTIFIED RETURN RECEIPT REQUESTED

Waiver under OCC Rule No. 104
is approved:

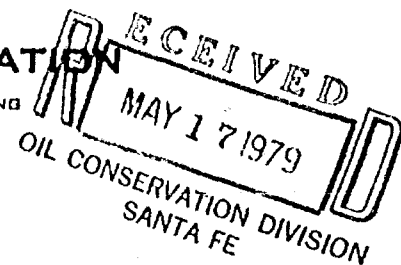

Signed
May 15, 1979
Date

915 683-5384

BLACK RIVER CORPORATION

2100 FIRST NATIONAL BANK BUILDING
MIDLAND, TEXAS 79701

May 8, 1979



Atlantic Richfield Company
Western Region-Permian District
P. O. Box 1610
Midland, Texas 79702

Attention: Mr. Clarence Cardwell, Manager

Re: Request for New Non-Standard
Proration Unit in the Jalmat (Yates -
Seven Rivers) Gas Pool covering
N/2 SE/4, Section 22, T23S, R36E,
Lea County, New Mexico

Gentlemen:


Black River Corporation plans to request segregation of the N/2 of the present Jalmat Proration Unit which covers the SE/4 of Section 22, T23S, R36E, Lea County, New Mexico and under farmout from El Paso Natural Gas Company drill a Jalmat gas well on the newly formed eighty acre unit.

We request waiver from you as an offset operator under Oil Conservation Division Rule No. 104.

Enclosed are two copies of this letter along with stamped, addressed envelopes. Please execute the waiver below and send one copy to the Oil Conservation Division and one copy to us.

Thank you for your consideration in this matter.

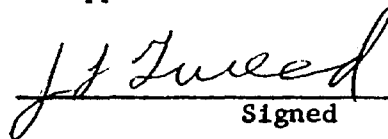
Very truly yours,


Tommy Phipps, Executive Vice President

TP:rm

CERTIFIED RETURN RECEIPT REQUESTED

Waiver under OCC Rule No. 104
is approved:

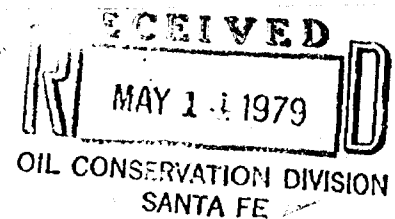

Signed
May 15, 1979
Date

BLACK RIVER CORPORATION

2100 FIRST NATIONAL BANK BUILDING
MIDLAND, TEXAS 79701

915 683-5384

May 8, 1979



El Paso Natural Gas Company
Division Operations
600 Building of the Southwest
Midland, Texas 79701

Attention: Mr. T. J. Crutchfield, Division Superintendent

Re: Request for New Non-Standard
Proration Unit in the Jalmat (Yates -
Seven Rivers) Gas Pool covering
N/2 SE/4, Section 22, T23S, R36E,
Lea County, New Mexico

Gentlemen:

Black River Corporation plans to request segregation of the N/2 of the present Jalmat Proration Unit which covers the SE/4 of Section 22, T23S, R36E, Lea County, New Mexico and under farmout from El Paso Natural Gas Company drill a Jalmat gas well on the newly formed eighty acre unit.

We request waiver from you as an offset operator under Oil Conservation Division Rule No. 104.

Enclosed are two copies of this letter along with stamped, addressed envelopes. Please execute the waiver below and send one copy to the Oil Conservation Division and one copy to us.

Thank you for your consideration in this matter.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Tommy Phipps".

Tommy Phipps, Executive Vice President

TP:rm

CERTIFIED RETURN RECEIPT REQUESTED

Waiver under OCC Rule No. 104
is approved:

A handwritten signature in cursive script, appearing to read "R. F. Janose".
Signed
May 10, 1979
Date

El Paso NATURAL GAS
COMPANY

MIDLAND DISTRICT
RECEIVED

MAY 22 1979
P. O. BOX 1492
EL PASO, TEXAS 79978
PHONE: 915-543-2600

RECEIVED
MAY 22 1979
OIL CONSERVATION DIVISION
SANTA FE
May 18

EXISTING WELL
CARLSON FEDERAL
UNIT LTR P

CERTIFIED MAIL

Atlantic Richfield Company
Western Region, Permian District
P. O. Box 1610
Midland, Texas 79702
Attn: Mr. J. L. Tweed

Continental Oil Company
Midland Division Production
P. O. Box 1959
Midland, Texas 79702
Attn: Mr. John R. Kemp

Gackle Oil Company
P. O. Box 2038
Hobbs, New Mexico 88240
Attn: Mr. Albert Gackle

Grace Petroleum Corp.
405 Wall Towers East
Midland, Texas 79701
Attn: Mr. Buddy Knight

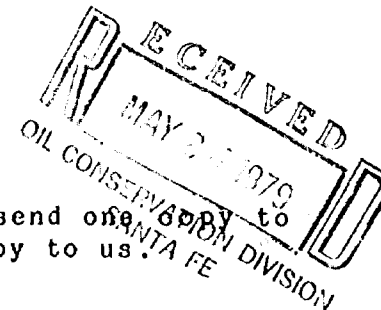
Re: Request for New Non-Standard
Proration Unit in the Jalmat
(Yates-Seven Rivers) Gas Pool
S/2 SE/4 Sec. 22, T-23-S, R-36-E
Lea County, New Mexico

Gentlemen:

Our letter of May 10, 1979 requested your waiver to the formation of a Non-Standard Proration Unit covering the N/2 SE/4 of Section 22-23S-36E. By this letter we are also requesting a waiver from you for a Non-Standard Proration Unit covering the S/2 SE/4 of Section 22-23S-36E, as an offset operator under Oil Conservation Division Order R-1670 pertaining to prorated gas pools in Southeast New Mexico.

Enclosed are two copies of this letter along with stamped addressed envelopes.

May 18, 1979
Page Two



Please execute the waiver below and send one copy to the Oil Conservation Division and one copy to us.

Yours very truly,

EL PASO NATURAL GAS COMPANY

Richard B. Isaacks

Richard B. Isaacks
Staff Landman
Land Department
Exploration

RBI:ec

Waiver under Rule 1670 is
Approved this 22nd day of
May, 1979

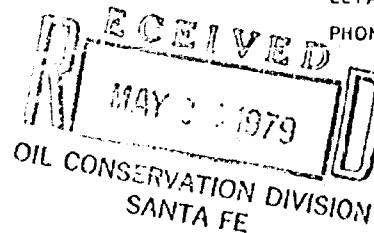
GRACE PETROLEUM CORPORATION
Company

By:

Buddy J. King

El Paso NATURAL GAS
COMPANY

P. O. BOX 1492
EL PASO, TEXAS 79978
PHONE: 915-543-2600



May 10, 1979

CERTIFIED MAIL

Atlantic Richfield Company
Western Region, Permian District
P. O. Box 1610
Midland, Texas 79702
ATTN: Mr. Clarence Cardwell

Continental Oil Company
Midland Division Production
P. O. Box 1959
Midland, Texas 79702
ATTN: Mr. J. E. Whitman

Gackle Oil Company
P. O. Box 2038
Hobbs, New Mexico 88240
ATTN: Mr. Albert Gackle

Grace Petroleum Corp.
405 Wall Towers East
Midland, Texas 79701
ATTN: Mr. William E. Lorenz

Re: Request for New Non-Standard
Proration Unit in the Jalmat
(Yates-Seven Rivers) Gas Pool
N/2 SE/4 Sec. 22, T-23-S, R-36-E
Lea County, New Mexico

Gentlemen:

Black River Corporation plans to request segregation of the north half of the present Jalmat proration unit which covers the SE/4 of Section 22, T-23-S, R-36-E, Lea County, New Mexico and under farmout from El Paso Natural Gas Company drill a Jalmat gas well on the newly formed 80 acre unit.

We request waiver from you as an offset operator under Oil Conservation Division Order R-1670, covering prorated gas pools in Southeast New Mexico.

Enclosed are two copies of this letter along with stamped addressed envelopes.

May 10, 1979
Page Two

Please execute the waiver below and send one copy to the Oil Conservation Division and one copy to us.

Thank you for your consideration in this matter.

Yours very truly,

EL PASO NATURAL GAS COMPANY

Richard B. Isaacks

Richard B. Isaacks
Staff Landman
Land Department
Energy Resource Development

DI:ec

Waiver under Rule 104 is
Approved this 22nd day of
May, 1979

GRACE PETROLEUM CORPORATION
Company

By: *Buddy J. Knight*

El Paso NATURAL GAS
COMPANY

RECEIVED
MAY 21 1979
P.O. BOX 1182
EL PASO, TEXAS 79978
PHONE: 915-543-2600
OIL CONSERVATION DIVISION
SANTA FE

May 18, 1979

CERTIFIED MAIL

Atlantic Richfield Company
Western Region, Permian District
P. O. Box 1610
Midland, Texas 79702
Attn: Mr. J. L. Tweed

Continental Oil Company
Midland Division Production
P. O. Box 1959
Midland, Texas 79702
Attn: Mr. John R. Kemp

Gackle Oil Company
P. O. Box 2038
Hobbs, New Mexico 88240
Attn: Mr. Albert Gackle

Grace Petroleum Corp.
405 Wall Towers East
Midland, Texas 79701
Attn: Mr. Buddy Knight

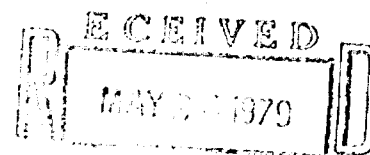
Re: Request for New Non-Standard
Proration Unit in the Jalmat
(Yates-Seven Rivers) Gas Pool
S/2 SE/4 Sec. 22, T-23-S, R-36-E
Lea County, New Mexico

Gentlemen:

Our letter of May 10, 1979 requested your waiver to the formation of a Non-Standard Proration Unit covering the N/2 SE/4 of Section 22-23S-36E. By this letter we are also requesting a waiver from you for a Non-Standard Proration Unit covering the S/2 SE/4 of Section 22-23S-36E, as an offset operator under Oil Conservation Division Order R-1670 pertaining to prorated gas pools in Southeast New Mexico.

Enclosed are two copies of this letter along with stamped addressed envelopes.

May 18, 1979
Page Two



Please execute the waiver below and send one copy to the Oil Conservation Division and one copy to us.

Yours very truly,

EL PASO NATURAL GAS COMPANY

Richard B. Isaacks

Richard B. Isaacks
Staff Landman
Land Department
Exploration

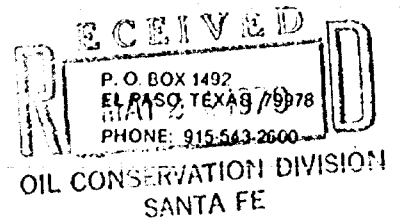
RBI:ec

Waiver under Rule 1670 is
Approved this 22 day of
May, 1979

Lackle Oil Co.
Company

By: *Albert Lackle*

El Paso NATURAL GAS
COMPANY



May 18, 1979

CERTIFIED MAIL

Atlantic Richfield Company
Western Region, Permian District
P. O. Box 1610
Midland, Texas 79702
Attn: Mr. J. L. Tweed

Continental Oil Company
Midland Division Production
P. O. Box 1959
Midland, Texas 79702
Attn: Mr. John R. Kemp

Gackle Oil Company
P. O. Box 2038
Hobbs, New Mexico 88240
Attn: Mr. Albert Gackle

Grace Petroleum Corp.
405 Wall Towers East
Midland, Texas 79701
Attn: Mr. Buddy Knight

Re: Request for New Non-Standard
Proration Unit in the Jalmat
(Yates-Seven Rivers) Gas Pool
S/2 SE/4 Sec. 22, T-23-S, R-36-E
Lea County, New Mexico

Gentlemen:

Our letter of May 10, 1979 requested your waiver to the formation of a Non-Standard Proration Unit covering the N/2 SE/4 of Section 22-23S-36E. By this letter we are also requesting a waiver from you for a Non-Standard Proration Unit covering the S/2 SE/4 of Section 22-23S-36E, as an offset operator under Oil Conservation Division Order R-1670 pertaining to prorated gas pools in Southeast New Mexico.

Enclosed are two copies of this letter along with stamped addressed envelopes.

May 18, 1979
Page Two

RECEIVED

MAY 18 1979

Please execute the waiver below and send a copy to the Oil Conservation Division and one copy to us. SAN ANTONIO

Yours very truly,

EL PASO NATURAL GAS COMPANY

Richard B. Isaacks

Richard B. Isaacks
Staff Landman
Land Department
Exploration

RBI:ec

Waiver under Rule 1670 is
Approved this 22nd day of
May, 1979

CONTINENTAL OIL COMPANY

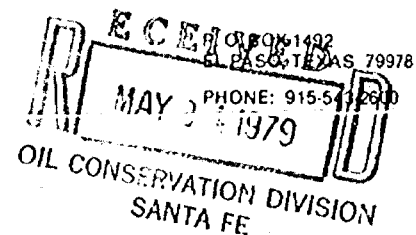
Company

By: *H. A. Ingram*

H. A. INGRAM

Conservation Coordinator

El Paso NATURAL GAS
COMPANY



May 10, 1979

CERTIFIED MAIL

Atlantic Richfield Company
Western Region, Permian District
P. O. Box 1610
Midland, Texas 79702
ATTN: Mr. Clarence Cardwell

Continental Oil Company
Midland Division Production
P. O. Box 1959
Midland, Texas 79702
ATTN: Mr. J. E. Whitman

Gackle Oil Company
P. O. Box 2038
Hobbs, New Mexico 88240
ATTN: Mr. Albert Gackle

Grace Petroleum Corp.
405 Wall Towers East
Midland, Texas 79701
ATTN: Mr. William E. Lorenz

Re: Request for New Non-Standard
Proration Unit in the Jalmat
(Yates-Seven Rivers) Gas Pool
N/2 SE/4 Sec. 22, T-23-S, R-36-E
Lea County, New Mexico

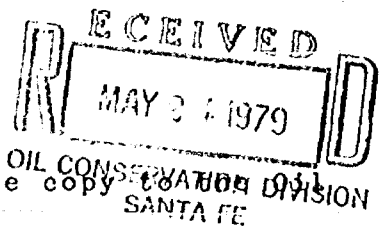
Gentlemen:

Black River Corporation plans to request segregation of the north half of the present Jalmat proration unit which covers the SE/4 of Section 22, T-23-S, R-36-E, Lea County, New Mexico and under farmout from El Paso Natural Gas Company drill a Jalmat gas well on the newly formed 80 acre unit.

We request waiver from you as an offset operator under Oil Conservation Division Order R-1670, covering prorated gas pools in Southeast New Mexico.

Enclosed are two copies of this letter along with stamped addressed envelopes.

May 10, 1979
Page Two



Please execute the waiver below and send one copy to the Conservation Division and one copy to us.

Thank you for your consideration in this matter.

Yours very truly,

EL PASO NATURAL GAS COMPANY

Richard B. Isaacks

Richard B. Isaacks
Staff Landman
Land Department
Energy Resource Development

DI:ec

Waiver under Rule 104 is
Approved this 22nd day of
May, 1979

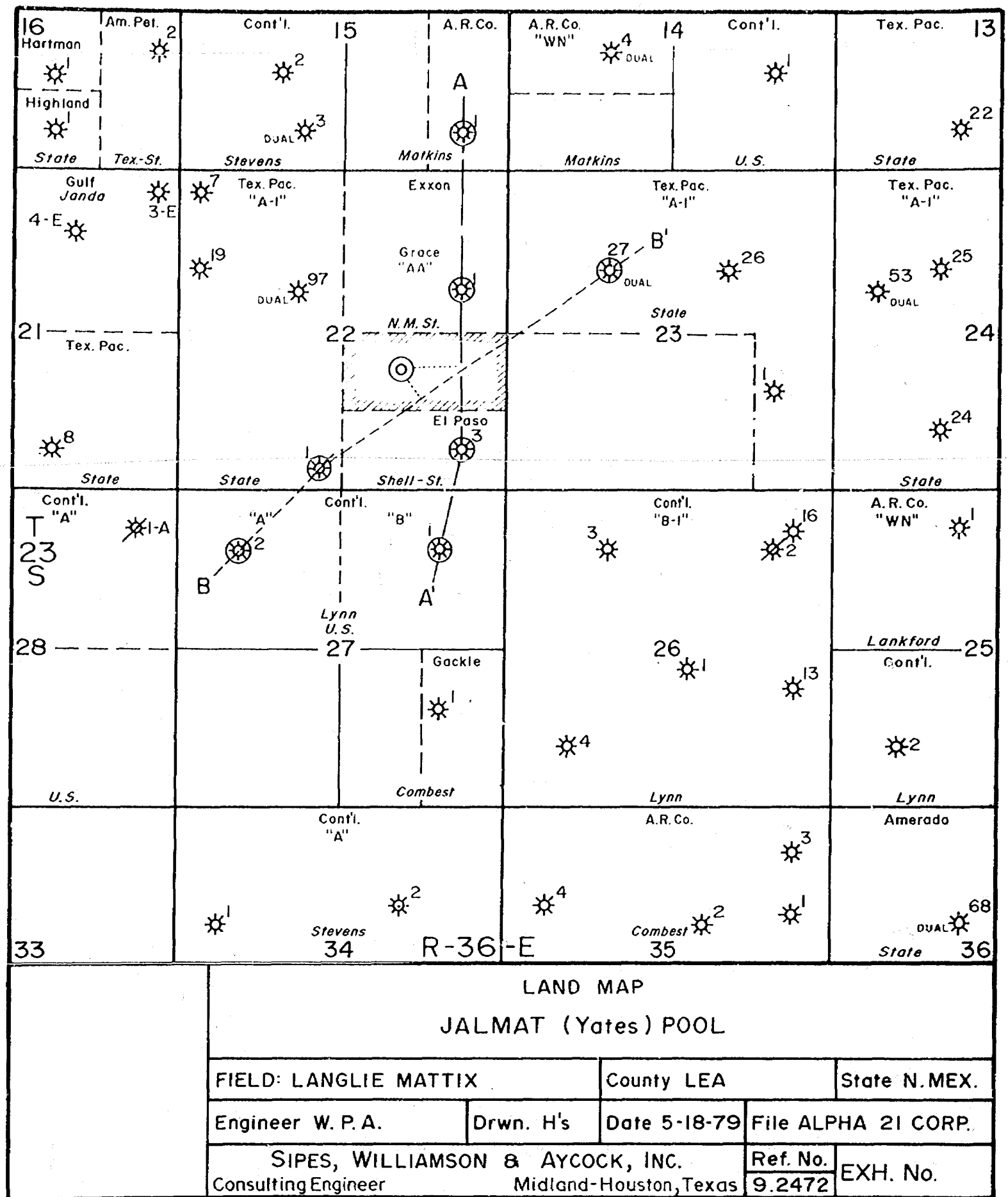
CONTINENTAL OIL COMPANY

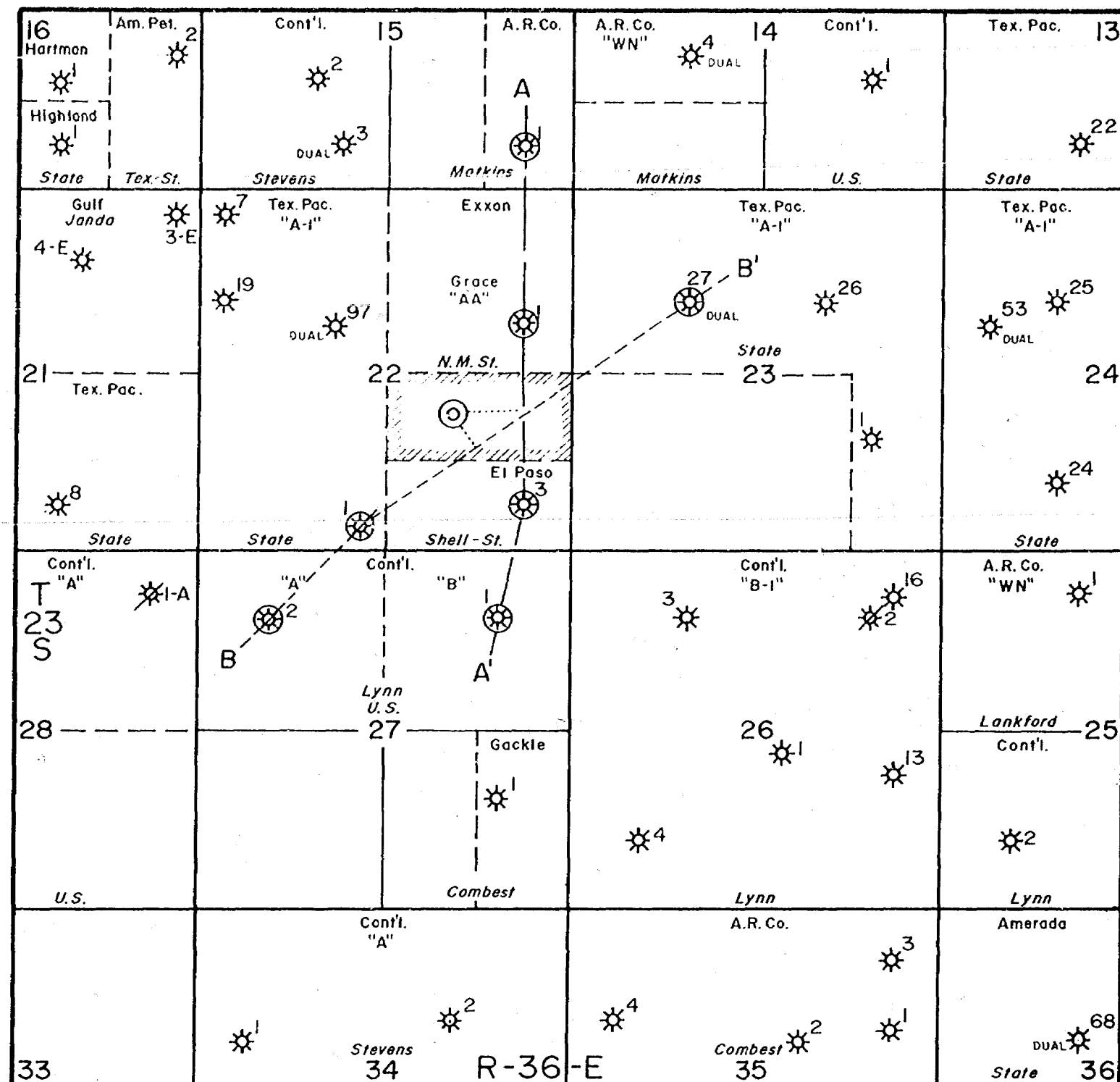
Company

By:

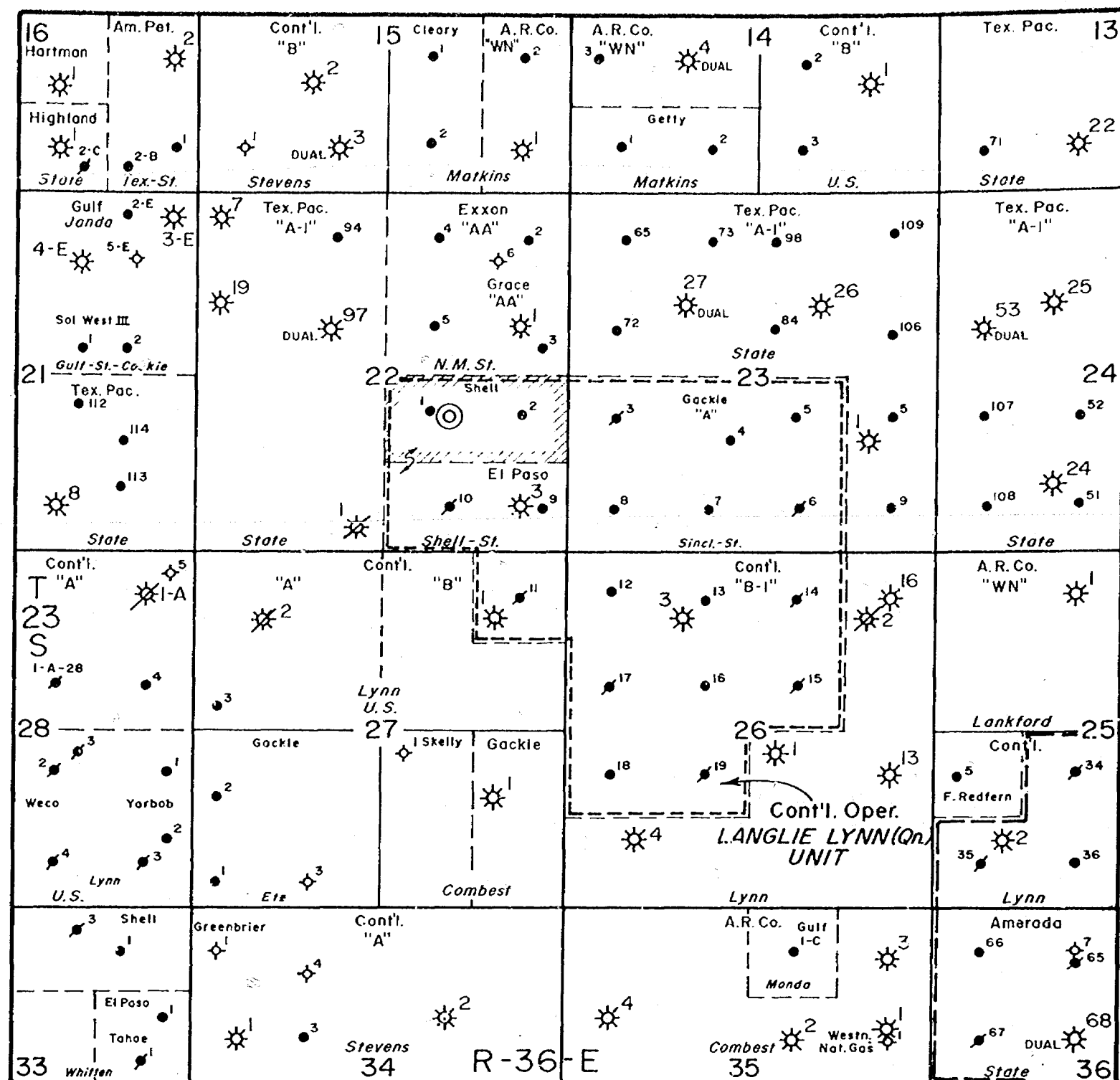
H. A. Ingram

H. A. INGRAM
Conservation Coordinator





LAND MAP			
JALMAT (Yates) POOL			
FIELD: LANGLIE MATTIX		County LEA	State N.MEX.
Engineer W. P. A.	Drwn. H's	Date 5-18-79	File ALPHA 21 CORP.
SIPES, WILLIAMSON & AYCOCK, INC.		Ref. No.	EXH. No.
Consulting Engineer		Midland-Houston, Texas	9.2472



LAND MAP

JALMAT (Tansil-Yates-7 Rivers) POOL

FIELD: L. ANGLIE MATTIX

County LEA

State N. MEX.

Engineer W. P. A.

Drwn. H's

Date 5-18-79

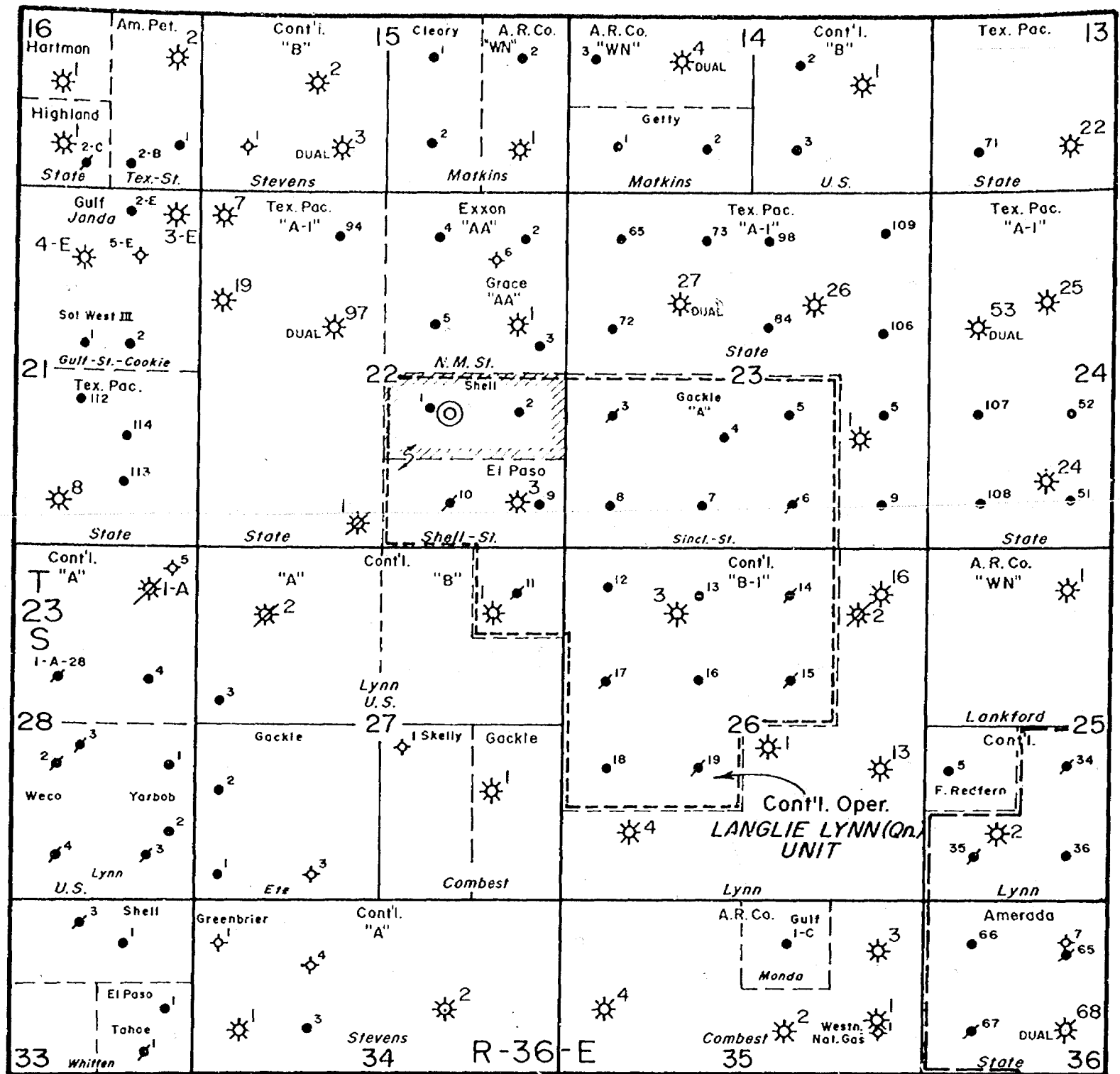
File ALPHA 21 CORP.

SIPES, WILLIAMSON & AYCOCK, INC.
Consulting Engineer

Midland-Houston, Texas

Ref. No.
9.2472

EXH. No.



LAND MAP			
JALMAT (Tansil-Yates-7 Rivers) POOL			
FIELD: LANGLEY MATTIX		County LEA	State N.MEX.
Engineer W. P. A.	Drwn. H's	Date 5-18-79	File ALPHA 21 CORP.
SIPES, WILLIAMSON & AYCOCK, INC.		Ref. No.	EXH. No.
Consulting Engineer		9.2472	
Midland-Houston, Texas			

CAMPBELL AND BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
PAUL R. CALDWELL

POST OFFICE BOX 2208
JEFFERSON PLACE
SANTA FE, NEW MEXICO 87501
TELEPHONE (505) 988-4421

File
May 2, 1979

The New Mexico Oil Conservation
Division
Department of Energy and Minerals
Post Office Box 2088
Santa Fe, New Mexico 87501

RE: Case 6536

Gentlemen:

This letter will confirm our telephone conversation of this date in which I requested on behalf of Black River Corporation that the above captioned case scheduled to be heard on May 9, 1979 be continued to the examiner during schedule for May 23, 1979.

Very truly yours,

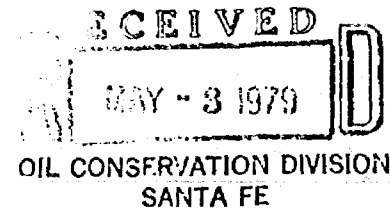
William F. Carr
William F. Carr

WFC:tn

cc: Mr. Tom Phipps

Mr. William P. Aycock

Mr. Robert H. Hannifin



Dockets Nos. 23-79 and 24-79 are tentatively set for hearing on June 13 and 27, 1979. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 23, 1979

9 A.M. - OIL CONSERVATION DIVISION 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 6545: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Corinne Grace, Travelers Indemnity Company, and all other interested parties to appear and show cause why the Kuklah Baby Well No. 1 located in Unit G of Section 24, Township 22 South, Range 26 East, Eddy County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6422: (Continued from February 28, 1979, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Helton Engineering & Geological Services, Inc., Travelers Indemnity Company, and all other interested parties to appear and show cause why the Brent Well No. 1 located in Unit M of Section 29 and the Brent Well No. 3 located in Unit G of Section 19, both in Township 13 North, Range 6 East, Sandoval County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6546: Application of Black River Corporation for compulsory pooling and non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Jalmat Gas Pool underlying the SW/4 of Section 32, Township 23 South, Range 37 East, to form a 160-acre non-standard gas proration unit to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. 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 6536: (Continued from May 9, 1979, Examiner Hearing)

Application of Black River Corporation for two non-standard gas proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for two 80-acre non-standard gas proration units in the Jalmat Gas Pool as follows: the N/2 SE/4 of Section 22, Township 23 South, Range 36 East, to be dedicated to applicant's well to be drilled in Unit J of said Section 22; and the S/2 SE/4 of said Section 22 to be dedicated to El Paso Natural Gas Company's Shell State Well No. 3 located in Unit P.

CASE 6535: (Continued from May 9, 1979, Examiner Hearing)

Application of Torreon Oil Company for a waterflood project, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in the San Luis-Mesaverde Pool by the injection of water into the Menefee formation through two wells located in Section 21, Township 18 North, Range 3 West, Sandoval County, New Mexico.

CASE 6547: Application of American Petrofina Company of Texas for the creation of a waterflood buffer zone, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a waterflood buffer zone comprising the NE/4 SE/4 of Section 26, Township 17 South, Range 32 East, Maljamar Grayburg-San Andres Pool, to enable applicant to produce its Johns B Well No. 4 located thereon at an unrestricted rate.

CASE 6548: Application of John F. Stayer for salt water disposal, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Dakota formation through the open hole interval from 1408 feet to 1412 feet in his Table Mesa Well No. 22 located in Unit N and from 1394 feet to 1400 feet in his Table Mesa Well No. 23 located in Unit O, both in Section 34, Township 28 North, Range 17 West, Table Mesa-Dakota Oil Pool.

CASE 6549: Application of Gulf Oil Corporation for pool creation, discovery allowable, and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order creating a new Bone Springs oil pool for its Lea "YH" State Well No. 1 located in Unit O of Section 25, Township 18 South, Range 34 East. Applicant also seeks a discovery allowable and promulgation of special pool rules, including a provision for 80-acre spacing.

RECEIVED

APR 30 1979

BEFORE THE

Oil Conservation

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

APPLICATION OF BLACK RIVER CORPORATION
FOR APPROVAL OF TWO NON-STANDARD GAS
PRORATION UNITS, JALMAT GAS POOL,
LEA COUNTY, NEW MEXICO.

Case No. 6536

APPLICATION

Comes now BLACK RIVER CORPORATION, by their undersigned attorneys, and applies to the New Mexico Oil Conservation Division for approval of two 80-acre non-standard gas proration units, Jalmat Gas Pool, Lea County, New Mexico, and in support of its Application states:

1. El Paso Natural Gas Company is the operator of the SE/4 of Section 22, Township 23 South, Range 36 East, Lea County, New Mexico, which is dedicated to its Shell State Well No. 3 located in Unit P of said Section 22.

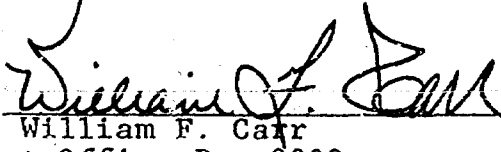
2. Applicant has received a farm out from El Paso Natural Gas of the N/2, SE/4 of said Section 22.

3. Applicant seeks the establishment of two 80-acre non-standard gas proration units in the Jalmat Gas Pool; one comprising all of the N/2 SE/4 of said Section 22, which non-standard unit would be dedicated to a well to be drilled in Unit J of said Section and the other comprising all of the S/2 SE/4 of said Section 22 to be dedicated to the El Paso Natural Gas Company's Shell State Well No. 3 located in Unit P of said Section 22.

4. Approval of this Application will be in the interest of conservation, will prevent waste and will protect correlative rights.

WHEREFORE, applicant respectfully requests that this matter be set for hearing before the Division or one of its duly appointed examiners and that after notice and hearing as required by law, the Division enter its order approving the Application.

Respectfully submitted,
CAMPBELL AND BLACK, P.A.

By 
William F. Carr
Post Office Box 2208
Santa Fe, New Mexico 87501
Attorneys for Applicant

RECEIVED

APR 30 1979

BEFORE THE

Oil Conservation

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

APPLICATION OF BLACK RIVER CORPORATION
FOR APPROVAL OF TWO NON-STANDARD GAS
PRORATION UNITS, JALMAT GAS POOL,
LEA COUNTY, NEW MEXICO.

Case No. 6536

APPLICATION

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1. El Paso Natural Gas Company is the operator of the SE/4 of Section 22, Township 23 South, Range 36 East, Lea County, New Mexico, which is dedicated to its Shell State Well No. 3 located in Unit P of said Section 22.

2. Applicant has received a farm out from El Paso Natural Gas of the N/2, SE/4 of said Section 22.

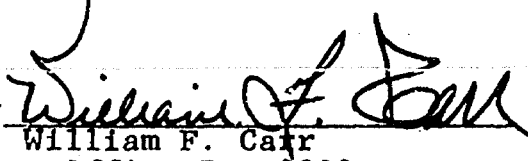
3. Applicant seeks the establishment of two 80-acre non-standard gas proration units in the Jalmat Gas Pool; one comprising all of the N/2 SE/4 of said Section 22, which non-standard unit would be dedicated to a well to be drilled in Unit J of said Section and the other comprising all of the S/2 SE/4 of said Section 22 to be dedicated to the El Paso Natural Gas Company's Shell State Well No. 3 located in Unit P of said Section 22.

4. Approval of this Application will be in the interest of conservation, will prevent waste and will protect correlative rights.

WHEREFORE, applicant respectfully requests that this matter be set for hearing before the Division or one of its duly appointed examiners and that after notice and hearing as required by law, the Division enter its order approving the Application.

Respectfully submitted,

CAMPBELL AND BLACK, P.A.

By 
William F. Cair
Post Office Box 2208
Santa Fe, New Mexico 87501
Attorneys for Applicant

Dockets Nos. 20-79 and 21-79 are tentatively set for hearing on May 23 and June 13, 1979. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 9, 1979

9 A.M. - OIL CONSERVATION DIVISION 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:

- CASE 6544: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Geologic Resources, Inc., United States Fire Insurance Company, and all other interested parties to appear and show cause why the B. T. Godec Strat. Test Well No. 1 located in Unit I of Section 25, Township 12 North, Range 8 East, Santa Fe County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 6492: (Continued from April 25, 1979, Examiner Hearing)
- Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying the NE/4 NW/4 of Section 13, Township 17 South, Range 25 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. 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 6534: Application of Amoco Production for simultaneous dedication and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of its Gilluly Fed. Well No. 17 at an unorthodox location in Unit H of Section 24, Township 20 South, Range 36 East, Eumont Gas Pool, along with the three wells now dedicated to the previously approved 480-acre unit comprising the N/2 and SE/4 of said Section 24.
- CASE 6535: Application of Torreon Oil Company for a waterflood project, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in the San Luis-Mesaverde Pool by the injection of water into the Menefee formation through two wells located in Section 21, Township 18 North, Range 3 West, Sandoval County, New Mexico.
- CASE 6536: Application of Black River Corp. for two non-standard gas proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for two 80-acre non-standard gas proration units in the Jalmat Gas Pool as follows: the N/2 SE/4 of Section 22, Township 23 South, Range 36 East, to be dedicated to applicant's well to be drilled in Unit J of said Section 22; and the S/2 SE/4 of said Section 22 to be dedicated to El Paso Natural Gas Company's Shell State Well NO. 3 located in Unit P.
- CASE 6537: Application of Harper Oil Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for its West Ranger Lake Unit Area, comprising 1,120 acres, more or less, of State lands in Township 12 South, Range 34 East, Lea County, New Mexico.
- CASE 6538: Application of Bedford, Inc., for approval of infill drilling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well spacing requirements and a finding that the drilling of its Ram Well No. 1-A located in Unit C of Section 8, Township 26 North, Range 12 West, WAW Fruitland-Pictured Cliffs Pool, San Juan County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.
- CASE 6539: Application of Continental Oil Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its James Ranch Unit Well No. 7 located in Unit C of Section 6, Township 23 South, Range 31 East, Eddy County, New Mexico, to produce gas from the Morrow and Atoka formations, Los Medanos Field, through parallel strings of tubing.
- CASE 6540: Application of Caulkins Oil Company for an NGPA determination, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks a Section 108 stripper gas well determination for its State B Well No. 233 located in Unit D of Section 16, Township 26 North, Range 6 West, South Blanco-Pictured Cliffs Pool, Rio Arriba County, New Mexico.
- CASE 6541: Application of Sun Oil Company for an unorthodox well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its State H Well No. 17, 1328 feet from the North line and 1336 feet from the East line of Section 16, Township 8 South, Range 30 East, Cato-San Andres Pool, Chaves County, New Mexico.

DRAFT

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 6536

Order No. R- 6019

APPLICATION OF BLACK RIVER CORP.

FOR ^{TWO} ~~A~~ NON-STANDARD PRORATION ~~UNIT~~ GAS PRORATION UNITS,
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on May 23
May 9 1979, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter

NOW, on this _____ day of May, 1979, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS:

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

(2) That the applicant, Black River Corp.
seeks approval of a two 80 -acre non-standard gas proration units
comprising the N/2 SE/4 of Section 22, Town-
ship 23 South, Range 36 East, NMPM, to be dedicated to its well
and the S/2 SE/4 of said Section 22 to be dedicated to El Paso Natural Gas
its well in Unit J of said Section 22 / located in

Unit of said Section
for each of the above non-standard proration units,
(3) That the entire non-standard proration unit may reasonably
be presumed productive of gas from the Jalmat Gas
Gas Pool and that the entire unit can
be efficiently and economically drained and developed by the unit well.
aforesaid well

Company's Shell State Well No. 3 located in Unit P,

-2- (4)

(5) That approval of the subject application will afford both ^{and El Paso Natural Gas Company} the applicant, the opportunity to produce ^{his} just and equitable share of the gas in the Jalmat Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That ~~a~~ two 80 -acre non-standard gas proration units in the Jalmat Gas Pool comprising the N/2 SE/4 and the S/2 SE/4 of Section 22, Township 23 South, Range 36 East, NMPM, Lea County, New Mexico, ^{are} hereby established and dedicated ^{(respectively, The Black River Corporation} to ~~the~~ applicant's well to be drilled in Unit J of said Section 22, ~~and the S/2 SE/4 of said Section 22 to be dedicated to the~~ El Paso Natural Gas ~~-----~~ located in Unit ~~-----~~ of said Company's Shell State Well No. 3 located in Unit P of said Section 22. ~~Section 22~~ ~~XXXXXXXXXXXXXXXXXXXXXXXXXXXX~~

OK
and

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

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

(4) That El Paso Natural Gas Company has granted the applicant a farmout on the N/2 SE/4 of said Section 22 and concurs in the application for the non standard proration units.

DAN NUTTER Rice Carr

Black River Corp.

Two non-std units

80-acre unit N/2 SE/4
Sec 22, 23 S 36 E

80-acre unit S/2 SE/4
Sec 22, 23 S 36 E

to be drilled 1980' FSL
~~1650'~~ FEL of Sec 22

to be dedicated the EPNG
Shut State Well No 3
located in Unit P of said Sec 22

Black River

1980 FSL

1650 FEL

