

CASE NO.

6550

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

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. 6550
Order No. R-6021

APPLICATION OF YATES PETROLEUM
CORPORATION FOR AN UNORTHODOX GAS
WELL LOCATION AND COMPULSORY POOLING,
EDDY 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 12th 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, Yates Petroleum Corporation,
seeks an order pooling all mineral interests in the Wolfcamp
through Mississippian formations underlying the S/2 of Section
12, Township 19 South, Range 24 East, NMPM, Eddy County, New
Mexico.

(3) That the applicant has the right to drill and proposes
to drill its Allison Federal "CQ" Well No. 2 at an unorthodox
location 1980 feet from the South line and 660 feet from the
West line of said Section 12.

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

(5) That to avoid the drilling of unnecessary wells, to
protect correlative rights, and to afford to the owner of each
interest in said unit the opportunity to recover or receive

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without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

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

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

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

(11) That \$3000.00 per month while drilling and \$300.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

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(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before September 1, 1979, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Wolfcamp through Mississippian formations underlying the S/2 of Section 12, Township 19 South, Range 24 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to applicant's Allison Federal "CQ" Well No. 2 to be drilled at an unorthodox location 1980 feet from the South line and 660 feet from the West line of said Section 12.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of September, 1979, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Mississippian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of September, 1979, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Yates Petroleum Corporation is hereby designated the operator of the subject well and unit.

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

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

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

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

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

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

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

(9) That \$3000.00 per month while drilling and \$300.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well,

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not in excess of what are reasonable, attributable to each non-consenting working interest.

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

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

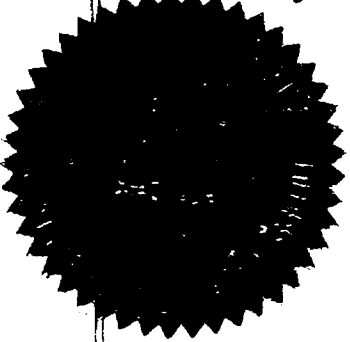
(12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address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

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY
Director


S E A L

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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 Yates Petroleum
Corporation for an unorthodox) CASE
gas well location and compulsory) 6550
pooling, Eddy 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
87501

For the Applicant: Joel Carson, Esq.
Losee, Carson, &
Dickerson
Artesia, New Mexico

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I N D E X

RAY BECK

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EDWARD DAVIS

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E X H I B I T S

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Applicant Exhibit Three, Statement 10
Applicant Exhibit Four, AFE 12
Applicant Exhibit Five, Plat 13

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1 MR. STAMETS: We will call the next
2 Case 6550. Application of Yates Petroleum Corporation for
3 an unorthodox gas well location and compulsory pooling,
4 Eddy County, New Mexico.

5 MR. CARSON: Mr. Examiner, my name is
6 Joel Carson, Losee, Carson, and Dickerson, Artesia, New
7 Mexico, appearing on behalf of the Applicant. I have two
8 witnesses, Mr. Ray Beck and Mr. Edward Davis.

9 (Witnesses sworn)

10 RAY BECK

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

13 DIRECT EXAMINATION

14 BY MR. CARSON:

15 Q. Would you state your name please.

16 A. Ray Beck.

17 Q. Now, Mr. Beck, by whom are you employed?

18 A. Yates Petroleum.

19 Q. And in what capacity?

20 A. Geologist.

21 Q. Have you previously testified before
22 this commission.

23 A. Yes, I have.

24 Q. Have your qualifications been accepted?

25 A. Yes.

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MR. CARSON: Are the Witnesses

qualifications acceptable?

MR. STAMETS: They certainly are.

Q. (Mr. Carson continuing) Mr. Beck, would you please explain the purpose of this application.

A. In Case 6550 Yates request approval of an unorthodox gas well location of the proposed No. 2 Allinson Federal "CQ" to be drilled 1980 from the South line and 660 from the West line of Section 12, Township 19 South, Range 24 East, in the South half of Section 12 we dedicated the well. Yates is also seeking an order pooling all mineral interest in the Wolfcamp through Mississippian formations underlying the S/2 of Section 12, 19 South, 24 East. In the compulsory pooling part of the case consideration will include cost of drilling the well, equipping said well, allocation cost, actual operating cost, charges of supervision, designation of Yates as operator, and charge for risk involved in drilling the well.

Q. Mr. Beck, I refer you to applicant's Exhibit Number One and ask you to identify that exhibit.

A. Exhibit Number One is a land plat showing the proposed location and its relationship to the surrounding acreage. The yellow denotes Yates acreage. It may be noted that the unorthodox movement is towards

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1 Yates acreage.

2 Q. Was that exhibit prepared by you or
3 under your supervision?

4 A. It was prepared under my supervision.

5 Q. Mr. Beck, I refer you to Applicant's
6 Exhibit Number Two. I will ask you to identify that
7 exhibit.

8 A. Exhibit Number Two is a combined Isopach
9 and structural map showing assorted contours of varying
10 thickness of the Morrow Clastics to the Chester limestone
11 interval, and in dotted contours the structural attitude
12 of the top of the Morrow Clastics.

13 The proposed location then would be in
14 the axis of a thick. It has been demonstrated that the
15 most productive, efficient, channel-type reservoir of
16 the nearby and on strike West Atoka and Atoka Penn fields
17 are located along or close to the axes of the Morrow
18 Clastics to Chester thick.

19 Shown also on this exhibit is one of the
20 typical well logs covering the Morrow interval in this
21 area. It may be noted that the isopach interval mapped is
22 marked on the log.

23 Q. Mr. Beck, in your opinion -- of course,
24 might I say this -- I would like to move for introduction
25 of these two exhibits at this time.

1 MR. STAMETS: These exhibits will be
2 admitted.

3 Q. (Mr. Carson continuing) Mr. Beck, in your
4 professional opinion as far as the unorthodox location
5 for this case is concerned will the granting of this
6 application avoid the drilling of unnecessary wells,
7 protect correlative rights, and afford the owner of
8 each interest in the unit the opportunity to recover
9 a just and fair share of gas?

10 A. Yes, I do.

11 Q. Mr. Beck, referring back to Applicant's
12 Exhibit Number Two, I have asked you to get together
13 some figures as to those wells located as shown on the
14 left-hand portion of your exhibit and to tell the
15 examiner about the experiences that have been had at
16 drilling wells in that area.

17 A. Well, in the nine sections surrounding
18 and including Section 12 there have been five Morrow
19 penetrations and not one of them is going to pay out.
20 There is one well that had been completed in the Morrow,
21 the Hanks Trudy Well in Section 7, but it is very
22 limited as indicated by grill stem tests, data, and also
23 by cubic production. It was completed in September of
24 1975 and it has only produced something less than 29,000
25 MCF since then.

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1 Q. Okay. Now, what about wells in the
2 Township to the North of the section area you are talking
3 about?

4 A. Well, only -- in the little map there
5 that was used for the unorthodox part of the case there
6 are thirteen Morrow penetrations and only two of them will
7 surely pay out in the Morrow.

8 Q. What is the, as far as the 9 Section
9 area surrounding the well, what is the statistical
10 probability that you will have well that will pay out?

11 A. Well, we are only asking for two hundred
12 percent risk so that is more than generous.

13 Q. Then it is your testimony that you
14 ask the Commission to establish the risk factor and
15 what should that risk factor be?

16 A. Two hundred percent.

17 Q. The cost of paying out for the well
18 plus two hundred percent, is that correct?

19 A. That is true.

20 Q. Mr. Beck, what is Yates' supervisor
21 charge for a drilling well?

22 A. Overhead costs for a drilling well
23 will be \$3,000 per day and for a producing well \$300
24 a day.

25 Q. I have no further questions of this

1 witness.

2 CROSS EXAMINATION

3 BY MR. STAMETS:

4 Q. Mr. Beck, as to this \$3,000 and \$300
5 do you have any recent voluntary agreements that Yates has
6 entered into that support these figures?

7 A. It is my understanding and perhaps
8 one of the subsequent witnesses can expand on this,
9 from the Land Department, but I understand that that has
10 been the latest figures used in the number of operating
11 agreements.

12 Q. Okay, we will wait for the next witness
13 on that.

14 Now, another thing, Mr. Beck, the
15 Exhibit Number One shows some well in this area and
16 Exhibit Number Two shows a different group of wells and I
17 am not certain which wells are right or whether I ought to
18 pay any attention. For example, in Section 12 itself
19 Exhibit Number One shows Yates Federal CM No. 1, I guess,
20 in the Southwest Southwest Section of 12.

21 A. That is the Yeso Well. It only went to
22 the Yeso.

23 Q. Okay.

24 A. It is a shallow well. Exhibit Number
25 Two map shows only the Morrow penetrations. All other

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1 wells shown on the land map are either shallow wells or
2 as in the case of Section 2, 1924 is a location up there
3 that never has been drilled. The Amoco well in the
4 northeast northeast is a location never drilled.

5 Q. Now, even though you have requested
6 compulsory pooling for the Wolfcamp through the
7 Mississippian your prime target here is the Morrow
8 formation?

9 A. That is true.

10 Q. What would you propose to do about
11 the formations that are non-productive based on that test.
12 Should this compulsory pooling remain in effect as to
13 those formations, or should it expire as to those
14 formations?

15 A. Well, it probably should not expire
16 because in Eddy County you never know when you are going
17 to hit something. Just 40 acres away one well may be dry
18 and they can drill it 40 acres away and get something that
19 would be productive in its formations so I think it should
20 still be in effect.

21 Q. It is possible that you might see some-
22 thing in the drilling of this well to stimulate you to
23 drill one in another horizon elsewhere in the 320?

24 A. Yes, sir.

25 MR. STAMETS: Any other questions of

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1 this witness? He may be excused.

2 MR. CARSON: Have you previously been
3 sworn, Mr. Davis?

4 MR. DAVIS: Nope.

5 MR. STAMETS: Yes, he's been sworn.

6 MR. CARSON: All right.

7
8 EDWARD DAVIS

9 being called as a witness and having been sworn upon his
10 oath, testified as follows, to-wit:

11
12 DIRECT EXAMINATION

13 BY MR. CARSON:

14 Q Would you please state your name?

15 A Edward William Davis.

16 Q And, Mr. Davis, by whom are you employed?

17 A Yates Petroleum Corporation, Artesia.

18 Q And in what capacity?

19 A Landman.

20 Q And, Mr. Davis, in your capacity as a
21 landman, have you been involved in the acquisition of
22 leases on Allison Federal "CQ" No. 2?

23 A That is correct.

24 Q I'm going to hand you Applicant's Exhibit
25 Number Three and ask you to identify that.

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1 A. This is a statement with reference to the
2 east half of the southeast quarter of Section 12, in which
3 there is considerably fragmented ownership, and which has
4 been difficult, in fact impossible, to trace all of the
5 owners.

6 I think the statement states quite clearly
7 that approaches have been made to all parties in the form
8 of a letter, dated April the 23rd, but replies have not
9 been received from those people listed at the bottom of the
10 face page of Exhibit Number Three.

11 Q. Now what Yates is proceeding to force
12 pool is the -- is the 3/32nds or 7.50 net acres of Don
13 Phillips and Associates, is that correct?

14 A. That is correct.

15 Q. And the top of the exhibit will show the
16 interest owners while the bottom of the exhibit shows those
17 people that own a part of Don Phillips and Associates, is
18 that correct?

19 A. Yes, that is so.

20 Q. Okay. Now, with this --

21 MR. STAMETS: Let me -- let me get this
22 straight in my own mind.

23 The only interest being pooled at this
24 hearing is that identified as Don Phillips and Associates.

25 MR. CARSON: Yes, sir.

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MR. STAMETS: At the top of Exhibit
Number Three.

MR. CARSON: Yes, sir, that's correct,
but --

MR. STAMETS: Okay.

MR. CARSON: -- who the Don Phillips and
Associates are is shown on the bottom.

MR. STAMETS: Okay.

MR. CARSON: Of the exhibit.

Q (Mr. Carson continuing.) Now, Mr. Davis,
was Exhibit A prepared by you or under your supervision?

A. It was.

Q And the second item on Exhibit Three is
a letter which you sent to various owners, is that correct?

A. That is so.

Q And Exhibit -- the second page following
that shows their various addresses as best you could find
out.

A. That is -- that is the case, yes.

Q And page five of that shows the lease
that you propose to take.

A. Yes, and the original letter of the 23rd
of April.

Q Now I'll refer you to what has been marked
as Applicant's Exhibit Number Four. Do you not have a copy

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1 of it there?

2 A. I have it. It's the AFE.

3 Q. Yes. What is that, Mr. Davis?

4 A. Well, it's an authority for expenditure
5 in connection with the proposed well.

6 Q. Was that AFE prepared by Yates Petroleum
7 Corporation?

8 A. Yes.

9 Q. And it is true and correct, to the best
10 of your knowledge?

11 A. To the best of my knowledge, it is.

12 Q. And this is the AFE which you would pro-
13 pose to use for the drilling of this well, is that correct?

14 A. It is.

15 Q. I'll refer you to Applicant's Exhibit
16 Number Five and ask you to explain what that is.

17 A. Well, this identifies the east half of
18 the southeast quarter, which is the area in which it's been
19 impossible to find -- to trace all the owners concerned,
20 and which we are seeking to force pool.

21 Q. Mr. Davis, Yates Petroleum Corporation
22 has entered into a number of operating agreements with
23 various persons for various Morrow wells in Eddy County,
24 have they not?

25 A. That is so.

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1 Q And they're -- is it true that their
2 uniform supervisory cost for drilling wells is \$3000 per
3 day -- per month, rather?

4 A It's \$3000 per month for drilling --

5 Q Per month?

6 A -- and \$300 a month for a producing well.

7 MR. CARSON: I'd like to move the intro-
8 duction of these exhibits.

9 MR. STAMETS: These exhibits will be ad-
10 mitted.

11 Mr. Davis, have you gotten any people to
12 voluntarily agree to \$3000 while drilling and \$300 while
13 producing?

14 A Per month? Yes, indeed, we have. We
15 are aware of a number of companies that operate to this
16 rate within this particular area.

17 MR. STAMETS: Does Yates Petroleum have
18 any such agreements where they are the operator and that
19 have been signed by non-operating interests?

20 A They -- we do.

21 MR. STAMETS: Okay.

22
23 CROSS EXAMINATION

24 BY MR. STAMETS:

25 Q Okay, on page one of Exhibit Number Three

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1 you identify all of these owners under the Don Phillips and
2 Associates --

3 A. Yes.

4 Q. -- land.

5 A. Yes.

6 Q. Does each of those have an undivided in-
7 terest?

8 A. Yes.

9 Q. Okay, and then only three of the letters
10 that you sent out were returned.

11 A. As non-deliverable, yes.

12 Q. Okay.

13 How many of the rest of those people have
14 you heard from?

15 A. Well, of the original twenty-seven, in
16 fact, if you'll turn to, I think, fourth or fifth page on
17 Exhibit Three, you will see. In fact, it would have been
18 headed Exhibit A, Page Six.

19 You will see a list of the original
20 twenty-seven members of the Don Phillips partnership, which
21 was dissolved in 1972, and I have been able to contact
22 either by letter or by telephone ten of these, leaving
23 seventeen people who are listed on the face page of Exhibit
24 A, who have not replied in any form.

25 Now, from the ten with whom I have had

1 contact, I have leases at this moment from two and indica-
2 tions from further eight, either in writing or by telephone,
3 that they are prepared to lease. But our original concern
4 was the seventeen that we have been unable to contact.

5 MR. STAMETS: Any other questions of this
6 witness? He may be excused.

7 Do you have anything further in this case?

8 MR. CARSON: No, sir, nothing further to
9 offer in this case.

10 MR. STAMETS: Then the case will be taken
11 under advisement.

12
13 (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 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 CSR
Sally W. Boyd, C.S.R.

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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. 6534
heard by me on 5-23 1979.

Richard H. Stam, Examiner
Oil Conservation Division

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 Yates Petroleum
Corporation for an unorthodox
gas well location and compulsory
pooling, Eddy County, New Mexico.

CASE
6550

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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I N D E X

RAY BECK

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EDWARD DAVIS

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1 MR. STAMETS: We will call the next
2 Case 6550. Application of Yates Petroleum Corporation for
3 an unorthodox gas well location and compulsory pooling,
4 Eddy County, New Mexico.

5 MR. CARSON: Mr. Examiner, my name is
6 Joel Carson, Losee, Carson, and Dickerson, Artesia, New
7 Mexico, appearing on behalf of the Applicant. I have two
8 witnesses, Mr. Ray Beck and Mr. Edward Davis.

9 (Witnesses sworn)

10 RAY BECK

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

13 DIRECT EXAMINATION

14 BY MR. CARSON:

15 Q. Would you state your name please.

16 A. Ray Beck.

17 Q. Now, Mr. Beck, by whom are you employed?

18 A. Yates Petroleum.

19 Q. And in what capacity?

20 A. Geologist.

21 Q. Have you previously testified before
22 this commission.

23 A. Yes, I have.

24 Q. Have your qualifications been accepted?

25 A. Yes.

1 MR. CARSON: Are the Witnesses
2 qualifications acceptable?

3 MR. STAMETS: They certainly are.

4 Q. (Mr. Carson continuing) Mr. Beck, would
5 you please explain the purpose of this application.

6 A. In Case 6550 Yates request approval of
7 an unorthodox gas well location of the proposed No. 2
8 Allinson Federal "CQ" to be drilled 1980 from the South
9 line and 660 from the West line of Section 12, Township
10 19 South, Range 24 East, in the South half of Section 12
11 we dedicated the well. Yates is also seeking an order
12 pooling all mineral interest in the Wolfcamp through
13 Mississippian formations underlying the S/2 of Section
14 12, 19 South, 24 East. In the compulsory pooling part of
15 the case consideration will include cost of drilling the
16 well, equipping said well, allocation cost, actual
17 operating cost, charges of supervision, designation of
18 Yates as operator, and charge for risk involved in
19 drilling the well.

20 Q. Mr. Beck, I refer you to applicant's
21 Exhibit Number One and ask you to identify that exhibit.

22 A. Exhibit Number One is a land plat
23 showing the proposed location and its relationship to the
24 surrounding acreage. The yellow denotes Yates acreage.
25 It may be noted that the unorthodox movement is towards

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1 Yates acreage.

2 Q. Was that exhibit prepared by you or
3 under your supervision?

4 A. It was prepared under my supervision.

5 Q. Mr. Beck, I refer you to Applicant's
6 Exhibit Number Two. I will ask you to identify that
7 exhibit.

8 A. Exhibit Number Two is a combined Isopach
9 and structural map showing assorted contours of varying
10 thickness of the Morrow Clastics to the Chester limestone
11 interval, and in dotted contours the structural attitude
12 of the top of the Morrow Clastics.

13 The proposed location then would be in
14 the axis of a thick. It has been demonstrated that the
15 most productive, efficient, channel-type reservoir of
16 the nearby and on strike West Atoka and Atoka Penn fields
17 are located along or close to the axes of the Morrow
18 Clastics to Chester thick.

19 Shown also on this exhibit is one of the
20 typical well logs covering the Morrow interval in this
21 area. It may be noted that the isopach interval mapped is
22 marked on the log.

23 Q. Mr. Beck, in your opinion -- of course,
24 might I say this -- I would like to move for introduction
25 of these two exhibits at this time.

1 MR. STAMETS: These exhibits will be
2 admitted.

3 Q. (Mr. Carson continuing) Mr. Beck, in your
4 professional opinion as far as the unorthodox location
5 for this case is concerned will the granting of this
6 application avoid the drilling of unnecessary wells,
7 protect correlative rights, and afford the owner of
8 each interest in the unit the opportunity to recover
9 a just and fair share of gas?

10 A. Yes, I do.

11 Q. Mr. Beck, referring back to Applicant's
12 Exhibit Number Two, I have asked you to get together
13 some figures as to those wells located as shown on the
14 left-hand portion of your exhibit and to tell the
15 examiner about the experiences that have been had at
16 drilling wells in that area.

17 A. Well, in the nine sections surrounding
18 and including Section 12 there have been five Morrow
19 penetrations and not one of them is going to pay out.
20 There is one well that had been completed in the Morrow,
21 the Hanks Trudy Well in Section 7, but it is very
22 limited as indicated by grill stem tests, data, and also
23 by cubic production. It was completed in September of
24 1975 and it has only produced something less than 29,000
25 MCF since then.

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1 Q. Okay. Now, what about wells in the
2 Township to the North of the section area you are talking
3 about?

4 A. Well, only -- in the little map there
5 that was used for the unorthodox part of the case there
6 are thirteen Morrow penetrations and only two of them will
7 surely pay out in the Morrow.

8 Q. What is the, as far as the 9 Section
9 area surrounding the well, what is the statistical
10 probability that you will have well that will pay out?

11 A. Well, we are only asking for two hundred
12 percent risk so that is more than generous.

13 Q. Then it is your testimony that you
14 ask the Commission to establish the risk factor and
15 what should that risk factor be?

16 A. Two hundred percent.

17 Q. The cost of paying out for the well
18 plus two hundred percent, is that correct?

19 A. That is true.

20 Q. Mr. Beck, what is Yates' supervisor
21 charge for a drilling well?

22 A. Overhead costs for a drilling well
23 will be \$3,000 per day and for a producing well \$300
24 a day.

25 Q. I have no further questions of this

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1 witness.

2 CROSS EXAMINATION

3 BY MR. STAMETS:

4 Q. Mr. Beck, as to this \$3,000 and \$300
5 do you have any recent voluntary agreements that Yates has
6 entered into that support these figures?

7 A. It is my understanding and perhaps
8 one of the subsequent witnesses can expand on this,
9 from the Land Department, but I understand that that has
10 been the latest figures used in the number of operating
11 agreements.

12 Q. Okay, we will wait for the next witness
13 on that.

14 Now, another thing, Mr. Beck, the
15 Exhibit Number One shows some well in this area and
16 Exhibit Number Two shows a different group of wells and I
17 am not certain which wells are right or whether I ought to
18 pay any attention. For example, in Section 12 itself
19 Exhibit Number One shows Yates Federal CM No. 1, I guess,
20 in the Southwest Southwest Section of 12.

21 A. That is the Yeso Well. It only went to
22 the Yeso.

23 Q. Okay.

24 A. It is a shallow well. Exhibit Number
25 Two map shows only the Morrow penetrations. All other

1 wells shown on the land map are either shallow wells or
2 as in the case of Section 2, 1924 is a location up there
3 that never has been drilled. The Amoco well in the
4 northeast northeast is a location never drilled.

5 Q. Now, even though you have requested
6 compulsory pooling for the Wolfcamp through the
7 Mississippian your prime target here is the Morrow
8 formation?

9 A. That is true.

10 Q. What would you propose to do about
11 the formations that are non-productive based on that test.
12 Should this compulsory pooling remain in effect as to
13 those formations, or should it expire as to those
14 formations?

15 A. Well, it probably should not expire
16 because in Eddy County you never know when you are going
17 to hit something. Just 40 acres away one well may be dry
18 and they can drill it 40 acres away and get something that
19 would be productive in its formations so I think it should
20 still be in effect.

21 Q. It is possible that you might see some-
22 thing in the drilling of this well to stimulate you to
23 drill one in another horizon elsewhere in the 320?

24 A. Yes, sir.

25 MR. STAMETS: Any other questions of

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1 this witness? He may be excused.

2 MR. CARSON: Have you previously been
3 sworn, Mr. Davis?

4 MR. DAVIS: Nope.

5 MR. STAMETS: Yes, he's been sworn.

6 MR. CARSON: All right.

7
8 EDWARD DAVIS

9 being called as a witness and having been sworn upon his
10 oath, testified as follows, to-wit:

11
12 DIRECT EXAMINATION

13 BY MR. CARSON:

14 Q Would you please state your name?

15 A Edward William Davis.

16 Q And, Mr. Davis, by whom are you employed?

17 A Yates Petroleum Corporation, Artesia.

18 Q And in what capacity?

19 A Landman.

20 Q And, Mr. Davis, in your capacity as a
21 landman, have you been involved in the acquisition of
22 leases on Allison Federal "CQ" No. 2?

23 A That is correct.

24 Q I'm going to hand you Applicant's Exhibit
25 Number Three and ask you to identify that.

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1 A This is a statement with reference to the
2 east half of the southeast quarter of Section 12, in which
3 there is considerably fragmented ownership, and which has
4 been difficult, in fact impossible, to trace all of the
5 owners.

6 I think the statement states quite clearly
7 that approaches have been made to all parties in the form
8 of a letter, dated April the 23rd, but replies have not
9 been received from those people listed at the bottom of the
10 face page of Exhibit Number Three.

11 Q Now what Yates is proceeding to force
12 pool is the -- is the 3/32nds or 7.50 net acres of Don
13 Phillips and Associates, is that correct?

14 A That is correct.

15 Q And the top of the exhibit will show the
16 interest owners while the bottom of the exhibit shows those
17 people that own a part of Don Phillips and Associates, is
18 that correct?

19 A Yes, that is so.

20 Q Okay. Now, with this --

21 MR. STAMETS: Let me -- let me get this
22 straight in my own mind.

23 The only interest being pooled at this
24 hearing is that identified as Don Phillips and Associates.

25 MR. CARSON: Yes, sir.

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1 MR. STAMETS: At the top of Exhibit
2 Number Three.
3 MR. CARSON: Yes, sir, that's correct,
4 but --
5 MR. STAMETS: Okay.
6 MR. CARSON: -- who the Don Phillips and
7 Associates are is shown on the bottom.
8 MR. STAMETS: Okay.
9 MR. CARSON: Of the exhibit.
10 Q (Mr. Carson continuing.) Now, Mr. Davis,
11 was Exhibit A prepared by you or under your supervision?
12 A It was.
13 Q And the second item on Exhibit Three is
14 a letter which you sent to various owners, is that correct?
15 A That is so.
16 Q And Exhibit -- the second page following
17 that shows their various addresses as best you could find
18 out.
19 A That is -- that is the case, yes.
20 Q And page five of that shows the lease
21 that you propose to take.
22 A Yes, and the original letter of the 23rd
23 of April.
24 Q Now I'll refer you to what has been marked
25 as Applicant's Exhibit Number Four. Do you not have a copy

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1 of it there?

2 A I have it. It's the AFE.

3 Q Yes. What is that, Mr. Davis?

4 A Well, it's an authority for expenditure
5 in connection with the proposed well.

6 Q Was that AFE prepared by Yates Petroleum
7 Corporation?

8 A Yes.

9 Q And it is true and correct, to the best
10 of your knowledge?

11 A To the best of my knowledge, it is.

12 Q And this is the AFE which you would pro-
13 pose to use for the drilling of this well, is that correct?

14 A It is.

15 Q I'll refer you to Applicant's Exhibit
16 Number Five and ask you to explain what that is.

17 A Well, this identifies the east half of
18 the southeast quarter, which is the area in which it's been
19 impossible to find -- to trace all the owners concerned,
20 and which we are seeking to force pool.

21 Q Mr. Davis, Yates Petroleum Corporation
22 has entered into a number of operating agreements with
23 various persons for various Morrow wells in Eddy County,
24 have they not?

25 A That is so.

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1 Q And they're -- is it true that their
2 uniform supervisory cost for drilling wells is \$3000 per
3 day -- per month, rather?

4 A It's \$3000 per month for drilling --

5 Q Per month?

6 A -- and \$300 a month for a producing well.

7 MR. CARSON: I'd like to move the intro-
8 duction of these exhibits.

9 MR. STAMETS: These exhibits will be ad-
10 mitted.

11 Mr. Davis, have you gotten any people to
12 voluntarily agree to \$3000 while drilling and \$300 while
13 producing?

14 A Per month? Yes, indeed, we have. We
15 are aware of a number of companies that operate to this
16 rate within this particular area.

17 MR. STAMETS: Does Yates Petroleum have
18 any such agreements where they are the operator and that
19 have been signed by non-operating interests?

20 A They -- we do.

21 MR. STAMETS: Okay.

22
23 CROSS EXAMINATION

24 BY MR. STAMETS:

25 Q Okay, on page one of Exhibit Number Three

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1 you identify all of those owners under the Don Phillips and
2 Associates --

3 A Yes.

4 Q -- land.

5 A Yes.

6 Q Does each of those have an undivided in-
7 terest?

8 A Yes.

9 Q Okay, and then only three of the letters
10 that you sent out were returned.

11 A As non-deliverable, yes.

12 Q Okay.

13 How many of the rest of those people have
14 you heard from?

15 A Well, of the original twenty-seven, in
16 fact, if you'll turn to, I think, fourth or fifth page on
17 Exhibit Three, you will see. In fact, it would have been
18 headed Exhibit A, Page Six.

19 You will see a list of the original
20 twenty-seven members of the Don Phillips partnership, which
21 was dissolved in 1972, and I have been able to contact
22 either by letter or by telephone ten of these, leaving
23 seventeen people who are listed on the face page of Exhibit
24 A, who have not replied in any form.

25 Now, from the ten with whom I have had

1 contact, I have leases at this moment from two and indica-
 2 tions from further eight, either in writing or by telephone,
 3 that they are prepared to lease. But our original concern
 4 was the seventeen that we have been unable to contact.

5 MR. STAMETS: Any other questions of this
 6 witness? He may be excused.

7 Do you have anything further in this case?

8 MR. CARSON: No, sir, nothing further to
 9 offer in this case.

10 MR. STAMETS: Then the case will be taken
 11 under advisement.

12
 13 (Hearing concluded.)
 14
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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 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. _____
heard by me on _____ 19____.

_____, Examiner
Oil Conservation Division

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EXHIBIT "A"

BEFORE LIAISON STAFFS
OIL CONSERVATION DIVISION

CASE NO.

6550

Submitted by

410

Hearing Date

(1) The SW $\frac{1}{4}$ and W $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 12, Township 19 South, Range 24 East, N.M.P.M. are held by Yates Petroleum Corporation and associated companies under Lease No. 14118 and as an option farmout from HNG Oil Company.

(2) The ownership of the E $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 12, Township 19 South, Range 24 East, N.M.P.M. is as follows:

<u>Owner</u>	<u>Interest</u>	<u>Net Acres</u>
R. E. Glass	Undivided 1/2	40.00
Marshall & Winston, Inc.	Undivided 1/8	10.00
Quetico Superior Foundation	Undivided 1/32	2.50
Don Phillips & Associates	Undivided 3/32	7.50
I. J. Marshall	Undivided 1/32	2.50
C. E. Hinkle	Undivided 1/16	5.00
R. R. Hinkle	Undivided 1/16	5.00
CA Land and Cattle Co.	Undivided 1/32	2.50
Floyd Childress	Undivided 1/16	5.00

Yates Petroleum Corporation, et al now hold leases from all those owners of the E $\frac{1}{2}$ SE $\frac{1}{4}$ except from the Quetico Superior Foundation and several members of Don Phillips & Associates. In the case of the Quetico Superior Foundation, an oral confirmation of willingness to lease has been made by their President, Frederick Winston. In the case of the 27 known members of Don Phillips & Associates, two leases only have been received as of May 22, 1979 in response to a letter and lease dated April 23, 1979, examples attached. However, eight (8) people have written or called to indicate that they will issue a lease but on different terms than those originally proposed. The outstanding members from whom no reply has been received at all are those for which compulsory pooling is sought and are listed below. They have been advised by Edward W. Davis (May 21, 1979) that should they still wish to offer a lease to Yates Petroleum Corporation on either the original or lesser terms, we would be willing to take them after the date of the hearing.

<u>Owner</u>	<u>Interest</u>	<u>Net Acres</u>
The Minneapolis Foundation, Legatee of the Estate of Frances E. Andrews, Deceased	Undivided 1/30	.250000
Estate of Lester R. Badger, Deceased	Undivided 1/30	.250000
Frank H. Carleton Trust	Undivided 1/30	.250000
Paul Dickerson	Undivided 1/60	.125000
Estate of James G. Bennett, Deceased	Undivided 1/15	.500000
Joyce A. Holliday	Undivided 1/15	.500000
Estate of E. E. MacGibbon	Undivided 1/30	.250000
Mrs. Jan M. Fox	Undivided 1/90	.083328
J. Laird Marshall	Undivided 1/90	.083328
*Owen Marshall	Undivided 1/90	.083328
Richard H. Marshall	Undivided 1/30	.250000
*Douglas D. MacKinnon, M.D.	Undivided 1/30	.250000
Mrs. James J. Norton	Undivided 1/30	.250000
*Mary A. Phillips	Undivided 1/12	.625000
Rufus R. Rand Estate	Undivided 1/30	.250000
Roger Westman	Undivided 1/30	.250000
Marian Whitney Trust	Undivided 1/30	.250000

*Correspondence returned, not deliverable as addressed, unable to forward per United States Postal Service.



207 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 746-3558

PRESIDENT
MARTIN YATES, III
VICE PRESIDENT
JOHN A. YATES
VICE PRESIDENT
B. W. HARPER
SEC. TREAS.

EXHIBIT "A", Page 2

May 21, 1979

TO: ROYALTY OWNERS

Re: Allison Federal "CQ" #2
Township 19 South, Range 24 East, NMPM
Section 12: E $\frac{1}{2}$ SE $\frac{1}{4}$
Eddy County, New Mexico

Dear Ladies and Gentlemen:

Following my letter of April 23, 1979, I am writing to say that because of the difficulty of contacting owners under the captioned acreage, Yates Petroleum Corporation has applied to the New Mexico Oil Conservation Commission for compulsory pooling for the Allison Federal "CQ" #2 Well.

Following telephone conversations with some parties and with Mr. Donald Winston, I understand that some members of the former Don Phillips and Associates Partnership will be prepared to lease their interest to us and may have advised Mr. Winston to this effect.

I am happy to reassure you that Yates Petroleum is prepared to take leases from you on the original terms offered, or other mutually acceptable basis after compulsory pooling. You may contact me by writing to the above address or by calling me at (505) 746-3558.

Very truly yours,

Jack W. McCaw
Land Department

Edward W. Davis

By: Edward W. Davis

END/mak

H. Cedric Alward, M.D.
4224 Francis Avenue
Los Angeles, CA 90005

J. Laird Marshall
2901 Bible Camp Road
McFarland, Wisconsin 53558

The Minneapolis Foundation
Legatee of Frances E. Andrews
Estate, FNB of Minneapolis
P. O. Box A700
Minneapolis, Minnesota

Owen Marshall
2470 Rivermont Avenue
Lynchburg, Virginia 24504

Estate of Lester R. Badger
Route 1, Box 5288
Excelsior, Minnesota

Richard H. Marshall
175 Lakewood Drive
Madison, Wisconsin 53740

Frank H. Carleton
c/o FNB of Minneapolis
P. O. Box A700
Minneapolis, Minnesota 55480

Mrs. James J. Norton
2880 Lorain Road
San Marino, CA 91108

Paul Dickerson
3145 Cahuenga Boulevard
Los Angeles, CA 90068

Mary A. Phillips
9025 National Boulevard
Los Angeles, CA 90034

Estate of James G. Bennett
2016 East Broadway
Tucson, Arizona 85719

Rufus R. Rand Estate
c/o Palmer FNB & Trust Co.
P. O. Box 2018
Sarasota, Florida 33578

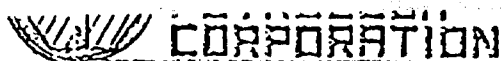
Joyce A. Holliday
1034 Princeton Street
Santa Monica, CA 90403

Roger Westman
257 North 117th Avenue
Omaha, Nebraska 68154

Estate of E. E. MacGibbon
321 Lowell
Elk River, Minnesota 55330

Marian Whitney Trust
San Diego Trust & Savings
P. O. Box 1871
San Diego, CA 92112

Mrs. Jan M. Fox
5805 Winnequal Road
Madison, Wisconsin 53716



207 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 746-3558

VICE PRESIDENT
B. W. HARPER
SEC. TREAS.

April 23, 1979

EXHIBIT "A", Page 4

Helen H. Bristol
151 Library Place
Princeton, New Jersey 08540

Re: Oil and Gas Lease
Township 19 South, Range 24 East, NMPM
Sections 12 and 14
Eddy County, New Mexico

Dear Ms. Bristol:

I am writing in reference to your interest in the captioned lands. Our records indicate that you own a very small percentage of interest in these two sections. Following the dissolution of the limited partnership of Don Phillips and Associates, Yates Petroleum Corporation is interested in acquiring leases in this area and would be prepared to offer a 3/16 royalty for a five year lease covering your property in these lands.

We believe this offer merits your consideration since Yates drills many wells in New Mexico and there is a possibility that we might drill on a unit including your acreage. If the well were a producer, this would be to your financial benefit.

I have taken the liberty of enclosing an original and one copy of an Oil and Gas Lease, five-year paid up term, providing for a 3/16 royalty. If satisfactory, please execute before a Notary Public and return the original to our office. Please retain the copy for your records.

Thank you.

Very truly yours,

Jack W. McCaw
Land Department

EWD/jlm
Encl.

By: Edward W. Davis

OIL AND GAS LEASE

THIS AGREEMENT made this 23rd day of April, 1979, between

Lessor (whether one or more), whose address is:

and YATES PETROLEUM CORPORATION, a New Mexico corporation Lessee, WITNESSETH:1. Lessor in consideration of Ten And No/100- Dollars
(10.00) in hand paid, of the royalties herein provided and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil and gas, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguousthereto, to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in Eddy County, New Mexico, to-wit:Township 19 South, Range 24 East, NMPM
Section 12: E½SE¼
Section 14: NW¼

2. Without reference to the commencement, prosecution or cessation at any time of drilling or other development operations and/or to the discovery, development or cessation at any time of production of oil or gas and without further payments than the royalties herein provided, and notwithstanding anything else herein contained to the contrary, this lease shall be for a term of five years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or land with which said land is pooled hereunder.

3. The royalties to be paid by Lessee are: (a) on oil, 3/16 of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land, and sold, or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of 3/16of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 3/16 of the amount realized from such sale; while there is a gas well on this lease or on acreage pooled therewith but gas is not being sold or used, Lessee may pay or tender as royalty, on or before ninety (90) days after the date on which said well is shut in and thereafter at annual intervals the sum of \$1.00 per acre, and if such payment is made or tendered, this lease shall not terminate and it will be considered that gas is being produced from this lease in paying quantities. Payment or tender of said shut-in gas royalty may be made by check or draft of Lessee mailed or delivered to the parties entitled thereto on or before the date said payment is due. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease, or any portion thereof as to oil and gas, or either of them, with other land, lease or leases in the immediate vicinity thereof to the extent, hereinafter stipulated, when in Lessee's judgment it is necessary or advisable to do so in order properly to explore, or to develop and operate said leased premises in compliance with the spacing rules of the New Mexico Oil Conservation Commission, or other lawful authority or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of 10% thereof, provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, units thereafter created may conform substantially in size with those prescribed by governmental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this lease, or any portion thereof as above provided as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing and designating the pooled acreage as a pooled unit. Lessee may at its election exercise its pooling option after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on or production of oil or gas from any part of the pooled unit which includes all or a portion of the land covered by this lease regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument or the instrument designating the pooled unit, shall be considered as operations for drilling on or production of oil or gas from land covered by this lease whether or not the well or wells be located on the premises covered by this lease, and the entire acreage constituting such unit or units, as to oil and gas, or either of them, as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them, shall be entitled on production of oil and gas, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit a pro rata portion of the oil and gas, or either of them, produced from the pooled unit after deducting that used for operations on the pooled units. Such allocation shall be on an acreage basis—that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit that pro rata portion of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this lease and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land. The production from an oil well will be considered production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. In addition to the foregoing, Lessee at its option is hereby given the right and power from time to time to commit said land or any part or formation or mineral substance covered hereby to any cooperative or unit agreement or plan of development and operation, and to any modifications thereof, which have been approved by the New Mexico Oil Conservation Commission or other lawful governmental authority. In such event, the royalty payable to Lessor hereunder shall be computed and paid on the basis of the oil or gas allocated to such land under the terms of any such agreement or plan of operation, which basis shall be the same by which the royalty due the United States or the State of New Mexico is computed and paid. This lease shall not expire during the life of such agreement or plan and shall be subject to the terms thereof and said agreement or plan of operation shall be filed with the New Mexico Oil Conservation Commission, or other lawful authority, and Lessee shall record in the County in which the leased premises are situated, an instrument describing such agreement or plan of operation and reflecting the commitment thereto, and the same may be recorded either before or after the completion of wells.

5. If at the expiration of the primary term oil or gas is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary term, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas so long thereafter as oil or gas is produced from said land, or from land pooled therewith. If, after the expiration of the primary term of this lease and after oil or gas is produced from said land, or from land pooled therewith, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith. Any pooled unit designated by Lessee in accordance with the terms hereof, may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the leased premises are situated at any time after the completion of a dry hole or the cessation of production on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within 660 feet of and draining the lease premises, or land pooled therewith, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances. Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

6. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet of any residence or barn now on said land without Lessor's consent.

7. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors, and assigns but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee, and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

8. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or revision of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil or gas in paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas in paying quantities.

9. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties according to amounts toward satisfying same. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil or gas on, in or under said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

Lessor

Lessee

INDIVIDUAL ACKNOWLEDGMENT

STATE OF NEW MEXICO, }
County of _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____,
19____ by _____

My commission expires _____, 19____ Notary Public

CORPORATION ACKNOWLEDGMENT

STATE OF NEW MEXICO }
County of _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19____
by _____ President
of _____ corporation
on behalf of said corporation.

My Commission Expires: _____ Notary Public

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____ }
County of _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____,
19____ by _____

My commission expires _____, 19____ Notary Public

Producers 88 Rev. (6 Year Lease) (10-57)

No. _____

Oil and Gas
Lease

FROM

TO

Dated _____, 19____

No. Acres _____

County, N. M. _____

Term _____

This instrument was filed for record on the

_____ day of _____, 19____,

at _____ o'clock _____ M., and duly

recorded in Book _____, Page _____

of the _____ records of this office.

County Clerk

By _____, Deputy

When recorded return to

<u>Name</u>	<u>Address</u>	<u>Interest Owned</u>	<u>Net Acres</u>
H. Cedric Alward, M.D.	4224 Francis Avenue Los Angeles, California 90005	1/30	.250000
The Minneapolis Foundation, Legatee of the Estate of Frances E. Andrews, Deceased	c/o The Trust Department First National Bank of Minneapolis Minneapolis, Minnesota	1/30	.250000
Hayward Ayres and Marguerite B. Ayres	1204 Pine Street South Pasadena, California 91030	1/30	.250000
Estate of Lester R. Badger, Deceased	c/o Stephen S. Badger Route 1, Box 5288 Excelsior, Minnesota 55331	1/30	.250000
Helen H. Bristol	151 Library Place Princeton, New Jersey 08540	1/15	.500000
Frank H. Carleton Trust	c/o First National Bank of Minneapolis P. O. Box A700 Minneapolis, Minnesota 55480	1/30	.250000
Paul Dickerson	3145 Cahuenga Boulevard Los Angeles, California 90068	1/60	.125000
Josephine Hildrith	1811 La Cuesta Drive Santa Ana, California 92705	1/30	.250000
Estate of James G. Bennett, Deceased	2016 East Broadway Tucson, Arizona 85719	1/15	.500000
Joyce A. Holliday	1034 Princeton Street Santa Monica, California 90403	1/15	.500000
F. B. Hubachek	3220 Prudential Plaza Chicago, Illinois 60601	1/30	.250000
Charles S. Kelly	3220 Prudential Plaza Chicago, Illinois 60601	1/30	.250000
Estate of E. E. MacGibbon, Deceased	321 Lowell Elk River, Minnesota 55330	1/30	.250000
Mrs. Jan H. Fox	5805 Winnequall Road Madison, Wisconsin 53716	1/90	.083328
J. Laird Marshall	2901 Bible Camp Road McFarland, Wisconsin 53558	1/90	.083328
Owen Marshall	2470 Rivermont Avenue Lynchburg, Virginia 24504	1/90	.083328
Richard H. Marshall	175 Lakewood Drive Madison, Wisconsin 53740	1/30	.250000
Douglas D. MacKinnon, M.D.	4240 Dundee Drive Los Angeles, California 90027	1/30	.250000
Robert Ray Newton Trust	Route 22, Meeting House Lane Knoxville, Tennessee 37921	1/15	.500000
Mrs. James J. Norton	2880 Lorain Road San Marino, California 91108	1/30	.250000
Mary A. Phillips	9025 National Boulevard Los Angeles, California 90034	1/12	.625000
Rufus R. Rand Estate	c/o Palmer First National Bank & Trust Co. P. O. Box 2018 Sarasota, Florida 33578	1/30	.250000
L. Raymond Scherer, M.D.	1930 Irving Avenue South Minneapolis, Minnesota 55403	1/30	.250000
Kathryn Knops	3044 12th Avenue South Minneapolis, Minnesota 55407	1/30	.250000
Roger Westman	257 North 117th Avenue Omaha, Nebraska 68154	1/30	.250000
Marian Whitney Trust	San Diego Trust & Savings Bank Trust Department P. O. Box 1871 San Diego, California 92112	1/30	.250000
Elizabeth Malone Winston	2705 West Lake of the Isles Boulevard Minneapolis, Minnesota 55416	1/30	.250000

Yates Petroleum Corporation
AUTHORITY FOR EXPENDITURE

EXHIBIT "B"

AFE # 79-039-0

Revision #

Date 4-24-79

Lease Name Allison Federal "CQ" #2 Location 1980/S 660/W Section 12-19S-24E
County Eddy State New Mexico Field Wildcat
Horizon Morrow Est.T.D. 9100' Est. Spud Date May 1979
Est. Completion Date May 1979 Drilling Contractor

Primary Objective: ☐ Oil ☐ Gas ☒ Oil and/or Gas
Purpose : ☒ Drilling-New ☐ Recompletion ☐ Other (Supplement AFE, etc)
Type Well : ☐ Development ☒ Exploratory

INTANGIBLE COSTS:

	Dry Hole	Completion
9210 Staking Permit & Legal Fees	\$ 1,000	\$ 1,000
9211 Location, Right-of-Way & Surface Damages	\$ 7,200	\$ 8,000
9212 Drilling, Footage	\$ -	\$ -
9213 Drilling, Daywork 33 days @ \$3900 /day	\$128,700	\$128,700
9212/9213 Moving in, Rigging up, Rigging down	\$ 20,000	\$ 20,000
9224 Bits, Tools & Supplies	\$ 26,500	\$ 26,500
9214 Drilling Water	\$ 16,000	\$ 17,000
9215 Drilling Mud & Additives	\$ 30,000	\$ 30,000
9216 Mud Logging Unit	\$ 7,200	\$ 7,200
9217 Cement, Tools & Services, Temp. Surveys	\$ 10,500	\$ 15,400
9218 Drill Stem Testing	\$ 4,700	\$ 4,700
9219 Electric Logs	\$ 17,100	\$ 22,700
9220 Tool & Equip. Rental, Trucking, Welding	\$ 5,900	\$ 6,900
9221 Supervision & Overhead	\$ 4,200	\$ 5,200
9223 Coring, Tools & Services	\$ -	\$ -
9241 Completion Unit 8 days @ \$1000 /day	\$ -	\$ 8,000
9247 Stimulation	\$ -	\$ 20,000
9222 Contingency	\$ 31,000	\$ 35,700
TOTAL INTANGIBLES	\$310,000	\$357,000

WELL EQUIPMENT COSTS:

9301 Christmas Tree and Well Head	\$ 1,500	\$ 13,500
9302 Casing: 13 3/8" 48# J-55, 360'	\$ 6,500	\$ 6,500
9302 8 5/8" 24# J-55, 900'	\$ 8,100	\$ 8,100
9302 5 1/2" 15.5-17# K&N, 9100'	\$ -	\$ 57,800
9303 Tubing: 2 7/8" 6.5# J-55, 8900'	\$ -	\$ 26,700
9304 Packer & Special Equipment	\$ -	\$ 3,800
9350 Contingency	\$ 900	\$ 6,600
TOTAL WELL EQUIPMENT	\$ 17,000	\$123,000

LEASE & BATTERY EQUIPMENT COSTS:

9401 Pumping Equipment	\$ -	\$ -
9402 Storage 2-210 b welded, stair, walk, Fbrg's Tnk	\$ -	\$ 9,500
9403 Separation Eq., Flowlines, Valves & Fittings	\$ -	\$ 19,300
9404 Trucking & Construction Costs	\$ -	\$ 6,200
TOTAL LEASE & BATTERY EQUIP.	\$ -	\$ 35,000

TOTALS

\$ 327,000 \$515,000

YATES PETROLEUM CORPORATION - ACCOUNT 1

By Eddie M. Mahoney

Date 4-24-79

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

EXHIBIT NO. 4
CASE NO. 6550

Submitted by Share

Hearing Date

32.457563

YATES PETROLEUM CORPORATION - ACCOUNT 2

By Eddie M. Mahoney

Date 4-24-79

6.250000

YATES DRILLING COMPANY - ACCOUNT 1

By

Date

9.846687

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618	619	620	621	622	623	624	625	626	627	628	629	630	631	632	633
634	635	636	637	638	639	640	641	642	643	644	645	646	647	648	649
650	651	652	653	654	655	656	657	658	659	660	661	662	663	664	665
666	667	668	669	670	671	672	673	674	675	676	677	678	679	680	681
682	683	684	685	686	687	688	689	690	691	692	693	694	695	696	697
698	699	700	701	702	703	704	705	706	707	708	709	710	711	712	713
714	715	716	717	718	719	720	721	722	723	724	725	726	727	728	729
730	731	732	733	734	735	736	737	738	739	740	741	742	743	744	745
746	747	748	749	750	751	752	753	754	755	756	757	758	759	760	761
762	763	764	765	766	767	768	769	770	771	772	773	774	775	776	777
778	779	780	781	782	783	784	785	786	787	788	789	790	791	792	793
794	795	796	797	798	799	800	801	802	803	804	805	806	807	808	809
810	811	812	813	814	815	816	817	818	819	820	821	822	823	824	825
826	827	828	829	830	831	832	833	834	835	836	837	838	839	840	841
842	843	844	845	846	847	848	849	850	851	852	853	854	855	856	857
858	859	860	861	862	863	864	865	866	867	868	869	870	871	872	873
874	875	876	877	878	879	880	881	882	883	884	885	886	887	888	889
890	891	892	893	894	895	896	897	898	899	900	901	902	903	904	905
906	907	908	909	910	911	912	913	914	915	916	917	918	919	920	921
922	923	924	925	926	927	928	929	930	931	932	933	934	935	936	937
938	939	940	941	942	943	944	945	946	947	948	949	950	951	952	953
954	955	956	957	958	959	960	961	962	963	964	965	966	967	968	969
970	971	972	973	974	975	976	977	978	979	980	981	982	983	984	985
986	987	988	989	990	991	992	993	994	995	996	997	998	999	1000	1001

EXHIBIT "A"

BEFORE EXAMINER J. J. JAMES
 OIL AND GAS DIVISION
 EXHIBIT 3
 CASE NO. 6550
 submitted by Applicant
 Hearing Date 5-23-79

(1) The SW $\frac{1}{4}$ and W $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 12, Township 19 South, Range 24 East, N.M.P.M. are held by Yates Petroleum Corporation and associated companies under Lease No. 14118 and as an option farmout from HNG Oil Company.

(2) The ownership of the E $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 12, Township 19 South, Range 24 East, N.M.P.M. is as follows:

Owner	Interest	Net Acres
R. E. Glass	Undivided 1/2	40.00
Marshall & Winston, Inc.	Undivided 1/8	10.00
Quetico Superior Foundation	Undivided 1/32	2.50
Don Phillips & Associates	Undivided 3/32	7.50
I. J. Marshall	Undivided 1/32	2.50
C. E. Hinkle	Undivided 1/16	5.00
R. R. Hinkle	Undivided 1/16	5.00
CA Land and Cattle Co.	Undivided 1/32	2.50
Floyd Childress	Undivided 1/16	5.00

only interests
 pooled

Yates Petroleum Corporation, et al now hold leases from all those owners of the E $\frac{1}{2}$ SE $\frac{1}{4}$ except from the Quetico Superior Foundation and several members of Don Phillips & Associates. In the case of the Quetico Superior Foundation, an oral confirmation of willingness to lease has been made by their President, Frederick Winston. In the case of the 27 known members of Don Phillips & Associates, two leases only have been received as of May 22, 1979 in response to a letter and lease dated April 23, 1979, examples attached. However, eight (8) people have written or called to indicate that they will issue a lease but on different terms than those originally proposed. The outstanding members from whom no reply has been received at all are those for which compulsory pooling is sought and are listed below. They have been advised by Edward W. Davis (May 21, 1979) that should they still wish to offer a lease to Yates Petroleum Corporation on either the original or lesser terms, we would be willing to take them after the date of the hearing.

Owner	Interest	Net Acres
The Minneapolis Foundation, Legatee of the Estate of Frances E. Andrews, Deceased	Undivided 1/30	.250000
Estate of Lester R. Badger, Deceased	Undivided 1/30	.250000
Frank H. Carleton Trust	Undivided 1/30	.250000
Paul Dickerson	Undivided 1/60	.125000
Estate of James G. Bennett, Deceased	Undivided 1/15	.500000
Joyce A. Holliday	Undivided 1/15	.500000
Estate of E. E. MacGibbon	Undivided 1/30	.250000
Mrs. Jan M. Fox	Undivided 1/90	.083328
J. Laird Marshall	Undivided 1/90	.083328
*Owen Marshall	Undivided 1/90	.083328
Richard H. Marshall	Undivided 1/30	.250000
*Douglas D. MacKinnon, M.D.	Undivided 1/30	.250000
Mrs. James J. Norton	Undivided 1/30	.250000
*Mary A. Phillips	Undivided 1/12	.625000
Rufus R. Rand Estate	Undivided 1/30	.250000
Roger Westman	Undivided 1/30	.250000
Marian Whitney Trust	Undivided 1/30	.250000

Don Phillips and Assoc
 No response
 to for complete list

*Correspondence returned, not deliverable as addressed, unable to forward per United States Postal Service.



207 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 746-3558

PRESIDENT
MARTIN YATES, III
VICE PRESIDENT
JOHN A. YATES
VICE PRESIDENT
B. W. HARPER
SEC. TREAS.

EXHIBIT "A", Page 2

May 21, 1979

TO: ROYALTY OWNERS

Re: Allison Federal "CQ" #2
Township 19 South, Range 24 East, NMPM
Section 12: E $\frac{1}{2}$ SE $\frac{1}{4}$
Eddy County, New Mexico

Dear Ladies and Gentlemen:

Following my letter of April 23, 1979, I am writing to say that because of the difficulty of contacting owners under the captioned acreage, Yates Petroleum Corporation has applied to the New Mexico Oil Conservation Commission for compulsory pooling for the Allison Federal "CQ" #2 Well.

Following telephone conversations with some parties and with Mr. Donald Winston, I understand that some members of the former Don Phillips and Associates Partnership will be prepared to lease their interest to us and may have advised Mr. Winston to this effect.

I am happy to reassure you that Yates Petroleum is prepared to take leases from you on the original terms offered, or other mutually acceptable basis after compulsory pooling. You may contact me by writing to the above address or by calling me at (505) 746-3558.

Very truly yours,

Jack W. McCaw
Land Department

Edward W. Davis

By: Edward W. Davis

END/mak

H. Cedric Alward, M.D.
4224 Francis Avenue
Los Angeles, CA 90005

J. Laird Marshall
2901 Bible Camp Road
McFarland, Wisconsin 53558

The Minneapolis Foundation
Legatee of Frances E. Andrews
Estate, FNB of Minneapolis
P. O. Box A700
Minneapolis, Minnesota

Owen Marshall
2470 Rivermont Avenue
Lynchburg, Virginia 24504

Estate of Lester R. Badger
Route 1, Box 5288
Excelsior, Minnesota

Richard H. Marshall
175 Lakewood Drive
Madison, Wisconsin 53740

Frank H. Carleton
c/o FNB of Minneapolis
P. O. Box A700
Minneapolis, Minnesota 55480

Mrs. James J. Norton
2880 Lorain Road
San Marino, CA 91108

Paul Dickerson
3145 Cahuenga Boulevard
Los Angeles, CA 90068

Mary A. Phillips
9025 National Boulevard
Los Angeles, CA 90034

Estate of James G. Bennett
2016 East Broadway
Tucson, Arizona 85719

Rufus R. Rand Estate
c/o Palmer FNB & Trust Co.
P. O. Box 2018
Sarasota, Florida 33578

Joyce A. Holliday
1034 Princeton Street
Santa Monica, CA 90403

Roger Westman
257 North 117th Avenue
Omaha, Nebraska 68154

Estate of E. E. MacGibbon
321 Lowell
Elk River, Minnesota 55330

Marian Whitney Trust
San Diego Trust & Savings
P. O. Box 1871
San Diego, CA 92112

Mrs. Jan M. Fox
5805 Winnequal Road
Madison, Wisconsin 53716



207 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 746-3558

JOHN A. YATES
VICE PRESIDENT
B. W. HARPER
SEC. TREAS.

April 23, 1979

EXHIBIT "A", Page 4

Helen H. Bristol
151 Library Place
Princeton, New Jersey 08540

Re: Oil and Gas Lease
Township 19 South, Range 24 East, NMPM
Sections 12 and 14
Eddy County, New Mexico

Dear Ms. Bristol:

I am writing in reference to your interest in the captioned lands. Our records indicate that you own a very small percentage of interest in these two sections. Following the dissolution of the limited partnership of Don Phillips and Associates, Yates Petroleum Corporation is interested in acquiring leases in this area and would be prepared to offer a 3/16 royalty for a five year lease covering your property in these lands.

We believe this offer merits your consideration since Yates drills many wells in New Mexico and there is a possibility that we might drill on a unit including your acreage. If the well were a producer, this would be to your financial benefit.

I have taken the liberty of enclosing an original and one copy of an Oil and Gas Lease, five-year paid up term, providing for a 3/16 royalty. If satisfactory, please execute before a Notary Public and return the original to our office. Please retain the copy for your records.

Thank you.

Very truly yours,

Jack W. McCaw
Land Department

EWD/jlm
Enc.

By: Edward W. Davis

OIL AND GAS LEASE

THIS AGREEMENT made this 23rd day of April, 1979, between

Lessor (whether one or more), whose address is:

and YATES PETROLEUM CORPORATION, a New Mexico corporation Lessee, WITNESSETH:1. Lessor in consideration of Ten And No/100- Dollars (\$ 10.00) in hand paid, of the royalties herein provided and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil and gas, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land inEddy County, New Mexico, to-wit:Township 19 South, Range 24 East, NMPMSection 12: E $\frac{1}{2}$ SE $\frac{1}{4}$ Section 14: NW $\frac{1}{4}$

2. Without reference to the commencement, prosecution or cessation at any time of drilling or other development operations and/or to the discovery, development or cessation at any time of production of oil or gas and without further payments than the royalties herein provided, and notwithstanding anything else herein contained to the contrary, this lease shall be for a term of five years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or land with which said land is pooled hereunder.

3. The royalties to be paid by Lessee are: (a) on oil, 3/16 of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land, and sold, or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of 3/16of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 3/16 of the amount realized from such sale; while there is a gas well on this lease or on acreage pooled therewith but gas is not being sold or used, Lessee may pay or tender as royalty, on or before ninety (90) days after the date on which said well is shut in and thereafter at annual intervals the sum of \$1.00 per acre, and if such payment is made or tendered, this lease shall not terminate and it will be considered that gas is being produced from this lease in paying quantities. Payment or tender of said shut-in gas royalty may be made by check or draft of Lessee mailed or delivered to the parties entitled thereto on or before the date said payment is due. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease, or any portion thereof as to oil and gas, or either of them, with other land, lease or leases in the immediate vicinity thereof to the extent, hereinafter stipulated, when in Lessee's judgment it is necessary or advisable to do so in order properly to explore, or to develop and operate said leased premises in compliance with the spacing rules of the New Mexico Oil Conservation Commission, or other lawful authority or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of 10% thereof, provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, units thereafter created may conform substantially in size with those prescribed by governmental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this lease, or any portion thereof as above provided as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing and designating the pooled acreage as a pooled unit. Lessee may at its election exercise its pooling option after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on or production of oil or gas from any part of the pooled unit which includes all or a portion of the land covered by this lease regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument or the instrument designating the pooled unit, shall be considered as operations for drilling on or production of oil or gas from land covered by this lease whether or not the well or wells be located on the premises covered by this lease, and the entire acreage constituting such unit or units, as to oil and gas, or either of them, as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them, shall be entitled on production of oil and gas, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit a pro rata portion of the oil and gas, or either of them, produced from the pooled unit after deducting that used for operations on the pooled units. Such allocation shall be on an acreage basis—that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit that pro rata portion of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this lease and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land. The production from an oil well will be considered production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. In addition to the foregoing, Lessee at its option is hereby given the right and power from time to time to commit said land or any part or formation or mineral substance covered hereby to any cooperative or unit agreement or plan of development and operation, and to any modifications thereof, which have been approved by the New Mexico Oil Conservation Commission or other lawful governmental authority. In such event, the royalty payable to Lessor hereunder shall be computed and paid on the basis of the oil or gas allocated to such land under the terms of any such agreement or plan of operation, which basis shall be the same by which the royalty due the United States or the State of New Mexico is computed and paid. This lease shall not expire during the life of such agreement or plan and shall be subject to the terms thereof and said agreement or plan of operation shall be filed with the New Mexico Oil Conservation Commission, or other lawful authority, and Lessee shall record in the County in which the leased premises are situated, an instrument describing such agreement or plan of operation and reflecting the commitment thereto, and the same may be recorded either before or after the completion of wells.

5. If at the expiration of the primary term oil or gas is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary term, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas so long thereafter as oil or gas is produced from said land, or from land pooled therewith. If, after the expiration of the primary term of this lease and after oil or gas is produced from said land, or from land pooled therewith, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith. Any pooled unit designated by Lessee in accordance with the terms hereof, may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the leased premises are situated at any time after the completion of a dry hole or the cessation of production on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within 660 feet of and draining the lease premises, or land pooled therewith, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances. Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

6. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet of any residence or barn now on said land without Lessor's consent.

7. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

8. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or revision of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil or gas in paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas in paying quantities.

9. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties according hereunder toward satisfying same. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil or gas on, in or under said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

INDIVIDUAL ACKNOWLEDGMENT

STATE OF NEW MEXICO, }
County of _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____,
19____ by _____

My commission expires _____, 19____. Notary Public

CORPORATION ACKNOWLEDGMENT

STATE OF NEW MEXICO }
County of _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19____
by _____ President
of _____ a _____ corporation
on behalf of said corporation.

My Commission Expires: _____ Notary Public

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____ }
County of _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____,
19____ by _____

My commission expires _____, 19____. Notary Public

Producers 88 Rev. (5 Year Lease) (10-57)

No. _____

Oil and Gas
Lease

FROM

TO

Dated _____, 19____

No. Acres _____

_____ County, N. M.

Term _____

This instrument was filed for record on the

_____ day of _____, 19____,

at _____ o'clock _____ M., and duly

recorded in Book _____, Page _____

of the _____ records of this office.

County Clerk

By _____ Deputy

When recorded return to

Original
Associated
10 contacts
2 lease d
8 papers

<u>Name</u>	<u>Address</u>	<u>Interest Owned</u>	<u>Net Acres</u>
H. Cedric Alward, H.D.	4224 Francis Avenue Los Angeles, California 90005	1/30	.250000
The Minneapolis Foundation, Legatee of the Estate of Frances E. Andrews, Deceased	c/o The Trust Department First National Bank of Minneapolis Minneapolis, Minnesota	1/30	.250000
Hayward Ayres and Marguerite B. Ayres	1204 Pine Street South Pasadena, California 91030	1/30	.250000
Estate of Lester R. Badger, Deceased	c/o Stephen S. Badger Route 1, Box 528B Excelsior, Minnesota 55331	1/30	.250000
Helen H. Bristol	151 Library Place Princeton, New Jersey 08540	1/15	.500000
Frank H. Carleton Trust	c/o First National Bank of Minneapolis P. O. Box A700 Minneapolis, Minnesota 55480	1/30	.250000
Paul Dickerson	3145 Cahuenga Boulevard Los Angeles, California 90068	1/60	.125000
Josephine Hildrith	1811 La Cuesta Drive Santa Ana, California 92705	1/30	.250000
Estate of James G. Bennett, Deceased	2016 East Broadway Tucson, Arizona 85719	1/15	.500000
Joyce A. Holliday	1034 Princeton Street Santa Monica, California 90403	1/15	.500000
F. B. Hubachek	3220 Prudential Plaza Chicago, Illinois 60601	1/30	.250000
Charles S. Kelly	3220 Prudential Plaza Chicago, Illinois 60601	1/30	.250000
Estate of E. E. MacGibbon, Deceased	321 Lowell Elk River, Minnesota 55330	1/30	.250000
Mrs. Jan M. Fox	5805 Winnequal Road Madison, Wisconsin 53716	1/90	.083328
J. Laird Marshall	2901 Bible Camp Road McFarland, Wisconsin 53558	1/90	.083328
Owen Marshall	2470 Rivermont Avenue Lynchburg, Virginia 24504	1/90	.083328
Richard H. Marshall	175 Lakewood Drive Madison, Wisconsin 53740	1/30	.250000
Douglas D. MacKinnon, M.D.	4240 Dundee Drive Los Angeles, California 90027	1/30	.250000
Robert Ray Newton Trust	Route 22, Meeting House Lane Knoxville, Tennessee 37921	1/15	.500000
Mrs. James J. Norton	2880 Lorain Road San Marino, California 91108	1/30	.250000
Mary A. Phillips	9025 National Boulevard Los Angeles, California 90034	1/12	.625000
Rufus R. Rand Estate	c/o Palmer First National Bank & Trust Co. P. O. Box 2018 Sarasota, Florida 33578	1/30	.250000
L. Raymond Scherer, M.D.	1930 Irving Avenue South Minneapolis, Minnesota 55403	1/30	.250000
Kathryn Knops	3044 12th Avenue South Minneapolis, Minnesota 55407	1/30	.250000
Roger Westman	257 North 117th Avenue Omaha, Nebraska 68154	1/30	.250000
Marian Whitney Trust	San Diego Trust & Savings Bank Trust Department P. O. Box 1871 San Diego, California 92112	1/30	.250000
Elizabeth Melone Winston	2705 West Lake of the Isles Boulevard Minneapolis, Minnesota 55416	1/30	.250000

**Yates Petroleum Corporation
AUTHORITY FOR EXPENDITURE**

EXHIBIT "B"

AFE # 79-039-0

Revision #

Date 4-24-79

Lease Name Allison Federal "CQ" #2 Location 1980/S 660/W Section 12-19S-24E
 County Eddy State New Mexico Field Wildcat
 Horizon Morrow Est.T.D. 9100' Est. Spud Date May 1979
 Est. Completion Date May 1979 Drilling Contractor _____

Primary Objective: ☐ Oil ☐ Gas ☒ Oil and/or Gas
 Purpose : ☒ Drilling-New ☐ Recompletion ☐ Other (Supplement AFE, etc)
 Type Well : ☐ Development ☒ Exploratory

INTANGIBLE COSTS:

		<u>Dry Hole</u>	<u>Completion</u>
9210	Staking Permit & Legal Fees	\$ 1,000	\$ 1,000
9211	Location, Right-of-Way & Surface Damages	\$ 7,200	\$ 8,000
9212	Drilling, Footage	\$ -	\$ -
9213	Drilling, Daywork <u>33 days @ \$3900 /day</u>	\$128,700	\$128,700
9212/9213	Moving in, Rigging up, Rigging down	\$ 20,000	\$ 20,000
9224	Bits, Tools & Supplies	\$ 26,500	\$ 26,500
9214	Drilling Water	\$ 16,000	\$ 17,000
9215	Drilling Mud & Additives	\$ 30,000	\$ 30,000
9216	Mud Logging Unit	\$ 7,200	\$ 7,200
9217	Cement, Tools & Services, Temp. Surveys	\$ 10,500	\$ 15,400
9218	Drill Stem Testing	\$ 4,700	\$ 4,700
9219	Electric Logs	\$ 17,100	\$ 22,700
9220	Tool & Equip. Rental, Trucking, Welding	\$ 5,900	\$ 6,900
9221	Supervision & Overhead	\$ 4,200	\$ 5,200
9223	Coring, Tools & Services	\$ -	\$ -
9241	Completion Unit <u>8 days @ \$1000 /day</u>	\$ -	\$ 8,000
9247	Stimulation	\$ -	\$ 20,000
9222	Contingency	\$ 31,000	\$ 35,700
	TOTAL INTANGIBLES	\$310,000	\$357,000

WELL EQUIPMENT COSTS:

9301	Christmas Tree and Well Head	\$ 1,500	\$ 13,500
9302	Casing: <u>13 3/8" 48# J-55, 360'</u>	\$ 6,500	\$ 6,500
9302	<u>8 5/8" 24# J-55, 900'</u>	\$ 8,100	\$ 8,100
9302	<u>5 1/2" 15.5-17# K&N, 9100'</u>	\$ -	\$ 57,800
9303	Tubing: <u>2 7/8" 6.5# J-55, 8900'</u>	\$ -	\$ 26,700
9304	Packer & Special Equipment	\$ -	\$ 3,800
9350	Contingency	\$ 900	\$ 6,600
	TOTAL WELL EQUIPMENT	\$ 17,000	\$123,000

LEASE & BATTERY EQUIPMENT COSTS:

9401	Pumping Equipment	\$ -	\$ -
9402	Storage 2-210 b welded, stair, walk, Fbrgls Tnk	\$ -	\$ 9,500
9403	Separation Eq., Flowlines, Valves & Fittings	\$ -	\$ 19,300
9404	Trucking & Construction Costs	\$ -	\$ 6,200
	TOTAL LEASE & BATTERY EQUIP.	\$ -	\$ 35,000

TOTALS

\$ 327,000 \$515,000

YATES PETROLEUM CORPORATION - ACCOUNT 1

By Edna M. Maly Date 4-24-79

YATES PETROLEUM CORPORATION - ACCOUNT 2

By Edna M. Maly Date 4-24-79

YATES DRILLING COMPANY - ACCOUNT 1

By _____ Date _____

BEFORE EXAMINER SIGNATURES
OIL CONSERVATION DIVISION

EXHIBIT NO. 4
CASE Share 6550

Submitted by bp
32.457563
Hearing Date _____

6.250000

9.846687

This image shows a large, complex grid of handwritten notes and stamps, likely a ledger or index. The grid is composed of many small rectangular cells, each containing text, numbers, and sometimes small diagrams or symbols. The text is handwritten in various colors (black, blue, red) and includes names, dates, and numerical values. There are also several large, bold, printed words scattered throughout the grid, such as "EXHIBIT C", "DAGGER DRAW", "PARRISH", "CANYON", "HOAG TANK", and "MARATHON". The overall appearance is that of a detailed record-keeping document, possibly related to a legal case or a scientific study. The grid is organized into rows and columns, with some cells spanning multiple rows or columns. The handwriting is dense and fills most of the space within each cell.

Bockets 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. Staver 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.

CASE 6550: Application of Yates Petroleum Corporation for an unorthodox gas well location and compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp through Mississippian formations underlying the S/2 of Section 12, Township 19 South, Range 24 East, to be dedicated to its Allison Federal "CQ" Well No. 2 to be drilled at an unorthodox location 1930 feet from the South line and 660 feet from the West line of said Section 12. 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 6492: (Continued from May 9, 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 6551: Application of Bass Enterprises Production Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox Lower Morrow gas well location 1980 feet from the North line and 660 feet from the East line of Section 1, Township 19 South, Range 28 East, the N/2 of said Section 1 to be dedicated to the well.

CASE 6528: (Continued from April 25, 1979, Examiner Hearing)

Application of Bass Enterprises Production Co. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox Morrow test well location to be drilled 660 feet from the North and West lines of Section 10, Township 21 South, Range 32 East, Lea County, New Mexico, the W/2 of said Section 10 to be dedicated to the well.

CASE 6552: Application of Maddox Energy Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 3, Township 24 South, Range 28 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. 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 6553: Application of The Atlantic Richfield Company for approval of infill drilling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a finding that the Division waived existing well-spacing requirements and found that the drilling of additional wells was necessary to effectively and efficiently drain those portions of the proration units in the Empire Abo Unit located in Townships 17 and 18 South, Ranges 27, 28 and 29 East, which could not be so drained by the existing wells.

CASE 6554: Application of The Atlantic Richfield Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all royalty interests in the Devonian, McKee, and Ellenburger formations underlying the E/2 of Section 20, Township 22 South, Range 36 East, Langlie Field, to be dedicated to a well to be drilled at a standard location thereon.

CASE 6555: Application of Jake L. Hamon for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox location 660 feet from the North line and 560 feet from the East line of Section 30, Township 20 South, Range 36 East, North Osudo-Morrow Gas Pool, all of said Section 30 to be dedicated to the well.

CASE 6556: Application of Curtis Little for the amendment of Order No. R-5962, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5962 to provide for the unorthodox location of a well to be drilled 1000 feet from the South line and 50 feet from the East line of Section 11, Township 28 North, Range 12 West, Basin-Dakota Pool, and for the extension of the date to commence drilling.

CASE 6435: (Continued from February 28, 1979, Examiner Hearing)

Application of Amerada Hess Corporation for approval of infill drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a finding that the drilling of its W. A. Weir "B" Well No. 3 located in Unit B of Section 26, Township 19 South, Range 36 East, Eumont Gas Pool, Lea 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, and further seeks approval of a waiver of existing well-spacing requirements.

CASE 6559: Application of Roy L. McKay for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for his Morton Solid State Unit Area, comprising 1,480 acres, more or less, of State lands in Township 15 South, Range 34 East.

CASE 6487: (Continued from February 28, 1979, Examiner Hearing)

Application of El Paso Natural Gas Company for approval of infill drilling, Lea 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 Shell E State Con Well No. 2 located in Unit N of Section 6, Township 21 South, Range 36 East, Eumont Gas Pool, Lea 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 6471: (Continued from February 28, 1979, Examiner Hearing)

Application of Consolidated Oil & Gas, 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 Freeman Well No. 1-A to be located in Unit C of Section 11, Township 31 North, Range 13 West, Basin-Dakota 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 6472: (Continued from February 28, 1979, Examiner Hearing)

Application of Consolidated Oil & Gas, Inc. for approval of infill drilling, Rio Arriba 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 Jenny Well No. 1-A to be located in Unit P of Section 13, Township 26 North, Range 4 West, Basin-Dakota Pool, Rio Arriba 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 6473: (Continued from February 28, 1979, Examiner Hearing)

Application of Consolidated Oil & Gas, Inc. for approval of infill drilling, Rio Arriba 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 McIntyre Well No. 1-A to be located in Unit K of Section 11, Township 26 North, Range 4 West, Basin-Dakota Pool, Rio Arriba 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 6474: (Continued from February 28, 1979, Examiner Hearing)

Application of Consolidated Oil & Gas, 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 Williams Well No. 1-A to be located in Unit C of Section 24, Township 31 North, Range 13 West, Basin-Dakota 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 6475: (Continued from February 28, 1979, Examiner Hearing)

Application of Consolidated Oil & Gas, 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 Montoya Well No. 1-A to be located in Unit I of Section 35, Township 32 North, Range 13 West, Basin-Dakota 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.

DOCKET: COMMISSION HEARING - TUESDAY - MAY 29, 1979

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 6557: Application of Getty Oil Company for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order creating a new Morrow gas pool for its State 35 Well No. 1 located in Unit K of Section 35, Township 21 South, Range 34 East, and its Getty Two State Well No. 1 located in Unit F of Section 2, Township 22 South, Range 34 East, and for promulgation of special pool rules, including provision for 640-acre gas well spacing.

CASE 6497: (DE NOVO)

Application of Llano, Inc. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be located 1650 feet from the South line and 660 feet from the East line of Section 34, Township 21 South, Range 34 East, Grama Ridge-Morrow Gas Pool, the E/2 of said Section 34 to be dedicated to the well.

Upon application of Getty Oil Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

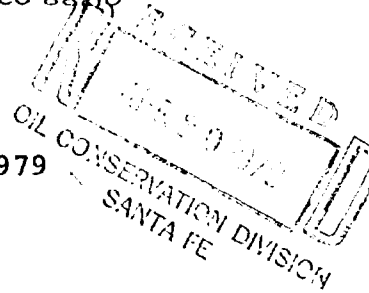
CASE 6558: Application of Llano, Inc. for a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 320-acre non-standard gas proration unit comprising the E/2 of Section 34, Township 21 South, Range 34 East, to be dedicated to its Llano 34 State Com Well No. 1 located in Unit I of said Section 34.

A. J. LOSEE
JOEL M. CARSON
CHAD DICKERSON
DAVID R. VANDIVER

LAW OFFICES
LOSEE, CARSON & DICKERSON, P. A.
300 AMERICAN HOME BUILDING
P. O. DRAWER 239
ARTESIA, NEW MEXICO 88210

AREA CODE 505
746-3508

23 April 1979



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

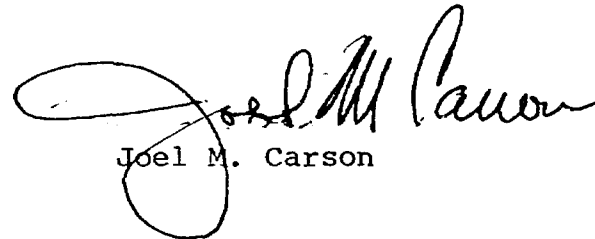
Dear Mr. Ramey:

Enclosed for filing, please find three copies of Application of Yates Petroleum Corporation for an unorthodox gas well location and compulsory pooling for its Allison Federal "CQ" No. 2 Well in Eddy County, New Mexico.

We ask that this case be set for hearing before an examiner and that we be furnished with a copy of the docket for said hearing.

Yours truly,

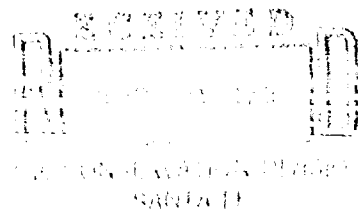
LOSEE, CARSON & DICKERSON, P.A.



Joel M. Carson

JMC:bjm
Enclosures

cc w/enclosure: Yates Petroleum Corporation



BEFORE THE OIL CONSERVATION DIVISION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :
YATES PETROLEUM CORPORATION FOR AN : CASE NO. 6550
UNORTHODOX GAS WELL LOCATION AND :
COMPULSORY POOLING, EDDY COUNTY, NEW :
MEXICO :
:

APPLICATION

COMES NOW YATES PETROLEUM CORPORATION, by its attorneys,
and in support hereof, respectfully states:

1. Applicant is the operator of the Wolfcamp through
the Mississippian formations underlying:

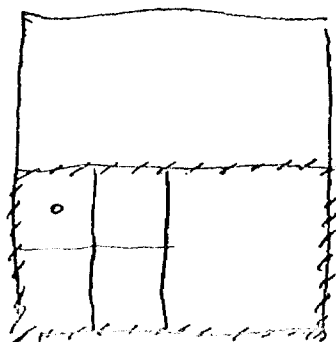
Township 19 South, Range 24 East, N.M.P.M.

Section 12: S/2.

2. Applicant proposes to drill its Allison Federal
"CQ" No. 2 Well at a location 1,980 feet from the South line and
660 feet from the West line of said Section 12, and to dedicate
the S/2 of said Section 12 to the well.

3. The applicant seeks an exception to the well loca-
tion requirements of Rule 104-C of the Oil Conservation
Division to permit the drilling of the well at the above men-
tioned unorthodox location to a depth sufficient to adequately
test the Wolfcamp and Mississippian systems.

4. A standard 320-acre proration unit comprising
the S/2 of said Section 12 should be dedicated to the Allison
Federal "CQ" No. 2 Well.



5. Applicant has the right to drill and complete its Allison Federal "CQ" No. 2 Well in the Wolfcamp and Mississippian formations at a location to be approved by the New Mexico Oil Conservation Division.

6. Applicant has designated the S/2 of said Section 12 to its Allison Federal "CQ" No. 2 Well and there are interest owners in the proration unit who have not agreed to pool their interests. A list of said owners is attached hereto and by reference is made a part hereof.

7. Applicant should be designated as the operator of the well and the proration unit.

8. To avoid the drilling of unnecessary wells and to protect correlative rights and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas of said unit, all mineral interests, whatever they may be, from the surface through the Wolfcamp and Mississippian formations under the S/2 of said Section 12 should be pooled.

9. Any non-consenting working interest owner who does not pay his share of the estimated well costs should have withheld from production his share of the reasonable well costs, plus an additional 200% thereof as the reasonable charge for the risk involved in the drilling of the well.

10. Applicant should be authorized to withhold from production a proportionate share of a reasonable supervision charge for drilling and producing wells attributable to each non-consenting working interest owner.

11. The approval of this application will afford applicant the opportunity to produce its just and equitable share of gas, will prevent economic loss caused by the drilling of unnecessary wells, will avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

WHEREFORE, applicant prays:

A. That this application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. That upon hearing the Division enter its order granting applicant permission to drill a well 1,980 feet from the South line and 660 feet from the West line of said Section 12, Township 19 South, Range 24 East, N.M.P.M., Eddy County, New Mexico, and to dedicate the S/2 of said Section 12, which is reasonably presumed to be productive of gas from the Wolfcamp through the Mississippian formations.

C. Upon hearing the Division enter its order pooling all mineral interests, whatever they may be, from the surface through the Wolfcamp and Mississippian formations underlying the S/2 of said Section 12, Township 19 South, Range 24 East, N.M.P.M., Eddy County, New Mexico, to form a 320-acre spacing unit dedicated to applicant's Allison Federal "CQ" No. 2 Well.

D. And for such other relief as may be just in the premises.

YATES PETROLEUM CORPORATION

By: 

Joel M. Carson

LOSEE, CARSON & DICKERSON, P.A.
P. O. Drawer 239
Artesia, New Mexico 88210
Attorneys for Applicant

AFFIDAVIT

BEFORE ME, the undersigned, a Notary Public in and for Midland County, State of Texas, on this day personally appeared WILLIAM S. MARSHALL, to me well known, and who, after being by me duly sworn, deposes and says the following:

My name is William S. Marshall and I am making this affidavit in regard to a limited partnership by the name of Don Phillips and Associates. Don Phillips died on or about September 24, 1972. Don Phillips was the sole general partner of Don Phillips and Associates. There were numerous limited partners in Don Phillips and Associates. The Articles of Limited Partnership for Don Phillips and Associates which were in effect at the death of Don Phillips provided that the limited partnership of Don Phillips and Associates should be dissolved upon the death of the general partner. The property standing in the name of Don Phillips and Associates was owned by the following parties in the following proportions upon the death of Don Phillips on or about September 24, 1972:

<u>NAME</u>	<u>ADDRESS</u>	<u>INTEREST OWNED</u>
✓ H. Cedric Alverdt, M. D.	4224 Francis Ave., Los Angeles CA. 90005	1/30
✓ The Minneapolis Foundation, Legatee of the Estate of Frances E. Andrews, deceased,	c/o The Trust Department of the First National Bank of Minneapolis, Minneapolis, Minnesota	1/30
✓ Hayward Ayres and Marguerite B. Ayres	1204 Pine Street, South Pasadena, California 91030	1/30
✓ Estate of Lester R. Badger, deceased	c/o Stephen S. Badger, Rt. 1, Box 524B, Excelsior, Minnesota 55331	1/30
✓ Helen H. Bristol	151 Library Place, Princeton, N.J. 08540	1/15
✓ Frank H. Carleton Trust	c/o First National Bank of Minneapolis, P. O. Box 4700, Minneapolis, Minn. 55400	1/30
✓ Paul Dickerson	3145 Cahuenga Blvd., Los Angeles, California 90068	1/60
✓ Josephine Hildrith	1811 La Cuesta Drive, Santa Ana, California 92705	1/30
✓ Estate of James G. Bennett, deceased	2016 N. Broadway Tucson, Arizona 85719	1/15
✓ Joyce A. Holliday	1034 Princeton St., Santa Monica, California 90403	1/15
✓ F. B. Hubachek	3220 Prudential Plaza Chicago, Illinois 60601	1/30
✓ Charles S. Kelly	3220 Prudential Plaza, Chicago, Ill. 60601	1/30
✓ Estate of E. K. MacGibbon, deceased	321 Lowell, Elk River, Minn. 55330	1/30
✓ Mrs. Jan M. Fox	5805 Winaqual Rd., Madison, Wis. 53716	1/90
✓ Mr. J. Laird Marshall	1411 Bible Camp Road, McFarland, Wis. 53558	1/90
✓ Mr. Owen Marshall	2470 Rivermont Ave., Lynchburg, Va. 24504	1/90
✓ Richard H. Marshall	175 Lakewood Drive, Madison, Wis. 53743	1/30
✓ Douglas D. MacKinnon, M. D.		1/30
✓ Robert Ray Newton Trust	Route 22, Meeting House Lane, Knoxville, Tennessee 37921	1/15
✓ Mrs. James J. Norton	2880 Lorain Rd., San Marino, Ca. 91108	1/30
✓ Mary A. Phillips	9015 National Blvd., Los Angeles, California 90035	1/12

100-44111-1
Austin, Texas
NOTE: MSR 323
DATE: 10/1/72

✓ Rufus R. Rand Estate	c/o Palmer First National Bank & Trust Co., P. O. Box 2018, Sarasota, Florida 33578	1/30	✓
✓ L. Raymond Scherer, M.D.	1930 Irving Ave. So., Minneapolis, Minnesota 55403	1/30	✓
✓ Kathryn Knops	3044 12th Ave. South, Minneapolis, Minnesota 55407	1/30	✓
✓ Roger Westman	257 N. 117 Ave., Omaha, Nebraska 68154	1/30	✓
✓ Marian Whitney Trust	San Diego Trust & Savings Bank, Trust Dept., P.O. Box 1871, San Diego, Ca. 92112	1/30	✓
✓ Elizabeth Malone Winston	2706 W. Lake of the Isles Blvd., Minneapolis, Minnesota 55416	1/30	✓

FURTHER I SAYETH NOT.

WITNESS MY SIGNATURE, this 15th day of March, 1974.

William S. Marshall
William S. Marshall

THE STATE OF TEXAS

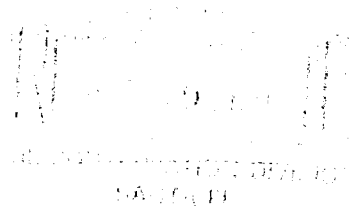
COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this 15th day of March, 1974.



James E. Ziegler
Notary Public

STATE OF NEW MEXICO, County of San Juan Hereby certify that this instrument was filed in the 12th day of March 1974 at 11:15 A.M. and duly recorded in Book 115 Page 112 of the Records of San Juan County, New Mexico. BY James E. Ziegler Notary Public



BEFORE THE OIL CONSERVATION DIVISION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :
YATES PETROLEUM CORPORATION FOR AN : CASE NO. 6550
UNORTHODOX GAS WELL LOCATION AND :
COMPULSORY POOLING, EDDY COUNTY, NEW :
MEXICO :
_____ :

APPLICATION

COMES NOW YATES PETROLEUM CORPORATION, by its attorneys,
and in support hereof, respectfully states:

1. Applicant is the operator of the Wolfcamp through
the Mississippian formations underlying:

Township 19 South, Range 24 East, N.M.P.M.

Section 12: S/2.

2. Applicant proposes to drill its Allison Federal
"CQ" No. 2 Well at a location 1,980 feet from the South line and
660 feet from the West line of said Section 12, and to dedicate
the S/2 of said Section 12 to the well.

3. The applicant seeks an exception to the well loca-
tion requirements of Rule 104-C of the Oil Conservation
Division to permit the drilling of the well at the above men-
tioned unorthodox location to a depth sufficient to adequately
test the Wolfcamp and Mississippian systems.

4. A standard 320-acre proration unit comprising
the S/2 of said Section 12 should be dedicated to the Allison
Federal "CQ" No. 2 Well.

5. Applicant has the right to drill and complete its Allison Federal "CQ" No. 2 Well in the Wolfcamp and Mississippian formations at a location to be approved by the New Mexico Oil Conservation Division.

6. Applicant has designated the S/2 of said Section 12 to its Allison Federal "CQ" No. 2 Well and there are interest owners in the proration unit who have not agreed to pool their interests. A list of said owners is attached hereto and by reference is made a part hereof.

7. Applicant should be designated as the operator of the well and the proration unit.

8. To avoid the drilling of unnecessary wells and to protect correlative rights and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas of said unit, all mineral interests, whatever they may be, from the surface through the Wolfcamp and Mississippian formations under the S/2 of said Section 12 should be pooled.

9. Any non-consenting working interest owner who does not pay his share of the estimated well costs should have withheld from production his share of the reasonable well costs, plus an additional 200% thereof as the reasonable charge for the risk involved in the drilling of the well.

10. Applicant should be authorized to withhold from production a proportionate share of a reasonable supervision charge for drilling and producing wells attributable to each non-consenting working interest owner.

11. The approval of this application will afford applicant the opportunity to produce its just and equitable share of gas, will prevent economic loss caused by the drilling of unnecessary wells, will avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

WHEREFORE, applicant prays:

A. That this application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. That upon hearing the Division enter its order granting applicant permission to drill a well 1,980 feet from the South line and 660 feet from the West line of said Section 12, Township 19 South, Range 24 East, N.M.P.M., Eddy County, New Mexico, and to dedicate the S/2 of said Section 12, which is reasonably presumed to be productive of gas from the Wolfcamp through the Mississippian formations.

C. Upon hearing the Division enter its order pooling all mineral interests, whatever they may be, from the surface through the Wolfcamp and Mississippian formations underlying the S/2 of said Section 12, Township 19 South, Range 24 East, N.M.P.M., Eddy County, New Mexico, to form a 320-acre spacing unit dedicated to applicant's Allison Federal "CO" No. 2 Well.

D. And for such other relief as may be just in the premises.

YATES PETROLEUM CORPORATION

By: 

Joel H. Carson

LOSEE, CARSON & DICKERSON, P.A.
P. O. Drawer 239
Artesia, New Mexico 88210
Attorneys for Applicant

AFFIDAVIT

BEFORE ME, the undersigned, a Notary Public in and for Midland County, State of Texas, on this day personally appeared WILLIAM S. MARSHALL, to me well known, and who, after being by me duly sworn, depose and says the following:

My name is William S. Marshall and I am making this affidavit in regard to a limited partnership by the name of Don Phillips and Associates. Don Phillips died on or about September 24, 1972. Don Phillips was the sole general partner of Don Phillips and Associates. There were numerous limited partners in Don Phillips and Associates. The Articles of Limited Partnership for Don Phillips and Associates which were in effect at the death of Don Phillips provided that the limited partnership of Don Phillips and Associates should be dissolved upon the death of the general partner. The property standing in the name of Don Phillips and Associates was owned by the following parties in the following proportions upon the death of Don Phillips on or about September 24, 1972:

<u>NAME</u>	<u>ADDRESS</u>	<u>INTEREST OWNED</u>
H. Cedric Alward, M. D.	4224 Francis Ave., Los Angeles CA. 90005	1/30
The Minneapolis Foundation, Legatee of the Estate of Frances E. Andrews, deceased,	c/o The Trust Department of the First National Bank of Minneapolis, Minneapolis, Minnesota	1/30
Wayward Ayres and Marguerite B. Ayres	1204 Pina Street, South Pasadena, California 91030	1/30
Estate of Lester R. Badger, deceased	c/o Stephen S. Badger, Rt. 1, Box 5288, Excelsior, Minnesota 55331	1/30
Helen H. Bristol	151 Library Place, Princeton, N.J. 08540	1/15
Frank H. Carleton Trust	c/o First National Bank of Minneapolis, P. O. Box 4700, Minneapolis, Minn. 55400	1/30
Paul Dickerson	3145 Cabuanga Blvd., Los Angeles, California 90068	1/60
Josephine Hildrith	1811 La Cuesta Drive, Santa Ana, California 92705	1/30
Estate of James C. Bennett, deceased	2016 E. Broadway Tucson, Arizona 85719	1/15
Joyce A. Holliday	1034 Princeton St., Santa Monica, California 90403	1/15
F. B. Hubachek	3220 Prudential Plaza Chicago, Illinois 60601	1/30
Charles S. Kelly	3220 Prudential Plaza, Chicago, Ill. 60601	1/30
Estate of E. K. MacGibbon, deceased	321 Lowell, Elk River, Minn. 55330	1/30
Mrs. Jan H. Fox	5805 Wionequal Rd., Madison, Wis. 53716	1/90
Mr. J. Laird Marshall	1411 Bible Camp Road, McFarland, Wis. 53558	1/90
Mr. Owen Marshall	2470 Rivermont Ave., Lynchburg, Va. 24504	1/90
Richard H. Marshall	175 Lakewood Drive, Madison, Wis. 53740	1/30
Douglas D. MacKinnon, M. D.		1/30
Robert Ray Newton Trust	Route 22, Meeting House Lane, Knoxville, Tennessee 37921	1/15
Mrs. James J. Morton	2880 Lorain Rd., San Marino, Ca. 91108	1/30
Mary A. Phillips	9025 National Blvd., Los Angeles, California 90034	1/12

W. S. Marshall
Notary Public
Midland County, Texas
My Comm. Expires 12/31/73

Rufus R. Rand Estate	c/o Palmer First National Bank & Trust Co., P. O. Box 2018, Sarasota, Florida 33578	1/30	✓
L. Raymond Scherer, M.D.	1930 Irving Ave. So., Minneapolis, Minnesota 55403	1/30	✓
Kathryn Knops	3044 12th Ave. South, Minneapolis, Minnesota 55407	1/30	✓
Roger Westman	257 N. 117 Ave., Omaha, Nebraska 68154	1/30	✓
Marian Whitney Trust	San Diego Trust & Savings Bank, Trust Dept., P.O. Box 1871, San Diego, Ca. 92112	1/30	✓
Elizabeth Malone Winston	2706 W. Lake of the Isles Blvd., Minneapolis, Minnesota 55416	1/30	✓

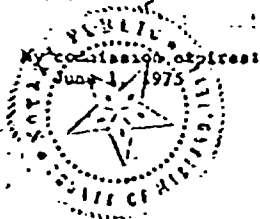
FURTHER I SAYETH NOT.

WITNESS MY SIGNATURE, this 15th day of March, 1974.

William S. Marshall
William S. Marshall

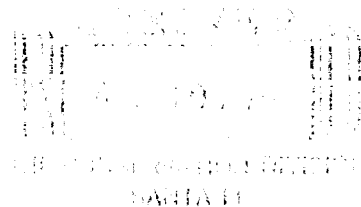
THE STATE OF TEXAS |
COUNTY OF MIDLAND |

The foregoing instrument was acknowledged before me this 15 day of March, 1974.



James L. Upfield
Notary Public

STATE OF NEW MEXICO, County of El Paso hereby
certify that this instrument was filed in the
Public Records of said County on the 15 day of March, 1974, at 11:15 A.M.,
and duly recorded in Book 115 Page 514 of the
Records of said County.
ATTEST: My Commission Expires June 1, 1975
By James L. Upfield Notary Public



BEFORE THE OIL CONSERVATION DIVISION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :
YATES PETROLEUM CORPORATION FOR AN : CASE NO. 6550
UNORTHODOX GAS WELL LOCATION AND :
COMPULSORY POOLING, EDDY COUNTY, NEW :
MEXICO :
_____ :

APPLICATION

COMES NOW YATES PETROLEUM CORPORATION, by its attorneys,
and in support hereof, respectfully states:

1. Applicant is the operator of the Wolfcamp through
the Mississippian formations underlying:

Township 19 South, Range 24 East, N.M.P.M.

Section 12: S/2.

2. Applicant proposes to drill its Allison Federal
"CQ" No. 2 Well at a location 1,980 feet from the South line and
660 feet from the West line of said Section 12, and to dedicate
the S/2 of said Section 12 to the well.

3. The applicant seeks an exception to the well loca-
tion requirements of Rule 104-C of the Oil Conservation
Division to permit the drilling of the well at the above men-
tioned unorthodox location to a depth sufficient to adequately
test the Wolfcamp and Mississippian systems.

4. A standard 320-acre proration unit comprising
the S/2 of said Section 12 should be dedicated to the Allison
Federal "CQ" No. 2 Well.

5. Applicant has the right to drill and complete its Allison Federal "CQ" No. 2 Well in the Wolfcamp and Mississippian formations at a location to be approved by the New Mexico Oil Conservation Division.

6. Applicant has designated the S/2 of said Section 12 to its Allison Federal "CQ" No. 2 Well and there are interest owners in the proration unit who have not agreed to pool their interests. A list of said owners is attached hereto and by reference is made a part hereof.

7. Applicant should be designated as the operator of the well and the proration unit.

8. To avoid the drilling of unnecessary wells and to protect correlative rights and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas of said unit, all mineral interests, whatever they may be, from the surface through the Wolfcamp and Mississippian formations under the S/2 of said Section 12 should be pooled.

9. Any non-consenting working interest owner who does not pay his share of the estimated well costs should have withheld from production his share of the reasonable well costs, plus an additional 200% thereof as the reasonable charge for the risk involved in the drilling of the well.

10. Applicant should be authorized to withhold from production a proportionate share of a reasonable supervision charge for drilling and producing wells attributable to each non-consenting working interest owner.

11. The approval of this application will afford applicant the opportunity to produce its just and equitable share of gas, will prevent economic loss caused by the drilling of unnecessary wells, will avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

WHEREFORE, applicant prays:

A. That this application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. That upon hearing the Division enter its order granting applicant permission to drill a well 1,980 feet from the South line and 660 feet from the West line of said Section 12, Township 19 South, Range 24 East, N.M.P.M., Eddy County, New Mexico, and to dedicate the S/2 of said Section 12, which is reasonably presumed to be productive of gas from the Wolfcamp through the Mississippian formations.

C. Upon hearing the Division enter its order pooling all mineral interests, whatever they may be, from the surface through the Wolfcamp and Mississippian formations underlying the S/2 of said Section 12, Township 19 South, Range 24 East, N.M.P.M., Eddy County, New Mexico, to form a 320-acre spacing unit dedicated to applicant's Allison Federal "CQ" No. 2 Well.

D. And for such other relief as may be just in the premises.

YATES PETROLEUM CORPORATION

By: 

Joel M. Carson

LOSEE, CARSON & DICKERSON, P.A.
P. O. Drawer 239
Artesia, New Mexico 88210
Attorneys for Applicant

AFFIDAVIT

BEFORE ME, the undersigned, a Notary Public in and for Midland County, State of Texas, on this day personally appeared WILLIAM S. MARSHALL, to me well known, and who, after being by me duly sworn, deposes and says the following:

My name is William S. Marshall and I am making this affidavit in regard to a limited partnership by the name of Don Phillips and Associates. Don Phillips died on or about September 24, 1972. Don Phillips was the sole general partner of Don Phillips and Associates. There were numerous limited partners in Don Phillips and Associates. The Articles of Limited Partnership for Don Phillips and Associates which were in effect at the death of Don Phillips provided that the limited partnership of Don Phillips and Associates should be dissolved upon the death of the general partner. The property standing in the name of Don Phillips and Associates was owned by the following parties in the following proportions upon the death of Don Phillips on or about September 24, 1972:

NAME	ADDRESS	INTEREST OWNED
H. Cedric Alvard, M. D.	4224 Francis Ave., Los Angeles CA. 90005	1/30
The Minneapolis Foundation, Legatee of the Estate of Frances E. Andrews, deceased,	c/o The Trust Department of the First National Bank of Minneapolis, Minneapolis, Minnesota	1/30
Wayward Ayres and Marguerite B. Ayres	1204 Pine Street, South Pasadena, California 91030	1/30
Estate of Lester R. Badger, deceased	c/o Stephen S. Badger, Rt. 1, Box 526B, Excelsior, Minnesota 55331	1/30
Helen H. Bristol	151 Library Place, Princeton, N.J. 08540	1/15
Frank H. Carleton Trust	c/o First National Bank of Minneapolis, P. O. Box A700, Minneapolis, Minn. 55400	1/30
Paul Dickerson	3145 Cahuenga Blvd., Los Angeles, California 90068	1/60
Josephine Hildreth	1811 La Cuesta Drive, Santa Ana, California 92705	1/30
Estate of James G. Bennett, deceased	2016 E. Broadway Tucson, Arizona 85719	1/15
Joyce A. Holliday	1036 Princeton St., Santa Monica, California 90403	1/15
F. B. Hubachek	3220 Prudential Plaza Chicago, Illinois 60601	1/30
Charles S. Kelly	3220 Prudential Plaza, Chicago, Ill. 60601	1/30
Estate of E. K. MacGibbon, deceased	321 Lovell, Elk River, Minn. 55330	1/30
Mrs. Jan H. Fox	5805 Winnequai Rd., Madison, Wis. 53716	1/90
Mr. J. Laird Marshall	1411 Bible Camp Road, McFarland, Wis. 53550	1/90
Mr. Owen Marshall	2470 Rivermont Ave., Lynchburg, Va. 24504	1/90
Richard H. Marshall	175 Lakewood Drive, Madison, Wis. 53740	1/30
Douglas D. MacKinnon, M. D.		1/30
Robert Ray Newton Trust	Route 22, Meeting House Lane, Knoxville, Tennessee 37921	1/15
Mrs. James J. Norton	2880 Lorain Rd., San Marino, Ca. 91108	1/30
Mary A. Phillips	9015 National Blvd., Los Angeles, California 90034	1/12

W. S. Marshall
Notary Public
State of Texas
My Comm. Expires 12/31/73

Rufus R. Rand Estate	c/o Palmer First National Bank & Trust Co., P. O. Box 2018, Sarasota, Florida 33578	1/30
L. Raymond Scherer, M.D.	1930 Irving Ave. So., Minneapolis, Minnesota 55403	1/30
Kathryn Knops	3044 12th Ave. South, Minneapolis, Minnesota 55407	1/30
Roger Westman	257 N. 117 Ave., Omaha, Nebraska 68154	1/30
Marian Whitney Trust	San Diego Trust & Savings Bank, Trust Dept., P.O. Box 1371, San Diego, Ca. 92112	1/30
^{Malone} Elizabeth Malone Winston	2706 W. Lake of the Isles Blvd., Minneapolis, Minnesota 55416	1/30

FURTHER I SAYETH NOT.

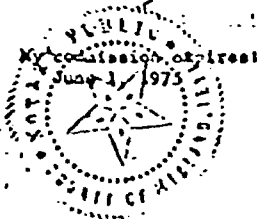
WITNESS MY SIGNATURE, this 15th day of March, 1974.

William S. Marshall
William S. Marshall

THE STATE OF TEXAS

COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this 15 day of March, 1974.



James L. Tipton
Notary Public

STATE OF NEW MEXICO, County of City and County hereby certify that this instrument was recorded on the 15 day of March, 1974, at 11:15 a.m. and duly indexed to Book 115 Page 313 of the Records of Notary Public James L. Tipton by James L. Tipton Notary Public.

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. 6550

Order No. R- 6021

APPLICATION OF YATES PETROLEUM
CORPORATION FOR AN UNORTHODOX GAS
WELL LOCATION AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on May 23
19 79, at Santa Fe, New Mexico, before Examiner Richard L. Stamets

NOW, on this _____ day of _____, 19____, 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, Yates Petroleum Corporation,
seeks an order pooling all mineral interests in the Wolfcamp through
Mississippian formations underlying the S/2
of Section 12, Township 19 South, Range 24 East
NMPM, _____, Eddy _____ County, New
Mexico.

(3) That the applicant has the right to drill and proposes location 1980 feet from the South line and 660 feet from the West, to drill ~~xxxxx~~ its Allison Federal "CQ" Well No. 2 at an unorthodox line of said Section 12.

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

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

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

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

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

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

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

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Case No.
Order No. R-

*\$3000⁰⁰ per month while drilling
and \$300⁰⁰ per month while producing*

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

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before September 1, 1979, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Wolfcamp through Mississippian formations underlying the S/2 of Section 12, Township 19 South, Range 24 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 320- acre gas spacing and proration unit to be dedicated to ~~the State of New Mexico~~ applicant's ~~xxxxxx~~ Allison Federal "CQ" Well No. 2 to be drilled at an unorthodox location 1980 feet from the South line and 660 feet from the West line of said Section 12.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of September, 1979, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Mississippian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of September, 1979, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Yates Petroleum Corporation is hereby designated the operator of the subject well and unit.

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

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

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

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided

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Case No.
Order No. R-

above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

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

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

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

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

(9) That \$3000⁰⁰ per month while drilling and \$300⁰⁰ per month while producing are per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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Case
Order No.

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

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

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

(13) 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.