

CASE 6819: V-F PETROLEUM, INC. FOR
COMPULSORY POOLING, LEA COUNTY, NEW
MEXICO

Case NO.

6819

Application

Transcripts

Small Exhibits

ETC.



BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

May 29, 1980

Mr. W. Thomas Kellahin
Box 1769
Santa Fe, New Mexico

Dear Mr. Kellahin:

As requested in your letter of May 26, 1980, the effective date for commencing the first well authorized by Order No. R-6292 is extended from July 15, 1980 to August 15, 1980.

The request for extension was necessitated by a shortage of available drilling rigs.

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

RECEIVED
MAY 2 1980
OIL CONSERVATION DIVISION
SANTA FE

KELLAHIN and KELLAHIN
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Santa Fe, New Mexico 87501

Telephone 982-4285
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May 26, 1980

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

re: V-F Petroleum, Inc.
Oil Conservation Division Case #6819
Order No. R-6292

File -> + response

Dear Mr. Ramey:

Our firm represented V-F Petroleum, Inc. in the referenced compulsory pooling case. The Division's Order No. R-6292 entered March 25, 1980 provides that the Operator shall commence the first well on or before July 15, 1980.

V-F Petroleum's contract with Verna Drilling Company of Odessa, Texas for the drilling of a 7400-foot Devonian test in the SE/4 of Section 21 T23S, R37E provides that the drilling contractor shall make its best efforts to commence the well on or before August 1, 1980, or sooner if the subject rig should become available.

The industry is experiencing delays concerning rig availability. We hope this rig will be available before July 15, 1980, but feel it necessary at this time to request an extension of the referenced order until August 15, 1980 in anticipation of possible delays.

Accordingly, we would appreciate your consideration of an extension of the commencement date of the first well from July 15, 1980 to August 15, 1980.

Very truly yours,

W. Thomas Kellahin
W. Thomas Kellahin

cc: Mr. Thomas R. Barr

WTK:msf



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

April 1, 1980

Re: CASE NO. 6819
ORDER NO. R-6292

Applicant:

V-F Petroleum, Inc.

Dear Sir:

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

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD	<u>X</u>
Artesia OCD	<u>X</u>
Aztec OCD	

Other

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 6819
Order No. R-6292

APPLICATION OF V-F PETROLEUM, INC.
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March 12, 1980, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 25th day of March, 1980, 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, V-F Petroleum, Inc., seeks an order pooling all mineral interests in the McKee or Devonian formations, or both, underlying four 40-acre units, being the SE/4 SE/4, NE/4 SE/4, NW/4 SE/4, and SW/4 SE/4 of Section 21, Township 23 South, Range 37 East, NMPM, North Teague Field, Lea County, New Mexico, each to be dedicated to a well to be drilled at a standard location thereon.

(3) That the applicant has the right to drill and proposes to drill a well on each of the aforesaid four 40-acre proration units.

(4) That there are interest owners in the proposed proration units 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 units the opportunity to recover or receive

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

(6) That the applicant should be designated the operator of the subject wells and units.

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

(8) That any non-consenting working interest owner in each of said units who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the unit 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 \$2000.00 per month while drilling and \$200.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates) for each of the subject wells; that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest in the well, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating each of the subject wells, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from each of the subject wells 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 the operator of the above described pooled units should commence the drilling of the first unit's well on or before July 15, 1980, and should continue the drilling of said well with due diligence to a depth sufficient to test the McKee formation or the Devonian formation; that, within 120 days following completion of the first well, the operator should commence the drilling of the three remaining unit wells, one at a time, allowing no more than 120 days to elapse between the completion of one well and the commencement of the next; and that the drilling of each of said wells should be continued with due diligence to a depth sufficient to test the McKee or Devonian formation.

(14) That upon the failure of the operator to commence the drilling of the first unit well authorized hereunder on or before July 15, 1980, this order should become null and void and of no effect whatsoever; that upon the failure of the operator to continue the drilling of the three remaining unit wells in accordance with the time schedule described in Finding No. (13) above, this order should become null and void and of no effect whatsoever except as to such well(s) and unit(s) already drilled and developed in compliance herewith.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the McKee or Devonian formations, or both, underlying four 40-acre units, being the SE/4 SE/4, NE/4 SE/4, NW/4 SE/4, and SW/4 SE/4 of Section 21, Township 23 South, Range 37 East, NMPM, North Teague Field, Lea County, New Mexico, are hereby pooled to form four standard 40-acre gas spacing and proration units, each to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, the operator of the above-described pooled units shall commence the drilling of the first unit's well on or before July 15, 1980, and shall continue the drilling of said well with due diligence to a depth sufficient to test the McKee formation or the Devonian formation; that, within 120 days following completion of the first well, the operator shall commence the drilling of the three remaining unit wells, one at a time, allowing no more than 120 days to elapse between the completion of one well and the commencement of the next; and that the drilling of each of said wells shall be continued with due diligence to a depth sufficient to test the McKee or Devonian formation; and

PROVIDED FURTHER, that upon the failure of the operator to commence the drilling of the first unit well authorized hereunder on or before July 15, 1980, this order shall become null and void and of no effect whatsoever; that upon the failure of the operator to continue the drilling of the three remaining unit wells in accordance with the time schedule described in the above paragraph, this order shall become null and void and of no effect whatsoever except as to such well(s) and unit(s) already drilled and developed in compliance herewith.

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

(2) That V-F Petroleum, Inc. is hereby designated the operator of the four subject wells and units.

(3) That after the effective date of this order and within 90 days prior to commencing each of said wells, 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 in that well 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 for each well 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 the production of each of the subject wells:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner in the well 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 in the well 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 \$2000.00 per month while drilling and \$200.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates) for each of the subject wells; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest in the well, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

-6-

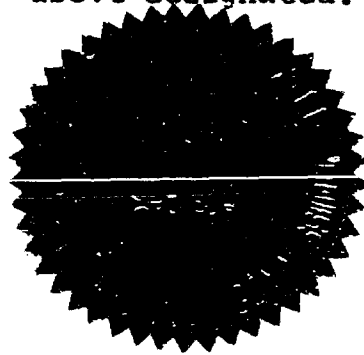
Case No. 6819
Order No. R-6292

(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 from that well, and no costs or charges shall be withheld from production attributable to royalty inteests.

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

(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.



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY
Director

fd/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
12 March 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of V-F Petroleum, Inc., for) CASE
compulsory pooling, Lea County, New) 6819
Mexico.)

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

W. Thomas Kellahin, Esq.
KELLAHIN & KELLAHIN
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I N D E X

THOMAS R. BARR

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1 MR. NUTTER: We'll call next Case Number
2 6819.

3 MR. PADILLA: Application of V-F Petro-
4 leum, Inc., for compulsory pooling, Lea County, New Mexico.

5 MR. KELLAHIN: Tom Kellahin of Santa Fe,
6 New Mexico, appearing on behalf of V-F Petroleum, Inc., and
7 I have one witness to be sworn.

8
9 (Witness sworn.)

10
11 THOMAS R. BARR
12 being called as a witness and having been duly sworn upon
13 his oath, testified as follows, to-wit:

14
15 DIRECT EXAMINATION

16 BY MR. KELLAHIN:

17 Q Would you please state your name and occu-
18 pation?

19 A Thomas R. Barr, Land and Administrative
20 Manager of V-F Petroleum.

21 Q Mr. Barr, have you previously testified
22 before the Oil Conservation Division?

23 A Yes.

24 Q And in what capacity?

25 A As landman for Atlantic Richfield Company.

SALLY W. BOYD, C.S.R.
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1 Q What are your general duties for V-F
2 Petroleum, Inc.?

3 A I'm responsible for all land activities
4 and the financial activities of the company.

5 Q In accordance with your duties as a land-
6 man and as a financial advisor to the company, have you made
7 a study of the particular area involved in this application?

8 A Yes, I have.

9 Q And what is V-F Petroleum, Inc. seeking
10 to accomplish?

11 A V-F Petroleum, Inc., desires to drill a
12 9600-foot Devonian and McKee test in the southeast quarter
13 of Section 21, Township 23 South, Range 37 East, for the
14 purpose of drilling four 40-acre units, and we desire com-
15 pulsory pooling for those non-committed owners.

16 MR. KELLAHIN: We tender MR. Barr as an
17 expert landman.

18 MR. NUTTER: Mr. Barr is qualified. I
19 would say Mr. Barr is real well qualified if he can figure
20 out what the interest of these people is. They've got
21 62/2,000,000ths of a part in the well here.

22 A And there's 52 others, too, so these are
23 just --

24 Q If you'll turn to what we've marked as
25 Applicant Exhibit Number One, and first of all, if you'll

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1 identify for us the ownership involved generally in the south-
2 east quarter of Section 21, how are those -- I assume that
3 there are two leases involved in that quarter section?

4 A. There are a multitude of leases involved
5 in the quarter section, as many as 60 leases in that area.

6 It should be recognized that this plat
7 indicates the ownership from the surface down to the base of
8 the Drinkard formation. We have acquired the rights from
9 below the base of the Drinkard on down, and this map indi-
10 cates the ownership in the Drinkard formation to the surface,
11 and it indicates ownership surrounding the subject southeast
12 quarter.

13 Q. It's your desire to test both the McKee
14 and the Devonian formations?

15 A. Yes.

16 Q. And it will be necessary for the compul-
17 sory pooling order to cover those two formations.

18 A. Yes.

19 Q. Shallower horizons are already subject
20 to dedication to existing producing wells?

21 A. Yes.

22 Q. In determining the ownership within,
23 first of all, the north half and the south half of the 160
24 acres, you have made a tabulation of the leases in the north
25 half of that quarter section?

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A. Yes.

Q. And you subsequently made a tabulation of the south half of that quarter section?

A. Yes.

Q. Okay. A proration unit for a Devonian-McKee test would consist of 40 acres, would it not?

A. Yes.

Q. Is it the applicant's desire to force pool the entire southeast quarter of the section to be dedicated to the drilling of not more than four wells. In any particular order?

A. Yes.

Q. All right. Would you describe for the Examiner what your proposed first location would be and what acreage to be dedicated to that well?

A. The proposed first location is the southeast southeast southeast, which is, of course, in the southeast corner 330 feet from each line.

The second location probably would be in the north half of the southeast quarter.

Q. Do you have a recommendation to the Examiner as to what period of time it will take you to commence drilling a well once the Division enters a compulsory pooling order?

A. We would request 120 days, which is

1 due to rig availability in the area. We have recently exam-
2 mined it last week and we feel 120 days would be appropriate,
3 and we would request 120 days between wells. This is also
4 due to rig availability, as well as commitments we have made
5 to the owners in the various leases.

6 Q If you'll turn your attention to what
7 we've marked as Exhibit Number Two, I'll ask you to identify
8 the documents contained in that exhibit.

9 A Exhibit Number Two is an affidavit pre-
10 pared by yourself, indicating the ownership of those parties
11 who have not committed to us as of the previous requested
12 hearing date of February 21st, and it is also an affidavit
13 that you made efforts to contact them by registered mail.

14 Q Let me turn to the tabulation of non-
15 consenting ownership attached to that affidavit and have you
16 explain briefly how that tabulation is compiled.

17 A It is compiled by virtue of, frankly,
18 our best efforts on our part through the title examination
19 we have conducted. There has been production. There are
20 four Blinebry wells in this area that are currently being
21 produced and operated, the north half southeast by Petro
22 Lewis, and the south half southeast by Damson Oil. The oil
23 is currently being purchased by Shell so one of the largest
24 assistance we've had in this to get the Shell Division order
25 and Division Order Department to help us with that determin-

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1 ation of ownership.

2 In addition to that, and to be understood,
3 is that several of the leases that were acquired for the pur-
4 pose of drilling these Blinebry wells were depth limitation
5 leases, so we've had to do extensive title examination and
6 between that examination and in the combination of the Shell
7 Oil Company Division Orders is where this tabulation has come
8 from.

9 Q The names and addresses on the tabulation
10 filed with the application represents to the best of your
11 knowledge the current names and addresses of all those indi-
12 viduals?

13 A That is true.

14 Q Let me have you turn to what we've marked
15 as Exhibit Number Three and have you identify that tabulation.

16 A Exhibit Number Three is the, as of today,
17 tabulation of those parties who have not committed to us in
18 joining in the well.

19 You will note that beginning with Mr.
20 Chudy, down to Andrew Taylor, those parties have not an-
21 swered us at all. We've had no response from them.

22 Below that, Mrs. Cone and Mrs. -- Miss
23 Auvenshine and Miss Kyte, each of those parties have com-
24 mitted to joining us verbally and we expect their agreements
25 in the mail just in the next five to ten days.

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1 Q Would you turn to what we've marked as
2 Exhibit Number Four and identify those documents?

3 A This represents the letters that we have
4 written and the best efforts we have made to contact all
5 those uncommitted owners.

6 Q Am I correct in assuming that all those
7 individuals that currently have not committed themselves in
8 writing to joining in the drilling of this well have been
9 notified of the hearing to date; in addition you have sent
10 correspondence at earlier dates to all those individuals re-
11 questing that they join you in the drilling of the well in
12 some fashion?

13 A That is true.

14 Q Would you go to Exhibit Number Five and
15 identify that?

16 A For the purpose of the Commission, we
17 established the types of ownership that we have in each of
18 the respective 80-acre areas. It identifies that in the
19 north half southeast we have particular percentages divided
20 between that is leased to be, that is farmed out to be, that
21 that is joined, and that that we have verbal commitment.

22 You will note that in the north half
23 southeast we are uncommitted owners of less than 1/10th of
24 1 percent, and in the south half southeast the same, less
25 than 1/10th of 1 percent, have we not been able to get re-

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sponse from.

Q Is V-F Petroleum, Inc., requesting to be designated operator of each of these four 40-acre tracts?

A Yes.

Q And pursuant to that request, have you had prepared an estimated costs for drilling this well?

A Yes, we have, Exhibit Number Six is an AFE prepared by the petroleum engineer of our company, and also the president.

Q With regards to your duties as a financial advisor to the corporation, have you had occasion to review and approve and make recommendations concerning the estimated well costs for drilling of test wells for the corporation?

A Yes, I have.

Q And have you reviewed this particular AFE for this Devonian-McKee test?

A Yes, I have.

Q To the best of your knowledge, information, and belief are the projected estimated costs for the drilling of this well reasonable costs in terms of this area for this particular depth?

A Yes, they are.

Q Now, would you turn to what we've marked as Exhibit Number Seven and identify that document for us?

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1 A Exhibit Number Seven was prepared at my
2 request by our in-house geologist, E. A. Wagner, and it is
3 a structure map of the McKee formation prepared by him. It
4 indicates various McKee wells that have been drilled in the
5 area.

6 In addition to the map, it should be noted
7 that there are no current McKee production in the southeast
8 quarter of Section 21 and there is -- there has been McKee
9 production over the years but primarily it is currently
10 plugged out.

11 It is felt that the McKee is at 9600
12 feet and the Devonian is at 7600. The desire on our part
13 is that we feel it's appropriate at this time to go down
14 and test the McKee, but it has been depleted. There has been
15 192,000 barrels produced out of the south, that Drinkard Well
16 No. 1 -- excuse me, in the southeast southeast you'll note
17 the well that now says Drinkard. That well produced 192,000
18 barrels. The well we propose drilling would be an offset.

19 MR. NUTTER: From the McKee?

20 A Yes, sir.

21 MR. NUTTER: It produced --

22 A 192,000 barrels.

23 MR. NUTTER: And then it was plugged
24 back to the Drinkard?

25 A That's right, and it is currently not --

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1 yes, sir, that's right, and it is currently not producing in
2 the McKee at all.

3 So there has been substantial reserves
4 produced from that area.

5 MR. NUTTER: And you're going to drill
6 your well more or less 330 feet southeast of that?

7 A. Yes, sir.

8 Q. Do you have any further information from
9 the records you maintain at V-F Petroleum, Inc., concerning
10 the information contained on this exhibit?

11 A. Nothing that needs to be submitted with
12 the exception of the production on each well, if you'd like
13 me to go through that.

14 Q. Why don't you give it? If the production
15 information is not on Exhibit Seven, why don't you give that
16 for us?

17 A. The well in the northeast quarter of the
18 southeast quarter, which is directly north of that previously
19 mentioned well, produced a total of 36,967 barrels.

20 MR. NUTTER: From what formation?

21 A. From the McKee. This is strictly McKee
22 I'm talking of.

23 The well in the southwest quarter of the
24 southwest quarter of Section 22, you'll note the well says
25 7-D? That well produced 544,000 barrels out of the McKee.

1 The well in Section 27 in the northwest
2 quarter of the northwest quarter that you'll note says Well
3 No. 9 McKee, that well produced 229,000 barrels.

4 And the well in the northeast quarter
5 northeast quarter of Section 28, which you'll note is Well
6 No. 6 McKee, produced 352,000 barrels.

7 Substantial reservoir depletion has ob-
8 viously occurred.

9 Q All right, sir, would you turn to Exhibit
10 Number Eight and identify that plat for us?

11 A Exhibit Number Eight, as Exhibit Number
12 Seven, is a structure map prepared by our in-house geologist,
13 indicating the Devonian formation. It indicates the current
14 wells, the wells that were drilled in the area to the Devonian
15 formation and either produced or tested the Devonian.

16 Q Based upon your experience, Mr. Barr, in
17 putting together these drilling units for McKee and Devonian
18 tests, what is the custom and practice within the industry
19 concerning the charges made for overhead while drilling and
20 after completion of these wells?

21 A We have included in the joint operating
22 agreements by those parties that have joined us \$2000 as a
23 drilling well rate, and a monthly overhead rate of \$200.

24 Q Is it your recommendation to the Examiner
25 that those charges while drilling and after drilling be

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1 assessed against any nonconsenting interest in this area?

2 A. Yes, that is our request.

3 Q. What is the custom and practice of the
4 industry, to the best of your knowledge, with regards to the
5 negotiation of a risk factor to be assessed against noncon-
6 senting parties for the drilling of a McKee or a Devonian
7 test?

8 A. The provisions of the operating agreements
9 either directly of those parties who are joining or those
10 parties who have farmed out and attached, are a 300 percent
11 nonconsent penalty.

12 Q. Are you familiar with the statutory pro-
13 visions of the compulsory pooling risk factors in New Mexico?

14 A. Yes, I am.

15 Q. And how do those risk factors relate to
16 the agreed risk factor of 300 percent?

17 A. The compulsory pooling risk factors would
18 be 200 percent in those terms.

19 Q. Now based upon your knowledge of those
20 agreements and the custom and practice within this particular
21 area, in your opinion is a risk factor of 200 percent a
22 reasonable one to be assessed against a nonconsenting party?

23 A. Yes, it is.

24 Q. Were Exhibits One through Eight compiled
25 under your supervision and direction or compiled directly by

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1 you?

2 A. Yes, they were.

3 Q. In your opinion, Mr. Barr, will approval
4 of this application be in the best interests of conservation,
5 the prevention of waste, and the protection of correlative
6 rights?

7 A. It certainly will, yes, sir.

8 MR. KELLAHIN: We move the introduction
9 of Exhibits One through Eight.

10 MR. NUTTER: Exhibits One through Eight
11 will be admitted.

12 CROSS EXAMINATION

13 BY MR. NUTTER:

14 Q. Now, Mr. Barr, you mentioned the cumu-
15 lative production from these various wells from the McKee
16 formation.

17 A. Yes, sir.

18 Q. Some of them have been recompleted out
19 of the McKee but apparently some are still producing from
20 it. Do you have the current rate of production from these
21 wells?
22

23 A. No, sir, I don't. I do not have it. I
24 do have the current production out of the Devonian, if you'd
25 like to know that.

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1 Q Okay. I want the cumulative out of the
2 Devonian.

3 A All right, I have those numbers.

4 Q Okay.

5 A Beginning at Well No. 49, which is the
6 most recent well, this well is in the --

7 Q I've got it.

8 A All right. That well was drilled in
9 October -- excuse me, in 8-79, which would make it August.
10 It has currently produced a total of 2,229, as of public
11 record. It could have produced more than that. It was IP'd
12 at 172 barrels of oil and 3 barrels of water.

13 Well No. 47 was drilled in May of '79
14 and has currently a cumulative of 28,000 barrels.

15 Q What, May of '79?

16 A Yes, sir. Well No. 46, following on
17 down the contour, has produced a total of 6,631 and it is
18 not producing in the Devonian.

19 Q Just a minute, you got ahead of me there.

20 A All right.

21 Q Repeat that one.

22 A Well No. 46, it's in the east half --

23 Q Okay, got it.

24 A All right, produced 6,631 barrels, and
25 it is not producing from the Devonian.

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1 Q It had depleted with the 6631?

2 A They have just recompleted the well in

3 another zone.

4 Q Okay.

5 A Moving to the left, Well No. 10 has pro-

6 duced 28,000 barrels and its daily rate is 8.6 barrels, the

7 average daily rate.

8 Q When was it completed?

9 A I don't know, sir. I don't know, except

10 that these wells -- there is a sequential order between 8

11 all the way through 49, so it could be several years old.

12 Q Okay.

13 A There were operated by Gulf Oil.

14 Well No. 7 in the southwest southwest

15 has produced a total of 65,000 barrels; a 32-barrel a day

16 average.

17 Moving to the east, Well No. 8 has pro-

18 duced 120,000 barrels; and a 30-barrel a day average.

19 Q Okay.

20 A Moving to the north half of 27, Well No.

21 45 has produced 12,327 barrels. It would be of the same

22 relative age as the Wells 46, 47, and 48, which I think it

23 was drilled in either late '78 or early '79.

24 Well No. 11, moving directly east --

25 Q Do you have its current production?

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1 A. No, I don't. I'm sorry.

2 Directly east, the well has been recom-
3 pleted as a gas well. It produced a total of 12,479 barrels
4 from the Devonian.

5 Q. Okay.

6 A. Well No. 48 was drilled to the Devonian.
7 It was not successful and we think it's producing now from
8 the Wichita-Albany.

9 Q. Okay.

10 A. Well No. 16 has produced a total of
11 7,894 barrels. Its daily rate is 10,000 -- excuse me, 10.6
12 barrels.

13 Q. Okay.

14 A. Well No. 13 produced a total of 9,349
15 and its average is 10 barrels a day.

16 Q. Okay.

17 A. Finally, Well No. 12 has produced a total
18 of 84,328, and its average is 15,000 barrels a day.

19 Q. 15,000 a day?

20 A. Yes, sir. Excuse me, 1500 -- 15. 15.

21 Q. Current?

22 A. Yes, and that is all the production in-
23 formation I have.

24 MR. NUTTER: Mr. Kellahin, we don't have
25 some of the data on the key wells so we'll take administra-

1 tive notice of our files.

2 MR. KELLAHIN: I'd appreciate that. In
3 the alternative we'd be happy to submit it to you by letter.

4 Q Now, Mr. Barr, in the very opening com-
5 ments that you made, and possibly Mr. Kellahin also, you were
6 talking about force pooling the entire southeast quarter of
7 Section 21. You are aware that we can force pool a proration
8 unit.

9 A Right.

10 Q So what we would be doing is pooling four
11 40's, the northeast quarter southeast, the northwest south-
12 east, the southwest southeast, and the southeast southeast,
13 and each of those would stand on its own.

14 A Right.

15 Q And the interest owners under those
16 various tracts would be -- and in proportion to what is shown
17 on Exhibit Number whatever.

18 A Right.

19 MR. KELLAHIN: Let me ask Mr. Barr one
20 further question.

21 MR. NUTTER: Okay.

22 MR. KELLAHIN: When we look at the tabu-
23 lation of the fractional interests in the north half and if
24 the Commission approves a 40-acre tract in the northeast
25 quarter of the southeast quarter and approves one in the

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1 northwest quarter of the southeast quarter, would tabulation
2 of fractions or percentages change?

3 A. No. The north half is one ownership and
4 the south half southeast is a different ownership.

5 Q. Yeah. Now you've got two 40's there
6 that are identical with each other.

7 A. Yes.

8 Q. And then two other 40's identical with
9 each other.

10 A. Exactly.

11 MR. KELLAHIN: I just wanted to make
12 that clear.

13 MR. NUTTER: All right.

14 MR. KELLAHIN: Thank you. We have
15 nothing else and we'd move the introduction of Exhibits One
16 through Eight.

17 MR. NUTTER: Exhibits One through Eight
18 will be admitted in evidence.

19 Do you have anything further, Mr. Kellahin?

20 MR. KELLAHIN: No, sir.

21 MR. NUTTER: Does anyone have anything
22 they wish to offer in Case Number 6819?

23 We'll take the case under advisement and
24 the hearing is adjourned.

25 (Hearing concluded.)

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REPORTER'S CERTIFICATE

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

Sally W. Boyd C.S.R.

I do hereby certify that the foregoing is a correct and true transcript of the hearing held on 3/12/68 at 6819 So. [unclear] Oil Conservation Division

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STATE OF NEW MEXICO
 ENERGY AND MINERALS DEPARTMENT
 OIL CONSERVATION DIVISION
 STATE LAND OFFICE BLDG.
 SANTA FE, NEW MEXICO
 12 March 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of V-7 Petroleum, Inc., for) CASE
 compulsory pooling, Lea County, New) 6819
 Mexico.)

BEFORE: Daniel S. Mutter

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 to the Division
 State Land Office Bldg.
 Santa Fe, New Mexico 87501

For the Applicant: W. Thomas Kellahin, Esq.
 KELLAHIN & KELLAHIN
 500 Don Gaspar
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THOMAS D. CARR

Direct Examination by Mr. Kellie	3
Cross Examination by Mr. Kutter	15

EXHIBITS

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Oil Conservation Division Case Number
6810.

Defendant, V-F Petroleum, Inc., for some 20 years, Santa Fe, New Mexico.

Mr. KELLAHAN, for Kellahan of Santa Fe, New Mexico, appearing on behalf of V-F Petroleum, Inc., and I have one witness to be sworn.

(Witness sworn.)

THOMAS R. BARR

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

DIRECT EXAMINATION

BY MR. KELLAHAN:

Q Would you please state your name and occupation?

A Thomas R. Barr, Land and Administrative Manager of V-F Petroleum.

Q Mr. Barr, have you previously testified before the Oil Conservation Division?

A Yes.

Q And in what capacity?

A As landman for Atlantic Richfield Company.

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Q Now, Mr. Barr, you are a landman, is that right?

A Yes, I am.

Q And what is T-P Petroleum, Inc. seeking to accomplish?

A T-P Petroleum, Inc., desires to drill a 9600-foot Devonian and McKee test in the southeast quarter of Section 21, Township 23 South, Range 37 East, for the purpose of drilling four 40-acre units, and we desire compulsory pooling for these non-committed owners.

MR. KULLAHEN: We tender MR. Barr as an expert landman.

MR. MUTTER: Mr. Barr is qualified. I would say Mr. Barr is real well qualified if he can figure out what the interest of these people is. They've got 62/2,000,000ths of a part in the well here.

A And there's 52 others, too, so these are just --

Q If you'll turn to what we've marked as Applicant Exhibit Number One, and first of all, if you'll

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1 Identify for us the area of the well which is in the south-
2 east quarter of Section 16, T1N, R1E, S10E. I assure that
3 there are no leases for that quarter section?

4 Q. There are no leases involved
5 in the quarter section, are there any leases in that area.

6 A. It should be recognized that this plat
7 indicates the ownership from the surface down to the base of
8 the Driskard formation. We have acquired the rights from
9 below the base of the Driskard on down, and this map indi-
10 cates the ownership in the Driskard formation to the surface,
11 and it indicates ownership surrounding the subject southeast
12 quarter.

13 Q. It's your desire to test both the McKee
14 and the Devonian formations?

15 A. Yes.

16 Q. And it will be necessary for the compul-
17 sory pooling order to cover those two formations.

18 A. Yes.

19 Q. Shallower horizons are already subject
20 to dedication to existing producing wells?

21 A. Yes.

22 Q. In determining the ownership within,
23 first of all, the north half and the south half of the 160
24 acres, you have made a tabulation of the leases in the north
25 half of that quarter section?

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1
2 Q Did you subsequently make a tabulation of
3 the poolability of these sections?

4 A Yes.
5 Q If you had a pooling unit for a Devonian-
6 McKee test would consist of 10 wells, would it not?

7 A Yes.

8 Q Is it the applicant's desire to force
9 pool the entire southeast quarter of the section to be dedi-
10 cated to the drilling of not more than four wells. In any
11 particular order?

12 A Yes.

13 Q All right. Would you describe for the
14 Examiner what your proposed first location would be and what
15 acreage to be dedicated to that well?

16 A The proposed first location is the south-
17 east southeast southeast, which is, of course, in the south-
18 east corner 330 feet from each line.

19 The second location probably would be in
20 the north half of the southeast quarter.

21 Q Do you have a recommendation to the
22 Examiner as to what period of time it will take you to com-
23 mence drilling a well once the Division enters a compulsory
24 pooling order?

25 A We would request 120 days, which is

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1 due to the availability of the wells. It has recently been
2 shown that the wells are not in the area that would be appropriate,
3 and the cost of the wells is not in the area. This is also
4 due to the availability of the wells and the fact that we have made
5 to the owners in the area.

6 Q I would like your attention to what
7 we've marked as Exhibit Number Two. I'll ask you to identify
8 the documents contained in that exhibit.

9 A Exhibit Number Two is an affidavit pre-
10 pared by yourself, indicating the ownership of those parties
11 who have not committed to us as of the previous requested
12 hearing date of February 21st, and it is also an affidavit
13 that you made efforts to contact them by registered mail.

14 Q Let me turn to the tabulation of non-
15 consenting ownership attached to that affidavit and have you
16 explain briefly how that tabulation is compiled.

17 A It is compiled by virtue of, frankly,
18 our best efforts on our part through the title examination
19 we have conducted. There has been production. There are
20 four Blinbry wells in this area that are currently being
21 produced and operated, the north half southeast by Petro
22 Lewis, and the south half southeast by Damson Oil. The oil
23 is currently being purchased by Shell so one of the largest
24 assistance we've had in this to get the Shell Division order
25 and Division Order Department to help us with that determin-

1 action of chemicals.

is the amount of the money that was received for the purpose of drilling the Shell Oil Company Division Order with limitation lease, so we've had to do intensive title examination and between that examination and the notification of the Shell Oil Company Division Order is where this tabulation has come from.

9 Q The names and addresses on the tabulation
10 filed with the application represents to the best of your
11 knowledge the current names and addresses of all those indi-
12 viduals?

Q That is true.

Q. Let me have you turn to what we've marked
as Exhibit Number Three and have you identify that tabulation.

16 A Exhibit Number Three is the, as of today,
17 tabulation of those parties who have not committed to us in
18 joining in the well.

19 You will note that beginning with Mr.
20 Chudy, down to Andrew Taylor, those parties have not an
21 swered us at all. We've had no response from them.

Below that, Mrs. Cone and Mrs. -- Miss
Auvenshine and Miss Kyte, each of those parties have com-
mitted to joining us verbally and we expect their agreements
in the mail just in the next five to ten days.

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Q. Now, the documents that were referred to as Exhibit Number Four, are they all the documents?

It is requested that you inform the officers that we have written and telephoned the FBI and have had no contact with these unidentified persons.

3 Mr. Gorman is assuming that all those individuals that currently have not committed themselves in writing to joining in the drilling of this well have been notified of the hearing to date; in addition you have sent correspondence at earlier dates to all those individuals requesting that they join you in the drilling of the well in some fashion?

A. That is true.

Q Would you go to Exhibit Number Five and identify that?

A For the purpose of the Commission, we established the types of ownership that we have in each of the respective 80-acre areas. It identifies that in the north half southeast we have particular percentages divided between that is leased to be, that is farmed out to be, that that is joined, and that that we have verbal commitment.

You will note that in the north half southeast we are uncommitted owners of less than 1/10th of 1 percent, and in the south half southeast the same, less than 1/10th of 1 percent, have we not been able to get re-

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1 sponsor area.

2 Q Now, you are requesting to
3 be designated or what? Is it a 40-acre tract?

4
5 Q In answer to that request, have you
6 had prepared an estimate of costs for drilling this well?

7 A Yes, we have, Exhibit Number Six is an
8 AFE prepared by the petroleum engineer of our company, and
9 also the president.

10 Q With regards to your duties as a finan-
11 cial advisor to the corporation, have you had occasion to
12 review and approve and make recommendations concerning the
13 estimated well costs for drilling of test wells for the
14 corporation?

15 A Yes, I have.

16 Q And have you reviewed this particular
17 AFE for this Devonian-Moreo test?

18 A Yes, I have.

19 Q To the best of your knowledge, informa-
20 tion, and belief are the projected estimated costs for the
21 drilling of this well reasonable costs in terms of this area
22 for this particular depth?

23 A Yes, they are.

24 Q Now, would you turn to what we've marked
25 as Exhibit Number Seven and identify that document for us?

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1 A The structure map was prepared at my
2 request by Mr. Inchoy, a geologist, of Wagner, and it is
3 a structural map of the McKee. It was prepared by him. It
4 indicates various McKee wells that have been drilled in the
5 area.

6 In addition to this map, it should be noted
7 that there are no current McKee production in the southeast
8 quarter of Section 21 and there is -- there has been McKee
9 production over the years but primarily it is currently
10 plugged out.

11 It is felt that the McKee is at 9600
12 feet and the Devonian is at 7600. The desire on our part
13 is that we feel it's appropriate at this time to go down
14 and test the McKee, but it has been depleted. There has been
15 192,000 barrels produced out of the south, that Drinkard Well
16 No. 1 -- excuse me, in the southeast southeast you'll note
17 the well that now says Drinkard. That well produced 192,000
18 barrels. The well we propose drilling would be an offset.

19 MR. NUTTER: From the McKee?

20 A Yes, sir.

21 MR. NUTTER: It produced --

22 A 192,000 barrels.

23 MR. NUTTER: And then it was plugged
24 back to the Drinkard?

25 A That's right, and it is currently not --

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1 yes, sir, that's right. I'm not producing in
2 the section at all.

3 I'm not producing in the section at all. I'm not producing
4 produced from that section.

5 I'm not producing in the section at all. I'm not producing
6 your well now or less. I'm not producing in the section at all?

7 A. Yes, sir.

8 Q. Do you have any further information from
9 the records you maintain at T. F. Petroleum, Inc., concerning
10 the information contained on this exhibit?

11 A. Nothing that needs to be submitted with
12 the exception of the production on each well, if you'd like
13 me to go through that.

14 Q. Why don't you give it? If the production
15 information is not on Exhibit Seven, why don't you give that
16 for us?

17 A. The well in the northeast quarter of the
18 southeast quarter, which is directly north of that previously
19 mentioned well, produced a total of 36,967 barrels.

20 MR. NUTTER: From what formation?

21 A. From the McKee. This is strictly McKee
22 I'm talking of.

23 The well in the southwest quarter of the
24 southwest quarter of Section 22, you'll note the well says
25 7-D? That well produced 544,000 barrels out of the McKee.

1 The well in Section 27 in the northwest
2 quarter of the north east corner that you'll note says Well
3 No. 3 McKee, that well produced 249,000 barrels.

4 The well in the southeast quarter
5 northeast quarter of Section 33, which you'll note is Well
6 No. 6 McKee, produced 351,000 barrels.

7 Substantial reservoir depletion has ob-
8 viously occurred.

9 Q All right, sir, would you turn to Exhibit
10 Number Eight and identify that plot for us?

11 A Exhibit Number Eight, as Exhibit Number
12 Seven, is a structure map prepared by our in-house geologist,
13 indicating the Devonian formation. It indicates the current
14 wells, the wells that were drilled in the area to the Devonian
15 formation and either produced or tested the Devonian.

16 Q Based upon your experience, Mr. Barr, in
17 putting together these drilling units for McKee and Devonian
18 tests, what is the custom and practice within the industry
19 concerning the charges made for overhead while drilling and
20 after completion of these wells?

21 A We have included in the joint operating
22 agreements by those parties that have joined us \$2000 as a
23 drilling well rate, and a monthly overhead rate of \$200.

24 Q Is it your recommendation to the Examiner
25 that those charges while drilling and after drilling be

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13 ...

14 A. Yes, I am.

15 Q And how do these risk factors relate to
16 the agreed risk factor of 200 percent?

17 A. The compulsory pooling risk factors would
18 be 200 percent in those terms.

19 Q Now based upon your knowledge of those
20 agreements and the custom and practice within this particular
21 area, in your opinion is a risk factor of 200 percent a
22 reasonable one to be assessed against a nonconsenting party?

23 A. Yes, it is.

24 Q Were Exhibits One through Eight compiled
25 under your supervision and direction or compiled directly by

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Q

A Yes, sir. Now, will approval of this application be in the best interest of conservation, the prevention of waste, and the protection of correlative rights?

A It certainly will, yes, sir.

MR. HENDERSON: Move the introduction of Exhibits One through Eight.

MR. HUTTER: Exhibits One Through Eight will be admitted.

CROSS EXAMINATION

BY MR. HUTTER:

Q Now, Mr. Barr, you mentioned the cumulative production from these various wells from the McKee formation.

A Yes, sir.

Q Some of them have been recompleted out of the McKee but apparently some are still producing from it. Do you have the current rate of production from these wells?

A No, sir, I don't. I do not have it. I do have the current production out of the Devonian, if you'd like to know that.

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1 Q Now, what is the cumulative out of the
2 Devonian.
3 A All right, 7,100 barrels.
4 Q Okay.
5 A Beginning at Well No. 49, which is the
6 most recent well, this well is in the
7 Q I've got it.
8 A All right. That well was drilled in
9 October -- excuse me, in 8-79, which would make it August.
10 It has currently produced a total of 2,222, as of public
11 record. It could have produced more than that. It was IP'd
12 at 172 barrels of oil and 3 barrels of water.
13 Well No. 47 was drilled in May of '79
14 and has currently a cumulative of 28,000 barrels.
15 Q What, May of '79?
16 A Yes, sir. Well No. 46, following on
17 down the contour, has produced a total of 6,631 and it is
18 not producing in the Devonian.
19 Q Just a minute, you got ahead of me there.
20 A All right.
21 Q Repeat that one.
22 A Well No. 46, it's in the east half --
23 Q Okay, got it.
24 A All right, produced 6,631 barrels, and
25 it is not producing from the Devonian.

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1 Q Well No. 11, the last well No. 10 was pro-
2 A duced 28,000 barrels of oil daily at 2.6 barrels, the
3 another well.
4 Q
5 A Moving to the north half of 27, Well No. 10 has pro-
6 duced 28,000 barrels of oil daily at 2.6 barrels, the
7 average daily rate.
8 Q When was it completed?
9 A I don't know, sir. I don't know, except
10 that these wells -- there is a sequential order between 8
11 all the way through 49, so it could be several years old.
12 Q Okay.
13 A There were operated by Gulf Oil.
14 Well No. 7 in the southwest southwest
15 has produced a total of 65,000 barrels; a 32-barrel a day
16 average.
17 Moving to the east, Well No. 8 has pro-
18 duced 120,000 barrels; and a 30-barrel a day average.
19 Q Okay.
20 A Moving to the north half of 27, Well No.
21 45 has produced 12,327 barrels. It would be of the same
22 relative age as the Wells 46, 47, and 48, which I think it
23 was drilled in either late '78 or early '79.
24 Well No. 11, moving directly east --
25 Q Do you have its current production?

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Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 Q. Well No. 11 is a gas well.
2 A. Well No. 11 has been recom-
3 plotted on a gas well. It has produced a total of 12,472 barrels
4 from the Devonian.
5 Q. Okay.
6 A. Well No. 10 was drilled to the Devonian.
7 It was not successful and we think it's producing now from
8 the Wichita-Albany.
9 Q. Okay.
10 A. Well No. 14 has produced a total of
11 7,894 barrels. Its daily rate is 10,000 -- excuse me, 10.6
12 barrels.
13 Q. Okay.
14 A. Well No. 13 produced a total of 9,349
15 and its average is 10 barrels a day.
16 Q. Okay.
17 A. Finally, Well No. 12 has produced a total
18 of 84,323, and its average is 15,000 barrels a day.
19 Q. 15,000 a day?
20 A. Yes, sir. Excuse me, 1500 -- 15. 15.
21 Q. Current?
22 A. Yes, and that is all the production in-
23 formation I have.
24 MR. NUTTER: Mr. Kellahan, we don't have
25 some of the data on the key wells so we'll take administra-

SALLY W. BOYD, C.S.R.

At. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

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SALLY W. BOYD, C.S.R.

Att. : Box 193-B

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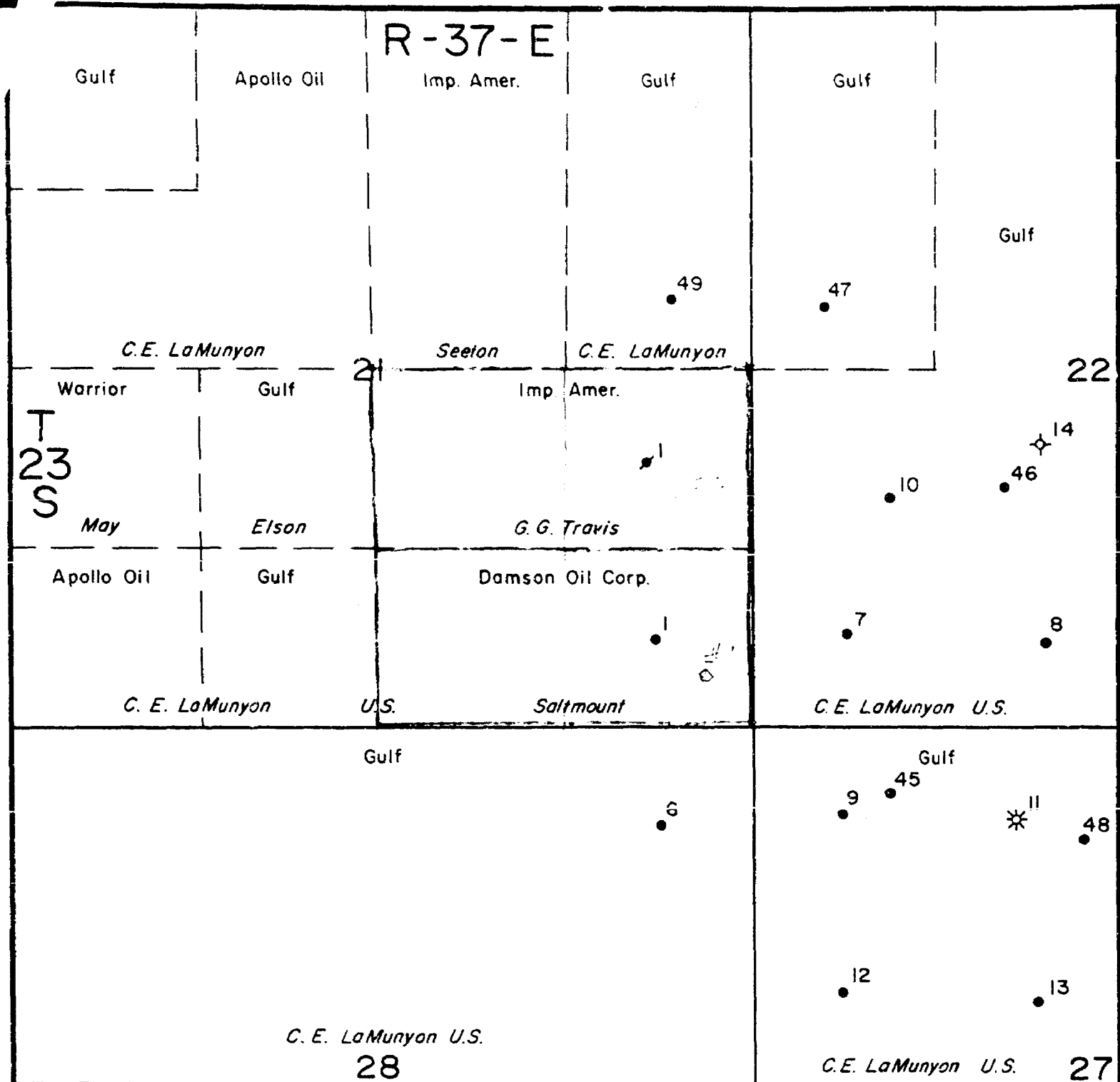
(Hearing concluded.)

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SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

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

I do hereby certify that the foregoing is a correct and true copy of the transcript of the hearing held on 3/12/80.
6819
80
[Signature]
Oil Conservation Division



BEFORE EXAMINER NOTED
OIL CONSERVATION DIVISION
V-F 6819 EXHIBIT NO. 1
CASE NO. 6819



V-F PETROLEUM INC.
Midland, Texas

NORTH TEAGUE (Devonian) AREA
LEA COUNTY, NEW MEXICO
SCALE: 1" = 1000'

Date: Jan. '80 Geologist: E.A. Wagner

BEFORE THE
NEW MEXICO ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

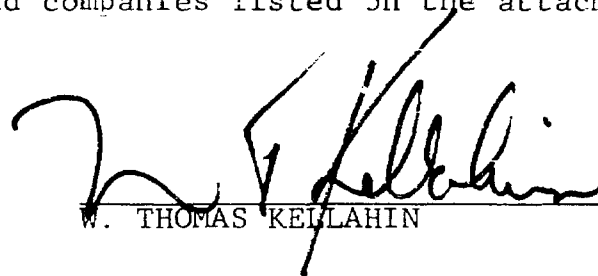
IN THE MATTER OF §
THE APPLICATION OF
V-F PETROLEUM, INC. §
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO §

Case No. 6819


A F F I D A V I T

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, W. THOMAS KELLAHIN, being duly sworn, state under oath that as attorney for V-F PETROLEUM CORPORATION, on February 21, 1980, I caused to be mailed by certified mail, return receipt, postage paid, copies of the attached letter and Oil Conservation Division Docket No. 5-80 to the individuals and companies listed on the attached list.


W. THOMAS KELLAHIN

SWORN TO AND SUBSCRIBED before me on this 12th day of March, 1980.


Marilyn Forrest, Notary Public

(seal)

My commission expires:
October 13, 1980

BEFORE EXAMINER NUTTER	
OIL CONSERVATION DIVISION	
V-F Petrol	EXHIBIT NO. 2
CASE NO.	6819

KELLAHIN and KELLAHIN

Attorneys at Law

Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

500 Don Gaspar Avenue
Post Office Box 1769
Santa Fe, New Mexico 87501

Telephone 982-4285
Area Code 505

February 20, 1980

TK: Today I sent one of these letters, with an inside address and salutation, to each individual named on Exhibit "A" of the Application, with the single exception of Hylah G. Sullivan, for whom we have no address.

Marilyn Forrest 2/20/80

re: V-F Petroleum

Our firm represents V-F Petroleum, Inc. who has filed a case before the New Mexico Oil Conservation Division, Santa Fe, New Mexico.

That case involves the compulsory pooling of all mineral interests in the acreage described in Case 6819 on the enclosed Oil Conservation Division Docket. Our records show that you may have some interest in the oil and gas minerals to be pooled.

It is in your best interest to contact the following individual concerning your rights in this matter:

Mr. Thomas R. Barr
V-F Petroleum
Suite 580, One Maricofield Place
Midland, Texas
Phone: (915) 683-3344

Very truly yours,

W. Thomas Kellahin

encl.

cc: Mr. Thomas R. Barr

CERTIFIED MAIL:
RETURN RECEIPT REQUESTED

WTK:msf

DEPARTMENT OF COMMERCE, UNITED STATES OF AMERICA,
FEDERAL TRADE COMMISSION, WASHINGTON, D. C. 20540

The following cases will be heard before: Earl L. Smith, Chairman, or Earl S. Butler, Alternate Examiner.

CASE 6757: (Continued from February 14, 1970, Examiners' Hearing)

1 In the matter of the hearing called by the Oil Conservation Division on its own motion to consider
2 the approval of 12 non-standard proration units ranging in size from 261.51 acres to 334.24 acres
3 for 370-acre spaced pools, and 19 non-standard proration units ranging in size from 162.65 acres
4 to 207.57 acres for 160-acre spaced pools, all of the aforesaid units being in and resulting from
5 the irregular size and shape of Sections 1 thru 7 and 18, 19, 20, and 31, along the North and West
6 sides of Township 28 North, Range 3 West, Rio Arriba County.

CASE 6811: Application of Laguna Petroleum Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying the SE/4 NE/4 of Section 13, Township 8 South, Range 32 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 6812: Application of Marais Inc. to amend Order No. R-5616, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to amend Order No. R-5616 to permit the seven waterflooded injection wells authorized to be drilled at unorthodox locations by said order to be produced until May 1, 1980, or until depleted, prior to being placed on water injection.

CASE 6613: Application of Petroleum Development Corporation to amend Order No. R-6196, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks to amend Order No. R-6196 which authorized re-entry of a well at an unorthodox location in the Lusk-Morrow Gas Pool to be dedicated to the N/2 of Section 13, Township 19 South, Range 31 East. Applicant now seeks approval for a new revised location 750 feet from the North line and 660 feet from the West line of said Section 13.

CASE 6814: Application of Harvey E. Yates Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Betenbough Unit Area, comprising 1921 acres, more or less, of State and fee lands in Township 13 South, Range 36 East.

CASE 6797: (Continued from January 30, 1980, 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 Wolfcamp-Penn formations underlying the N/2 of Section 28, Township 18 South, Range 29 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 6815: Application of Florida Exploration Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Ross Draw Unit Well No. 8, a Wolfcamp gas well 1550 feet from the North and East lines of Section 27, Township 26 South, Range 30 East, the N/2 of said Section 27 being dedicated to the well.

CASE 6816: Application of Hanson Oil Corporation for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water in the Penrose Grayburg formation in the perforated interval from 3404 feet to 3633 feet in its Creek Well No. 1 located in Unit C of Section 35, Township 18 South, Range 30 East, Shugart Pool.

CASE 6817: Application of Newbourne Oil Company to amend Order No. R-6100, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks to amend Order No. R-6100 whereby the unorthodox Morrow location approved by said order would instead be applicable to the Wolfcamp and Bone Springs formations.

CASE 6818: Application of Tenneco Oil Company for an NCPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination for its State HL 11 Well No. 1 located in Unit N of Section 11, Township 19 South, Range 29 East.

Teague North Prospect
SE/4 Section 21
T-23-S, R-37-E
Lea County, New Mexico

✓ returned

Name & Address	N/2 SE/4	Interest	S/2 SE/4
Mr. R. B. Mitchell First City National Bank Building Austin, Texas 77002	5295/2,062,656		1059/343,776
Mr. Walsh B. Trammell 601 Southern National Bank Building Houston, Texas 77002	1940/2,062,656		388/343,776
✓ Mr. Max Chudy 119 Rohr Avenue Buffalo, New York	500/2,062,656		100/343,776
Sheridan Family Trust 3686 Collins Street Saratoga, Florida 33580	390/2,062,656		78/343,776
Rose P. Feltman 61-20 Grand Parkway, Spt. 602-C Forest Hills, New York 11375	390/2,062,656		78/343,776
Flora G. Sarkisian, Executrix of the Estate of Dickram M. Sarkisian, deceased 35 West 44th Street New York, New York 10018	240/2,062,656		48/343,776
Harry L. Jones & Isabel Jones as Joint Tenants with Right of Survivorship 108 S. Court Street Orlando, Florida 32801	200/2,062,656		40/343,776
✓ E. M. Edwards Company 1500 Walnut Street, Room 1608 Philadelphia, PA 19102	160/2,062,656		32/343,776
Hylah G. Sullivan	135/2,062,656		27/343,776
Mrs. Rose Lancaster Rural Route 4 Darlington, Wisconsin 53530	62.5/2,062,656		12.5/343,776
Mrs. Anna Ross Gebhardt 1732 Dobson Street Evanston, Illinois 60202	62.5/2,062,656		12.5/343,776
✓ Edward Mitchell Edwards 1500 Walnut Street, Room 708 Philadelphia, PA 19102	125/2,062,656		25/343,776
Franklin J. Zouch 8114 North 9th Avenue Phoenix, Arizona 85021	80/2,062,656		16/343,776
Robert Bradshaw Delphi, Indiana 46923	80/2,062,656		16/343,776
✓ Delia B. Edwards 1500 Walnut Street, Room 1608 Philadelphia PA 19102	75/2,062,656		15/343,776

✓ Gordon G. Berg 7030 Chappel Avenue Chicago, Illinois 60649	50/2,062,656	10/343,776
✓ Miss Ida Miller 1500 Walnut Street, Room 708 Philadelphia, PA 19102	25/2,062,656	5/343,776
Elmer G. Johnson 8364 Bennett Avenue Fontana, Calif. 92335	25/2,062,656	5/343,776
Charles T. Gallaher, II 1216 Sixth Street Moundsville, West Virginia 26041	25/2,062,656	5/343,776
Andrew M. Taylor 7415 E. Lincoln Drive Scottsdale, Arizona 85251	-0-	10/343,776
Mrs. Kathleen Cone P. O. Drawer 1509 Lovington, New Mexico 88260	50/602% of 1/48	50.602% of 1/32
Douglas L. Cone, M.D. P. O. Box 6217 Lubbock, Texas 79413	9.8796% of 1/48	9.8796% of 1/32
Clifford Cone P. O. Box 6010 Lubbock, Texas 79413	9.8796% of 1/48	9.8796% of 1/32
Thomas R. Cone P. O. Box 126 Southwest City, Missouri 64843	9.8796% of 1/48	9.8796% of 1/32
Kenneth G. Cone P. O. Drawer 1509 Lovington, New Mexico 88260	9.8796% of 1/48	9.8796% of 1/32
Cathie Cone Auvenshine Route 6, Box 79N Austin, Texas 78737	9.8796% of 1/48	9.8796% of 1/32
June Speight Suite 900 500 Rockefeller Plaza New York, New York 10020	12.5%	12.5%

Teague North Prospect
SE/4 Section 21
T-23-S, R-37-E
Lea County, New Mexico

BEFORE EXAMINER NUTTER
OIL CONCENTRATION DIVISION

V-F RFR EXHIBIT NO. 3

DATE NO. 6819

Name & Address

	Interest	Comments	
	N/2 SE/4	S/2 SE/4	
Mr. Max Chudy 119 Rohr Avenue Buffalo, New York 14211	500/2,062,656	100/343,776	No answer
Flora G. Sarkisian, Executrix of the Est. of Dickram M. Sarkisian, deceased 35 West 44th Street New York, NY 10018	240/2,062,656	48/343,776	No answer
E. M. Edwards Company 1500 Walnut Street, Room 1608 Philadelphia, PA 19102	160/2,062,656	32/343,776	No answer
Hylah G. Sullivan	135/2,062,656	27/343,776	Unable to locate
Mrs. Rose Lancaster Rural Route 4 Darlington, Wisconsin 53530	62.5/2,062,656	12.5/343,776	No answer
Mrs. Anna Ross Gebhardt 1732 Dodson Street Evanston, Illinois 60202	62.5/2,062,656	12.5/343,776	No answer
Edward Mitchell Edwards 1500 Walnut Street, Room 708 Philadelphia, PA 19102	125/2,062,656	25/343,776	No answer
Franklin J. Zouch 8114 North 9th Avenue Phoenix, Arizona 85021	80/2,062,656	16/343,776	No answer
Delia B. Edwards 1500 Walnut Street, Room 1608 Philadelphia, PA 19102	75/2,062,656	15/343,776	No answer
Gorden S. Berg 7030 Chappel Avenue Chicago, Illinois 60649	50/2,062,656	10/343,776	No answer
Miss Ida Miller 1500 Walnut Street, Room 708 Philadelphia, PA 19102	25/2,062,656	5/343,776	No answer
Eimer G. Johnson 8364 Bennett Avenue Fontana, CA 92335	25/2,062,656	5/343,776	No answer
Andrew M. Taylor 7415 E. Lincoln Drive Scottsdale, Arizona 85251	-0-	10/343,776	No answer
Mrs. Kathleen Cone P. O. Drawer 1509 Lovington, NM 88260	1.04167	1.56250	
Cathie Cone Auvenshine Route 6, Box 79N Austin, Texas 78737	.20833	.31250	
David Bond Kyte c/o Priscilla Kyte 802 Alameda Padre Serra Santa Barbara, CA 93101	-0-	.78125%	

1.32%

2.75%

Handwritten notes:
None of these
are in the
original
survey.

V-F PETROLEUM HOLDINGS INC.

suite 530

one marienfeld place

midland, texas 79701

915 683-3344

October 10, 1979

Mr. Max R. Chudy
119 Rohr Ave.
Buffalo, New York 14240

Mineral Ownership
SE/4 Section 21
T-23-S, R-37-E
Lea County, New Mexico

Dear Mr. Chudy:

We are writing to set forth our request concerning the mineral interest owned by you in the subject acreage.

According to our mineral interest take-off we believe you own a 500/2062656 interest in the N/2 SE/4 of Section 21, and a 100/343776 interest in the S/2 SE/4 of Section 21. The records reflect that the mineral interest appears to be unleased, at least as to the deep rights below 3500'.

Enclosed is a draft in the amount of \$50.00 which reflects the total bonus consideration offered. Also enclosed is a standard oil and gas lease with a 3/16 royalty and a 3-year term.

If acceptable, the lease should be signed by you and your spouse, if applicable, the depository bank entered in paragraph 4, and your signatures notarized on the back of the lease form. Please initial the changes to the basic contract and present the draft and lease to your bank for payment. The original lease should be attached to the draft, the copy is for your file.

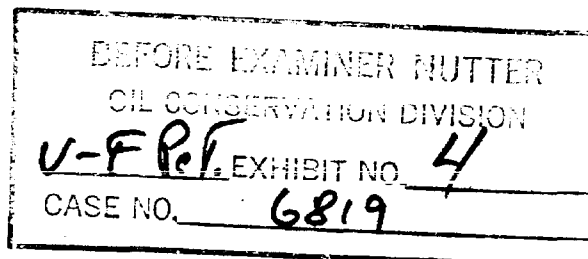
We appreciate very much the opportunity to discuss this proposal with you and will look forward to hearing from you at your earliest convenience.

Very truly yours,

Thomas R. Barr

Thomas R. Barr
Land Manager

Enclosures



THE FIRST NATIONAL BANK
OF MIDLAND, TEXAS
COURTESY OF
EXECUTION DRAFT

Midland, Texas

October 10

, 19 79

NO.

15

DAYS AFTER

Receipt

AND SUBJECT TO APPROVAL OF TITLE

PAY TO THE ORDER OF Max R. Chudy

\$ 50.00

Fifty--&--No/100-----

WITH EXCHANGE

DOLLARS

FOR In consideration for the execution of an Oil & Gas Lease described as the SE/4 of Section 21, T-23-S, R-37-E, Lea County, New Mexico

TO Thomas R. Barr

NOTICE

DO NOT HANDLE AS A CASH ITEM

V-F Petroleum Inc.
One Marlenfeld Place, Suite 530
Midland, Texas 79701

Thomas R. Barr

V-E Petroleum, Inc.

suite 580

one marionfeld place

midland, texas 79701

915 683-3344

October 10, 1979

Mrs. Flora G. Sarkisian, Executrix of the
Estate of Dickram M. Sarkisian, dec.
35 West 44th Street
New York, New York 10018

Mineral Ownership
SE/4 Section 21
T-23-S, R-37-E
Lea County, New Mexico

Dear Mrs. Sarkisian:

We are writing to set forth our request concerning the mineral interest owned by you in the subject acreage.

According to our mineral interest take-off we believe you own a 240/2062656 interest in the N/2 SE/4 of Section 21, and a 48/343776 interest in the S/2 SE/4 of Section 21. The records reflect that the mineral interest appears to be unleased, at least as to the deep rights below 3500'.

Enclosed is a draft in the amount of \$50.00 which reflects the total bonus consideration offered. Also enclosed is a standard oil and gas lease with a 3/16 royalty and a 3-year term.

If acceptable, the lease should be signed by you and your spouse, if applicable, the depository bank entered in paragraph 4, and your signatures notarized on the back of the lease form. Please initial the changes to the basic contract and present the draft and lease to your bank for payment. The original lease should be attached to the draft, the copy is for your file.

We appreciate very much the opportunity to discuss this proposal with you and will look forward to hearing from you at your earliest convenience.

Very truly yours,

Thomas R. Barr

Thomas R. Barr
Land Manager

Enclosures

COURTESY OF
THE FIRST NATIONAL BANK
OF MIDLAND, TEXAS

Midland, Texas

PLACE

October 10

DATE

, 19 79 NO.

15 DAYS AFTER Receipt

AND SUBJECT TO APPROVAL OF TITLE

PAY TO THE ORDER OF Flora G. Sarkisian, Executrix of the Estate of
Dickram M. Sarkisian, dec. \$ 50.00

Fifty--&--No/100----- DOLLARS

WITH EXCHANGE

FOR In consideration for the execution of an Oil & Gas Lease described
as the SE/4 of Section 21, T-23-S, R-37-E, Lea County, New Mexico

To Thomas R. Barr

NOTICE

DO NOT HANDLE AS A CASH ITEM

V-E Petroleum, Inc.

One Marionfeld Place, Suite 580

Thomas R. Barr

V-F Petroleum Inc.

suite 580

one marienfeld place

midland, texas 79701

915 683-3344

October 10, 1979

E. M. Edwards Company
1500 Walnut Street, Room 1608
Philadelphia, Pennsylvania 19102

Mineral Ownership
SE/4 Section 21
T-23-S, R-37-E
Lea County, New Mexico

Gentlemen:

We are writing to set forth our request concerning the mineral interest owned by you in the subject acreage.

According to our mineral interest take-off we believe you own a 160/2062656 interest in the N/2 SE/4 of Section 21, and a 32/343776 interest in the S/2 SE/4 of Section 21. The records reflect that the mineral interest appears to be unleased, at least as to the deep rights below 3500'.

Enclosed is a draft in the amount of \$50.00 which reflects the total bonus consideration offered. Also enclosed is a standard oil and gas lease with a 3/16 royalty and a 3-year term.

If acceptable, the lease should be signed by you and your spouse, if applicable, the depository bank entered in paragraph 4, and your signatures notarized on the back of the lease form. Please initial the changes to the basic contract and present the draft and lease to your bank for payment. The original lease should be attached to the draft, the copy is for your file.

We appreciate very much the opportunity to discuss this proposal with you and will look forward to hearing from you at your earliest convenience.

Very truly yours,

Thomas R. Barr

Thomas R. Barr
Land Manager

Enclosures

COURTESY OF
THE FIRST NATIONAL BANK
OF MIDLAND, TEXAS

Midland, Texas	October 10	1979	NO.
15	PLACE	DATE	
15	DAYS AFTER	Receipt	
AND SUBJECT TO APPROVAL OF TITLE			
PAY TO THE ORDER OF E. M. Edwards Company			
\$ 50.00			
Fifty--&--No/100-----DOLLARS			
WITH EXCHANGE			
FOR In consideration for the execution of an Oil & Gas Lease described			
as the SE/4 of Section 21, T-23-S, R-37-E, Lea County, New Mexico			
To Thomas R. Barr			
V-F Petroleum Inc.			
DO NOT HANDLE AS A CASH ITEM			

TH. R. Barr

V-F PETROLEUM INC.

suite 580

one marienfeld place

midland, texas 79701

915 683-3344

October 10, 1979

Mrs. Rose Lancaster
Rural Route 4
Darlington, Wisconsin 53530

Mineral Ownership
SE/4 Section 21
T-23-S, R-37-E
Lea County, New Mexico

Dear Mrs. Lancaster:

We are writing to set forth our request concerning the mineral interest owned by you in the subject acreage.

According to our mineral interest take-off we believe you own a 62.5/2062656 interest in the N/2 SE/4 of Section 21, and a 12.5/343776 interest in the S/2 SE/4 of Section 21. The records reflect that the mineral interest appears to be unleased, at least as to the deep rights below 3500'.

Enclosed is a draft in the amount of \$50.00 which reflects the total bonus consideration offered. Also enclosed is a standard oil and gas lease with a 3/16 royalty and a 3-year term.

If acceptable, the lease should be signed by you and your spouse, if applicable, the depository bank entered in paragraph 4, and your signatures notarized on the back of the lease form. Please initial the changes to the basic contract and present the draft and lease to your bank for payment. The original lease should be attached to the draft, the copy is for your file.

We appreciate very much the opportunity to discuss this proposal with you and will look forward to hearing from you at your earliest convenience.

Very truly yours,

Thomas R. Barr

Thomas R. Barr
Land Manager

Enclosures

COURTESY OF
THE FIRST NATIONAL BANK
OF MIDLAND, TEXAS

Midland, Texas	October 10	1979	NO.
PLACE	DATE		
15	DAYS AFTER	Receipt	AND SUBJECT TO APPROVAL OF TITLE
PAY TO THE ORDER OF		Rose Lancaster	
		\$ 50.00	
Fifty--&--No/100-----		DOLLARS	
WITH EXCHANGE			
FOR In consideration for the execution of an Oil & Gas Lease described			
as the SE/4 of Section 21, T-23-S, R-37-E, Lea County, New Mexico			
TO		Thomas R. Barr	
V-F Petroleum Inc.			
One Earl			

NOTICE

DO NOT HANDLE AS A CASH ITEM

Thomas R. Barr

W-F PETROLEUM INC.

suite 580

one marionfeld place

midland, texas 79701

915 683-3344

October 10, 1979

Mrs. Anna Ross Gebhardt
1732 Dodson Street
Evanston, Illinois 60202

Mineral Ownership
SE/4 Section 21
T-23-S, R-37-E
Lea County, New Mexico

Dear Mrs. Gebhardt:

We are writing to set forth our request concerning the mineral interest owned by you in the subject acreage.

According to our mineral interest take-off we believe you own a 62.5/2062656 interest in the N/2 SE/4 of Section 21, and a 12.5/343776 interest in the S/2 SE/4 of Section 21. The records reflect that the mineral interest appears to be unleased, at least as to the deep rights below 3500'.

Enclosed is a draft in the amount of \$50.00 which reflects the total bonus consideration offered. Also enclosed is a standard oil and gas lease with a 3/16 royalty and a 3-year term.

If acceptable, the lease should be signed by you and your spouse, if applicable, the depository bank entered in paragraph 4, and your signatures notarized on the back of the lease form. Please initial the changes to the basic contract and present the draft and lease to your bank for payment. The original lease should be attached to the draft, the copy is for your file.

We appreciate very much the opportunity to discuss this proposal with you and will look forward to hearing from you at your earliest convenience.

Very truly yours,

Thomas R. Barr

Thomas R. Barr
Land Manager

Enclosures

THE FIRST NATIONAL BANK
OF MIDLAND, TEXAS

Midland, Texas	October 10	19 79	NO.
PLACE	DATE		
15	DAYS AFTER	Receipt	AND SUBJECT TO APPROVAL OF TITLE
PAY TO THE ORDER OF		Anna Ross Gebhardt	
		\$50.00	
Fifty--&--No/100--		DOLLARS	
WITH EXCHANGE			
FOR In consideration for the execution of an Oil & Gas Lease described			
as the SE/4 of Section 21, T-23-S, R-37-E, Lea County, New Mexico			
TO		Thomas R. Barr	

W-F Petroleum Inc.

one marionfeld place, suite 580

NOTICE

DO NOT HANDLE AS A CASH ITEM

Thomas R. Barr

V-F Petroleum Inc.

suite 580

one marienfeld place

midland, texas 79701

915 683-3344

October 10, 1979

Mr. Edward Mitchell Edwards
Room 708, 1500 Walnut Street
Philadelphia, Pennsylvania 19104

Mineral Ownership
SE/4 Section 21
T-23-S, R-37-E
Lea County, New Mexico

Dear Mr. Edwards:

We are writing to set forth our request concerning the mineral interest owned by you in the subject acreage.

According to our mineral interest take-off we believe you own a 125/2062656 interest in the N/2 SE/4 of Section 21, and a 25/343776 interest in the S/2 SE/4 of Section 21. The records reflect that the mineral interest appears to be unleased, at least as to the deep rights below 3500'.

Enclosed is a draft in the amount of \$50.00 which reflects the total bonus consideration offered. Also enclosed is a standard oil and gas lease with a 3/16 royalty and a 3-year term.

If acceptable, the lease should be signed by you and your spouse, if applicable, the depository bank entered in paragraph 4, and your signatures notarized on the back of the lease form. Please initial the changes to the basic contract and present the draft and lease to your bank for payment. The original lease should be attached to the draft, the copy is for your file.

We appreciate very much the opportunity to discuss this proposal with you and will look forward to hearing from you at your earliest convenience.

Very truly yours,

Thomas R. Barr

Thomas R. Barr
Land Manager

Enclosures

COURTESY OF
THE FIRST NATIONAL BANK
OF MIDLAND, TEXAS

Midland, Texas	October 10	19 79	NO.
PLACE	DATE		
15	DAYS AFTER	Receipt	AND SUBJECT TO APPROVAL OF TITLE
PAY TO THE ORDER OF		Edward Mitchell Edwards	
		\$ 50.00	
Fifty--&--No/100-----		DOLLARS	
WITH EXCHANGE			
FOR In consideration for the execution of an Oil & Gas Lease described			
as the SE/4 of Section 21, T-23-S, R-37-E, Lea County, New Mexico			
To		Thomas R. Barr	
V-F Petroleum Inc.		NOTICE	
Suite 580		DO NOT HANDLE AS A CASH ITEM	

Thomas R. Barr

7-17
suite 580

one marienfeld place

midland texas 79701

915 683 3344

March 4, 1980

First National Bank of Midland
P. O. Box 1599
Midland, Texas 79702

Draft 018979
First National Bank of Arizona
J. Franklin Zouck

Attention: Barbara Tynes

Dear Barbara:

I spoke with the collections department of the First National Bank of Arizona this afternoon and told them we had never received the lease which should have accompanied the attached draft. They asked me to return the draft to my bank and have it forwarded to Nat'l Bank of Arizona with a request that the lease be attached.

Will you please do this for us? Perhaps the Arizona bank will be successful in explaining to Mr. Zouck that the draft with lease attached should be presented to his bank.

Very truly yours,

Mickey German
Secretary

Enclosure

V-F Petroleum Inc.

suite 580

one marienfeld place

midland, texas 79701

915 683 3344

January 29, 1980

Mr. J. Franklin Zouck
6139 North 13th Place
Phoenix, Arizona 85014

Mineral Ownership
SE/4 Section 21
T-23-S, R-37-E
Lea County, New Mexico

Dear Mr. Zouck:

Enclosed are 2 copies of an oil and gas lease and a letter setting forth our offer to lease which were mailed to you in October, 1979. We did not have your correct address and we feel that this offer failed to reach you.

We appreciate your consideration of our proposal and will look forward to hearing from you. If you have any questions or comments please feel free to call me at the above number.

Very truly yours,

Thomas R. Barr
Land Manager

Enclosures

COURTESY OF
FIRST NATIONAL BANK
OF MIDLAND, TEXAS

Midland, Texas	January 29	1980	NO.
PLACE	DATE		
15	DAYS AFTER	Receipt	AND SUBJECT TO APPROVAL OF TITLE
PAY TO THE ORDER OF		J. Franklin Zouck	
		\$ 50.00	
Fifty--&--No/100-----		DOLLARS	
WITH EXCHANGE			
FOR In consideration for the execution of an Oil & Gas Lease described			
as the SE/4 of Section 21, T-23-S, R-37-E, Lea County, New Mexico			
To V-F Petroleum Inc.			

NOTICE

DO NOT HANDLE AS A CASH ITEM

V-L F L O U R D O U L L E D L L C .

suite 580

one marienfeld place

midland, texas 79701

915 683-3344

October 10, 1979

Mineral Ownership
SE/4 Section 21
T-23-S, R-37-E
Lea County, New Mexico

Dear Mr. Zouck:

We are writing to set forth our request concerning the mineral interest owned by you in the subject acreage.

According to our mineral interest take-off we believe you own a 80/2,062,656 interest in the N/2 SE/4 of Section 21, and a 16/343,776 interest in the S/2 SE/4 of Section 21. The records reflect that the mineral interest appears to be unleased, at least as to the deep rights below 3500'.

Enclosed is a draft in the amount of \$50.00 which reflects the total bonus consideration offered. Also enclosed is a standard oil and gas lease with a 3/16 royalty and a 3-year term.

If acceptable, the lease should be signed by you and your spouse, if applicable, the depository bank entered in paragraph 4, and your signatures notarized on the back of the lease form. Please initial the changes to the basic contract and present the draft and lease to your bank for payment. The original lease should be attached to the draft, the copy is for your file.

We appreciate very much the opportunity to discuss this proposal with you and will look forward to hearing from you at your earliest convenience.

Very truly yours,



Thomas R. Barr
Land Manager

Enclosures

V-F Petroleum, Inc.

suite 580

one marienfeld place

midland, texas 79701

915 683-3344

October 10, 1979

Ms. Delia B. Edwards
Room 1608, 1500 Walnut Street
Philadelphia, Pennsylvania 19118

Mineral Ownership
SE/4 Section 21
T-23-S, R-37-E
Lea County, New Mexico

Dear Ms. Edwards:

We are writing to set forth our request concerning the mineral interest owned by you in the subject acreage.

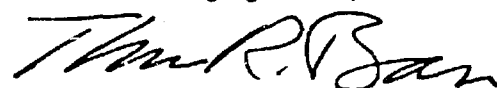
According to our mineral interest take-off we believe you own a 75/2062656 interest in the N/2 SE/4 of Section 21, and a 15/343776 interest in the S/2 SE/4 of Section 21. The records reflect that the mineral interest appears to be unleased, at least as to the deep rights below 3500'.

Enclosed is a draft in the amount of \$50.00 which reflects the total bonus consideration offered. Also enclosed is a standard oil and gas lease with a 3/16 royalty and a 3-year term.

If acceptable, the lease should be signed by you and your spouse, if applicable, the depository bank entered in paragraph 4, and your signatures notarized on the back of the lease form. Please initial the changes to the basic contract and present the draft and lease to your bank for payment. The original lease should be attached to the draft, the copy is for your file.

We appreciate very much the opportunity to discuss this proposal with you and will look forward to hearing from you at your earliest convenience.

Very truly yours,



Thomas R. Barr
Land Manager

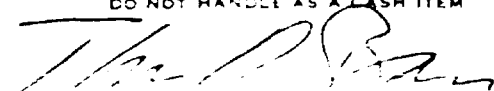
Enclosures

RECEIVED BY FIRST NATIONAL BANK OF MIDLAND, TEXAS

Midland, Texas	October 10	19 79	NO.
15	DAYS AFTER	Receipt	AND SUBJECT TO APPROVAL OF TITLE
PAY TO THE ORDER OF		Delia B. Edwards	
		\$ 50.00	
Fifty--&--No/100-----		DOLLARS	
FOR In consideration for the execution of an Oil & Gas Lease described			
as the SE/4 of Section 21, T-23-S, R-37-E, Lea County, New Mexico			
TO		Thomas R. Barr	
V-F Petroleum, Inc.			
Suite 580			

NOTICE

DO NOT HANDLE AS A CASH ITEM



V-F PETROLEUM INC.

suite 580

one marienfeld place

midland, texas 79701

915 683-3344

October 26, 1979

Continental Illinois Bank
Chicago, Illinois 60693

Attention: Mr. L. G. Kern

Gordon G. Berg
Mineral Ownership
SE/4 Section 21
T-23-S, R-37-E
Lea County, New Mexico

Gentlemen:

We are writing to set forth our request concerning the mineral interest in trust to you on the subject acreage. According to our mineral take-off we believe that Gordon G. Berg owned 50/2062656 interest in the N/2 of the SE/4 of Section 21, and 10/343776 interest in the S/2 of the SE/4 of Section 21. The records reflect the mineral interest appears to be unleased, at least as to the deep rights below 3500 feet. V-F has been in contact with Shell Oil Company, the crude oil purchaser in the area and has determined that Mr. Byrd's interest is now in your care.

We are enclosing a draft in the amount of \$50.00 which reflects the total bonus consideration offered. Also enclosed is a standard oil and gas lease with a 3/16 royalty and a 3-year term. If acceptable, the lease should be signed by you, the depository bank entered in paragraph 4, and your signature notarized on the back of the lease form. Please initial the changes to the basic contract and present the draft and lease for payment. The original lease should be attached to the draft, the copy is for your file.

We appreciate very much the opportunity to discuss this proposal with you and will look forward to hearing from you at your earliest convenience.

Very truly yours,

Thomas R. Barr
Thomas R. Barr
Land Manager

TRB:mg

Enclosures

THE FIRST NATIONAL BANK
OF MIDLAND, TEXAS
COURTESY OF
DEPOSITARY BANK

Midland, Texas	October 10	19 79	NO.
15	DAYS AFTER	Receipt	AND SUBJECT TO APPROVAL OF TITLE
PAY TO THE ORDER OF Continental Illinois Bank			
\$ 50.00			
Fifty--&--No/100----- DOLLARS			
FOR In consideration for the execution of an Oil & Gas Lease described			
as the SE/4 of Section 21, T-23-S, R-37-E, Lea County, New Mexico			
To Thomas R. Barr			
V-F Petroleum Inc.			
One Marienfeld Place, Suite 580			

NOTICE
DO NOT HANDLE AS A CASH ITEM

~~V-F~~ PETROLEUM INC.

suite 580

one marienfeld place

midland, texas 79701

915 683-3344

October 10, 1979

Mr. Gordon G. Berg
7030 Chappel Avenue
Chicago, Illinois 60649

Mineral Ownership
SE/4 Section 21
T-23-S, R-37-E
Lea County, New Mexico

Dear Mr. Berg:

We are writing to set forth our request concerning the mineral interest owned by you in the subject acreage.

According to our mineral interest take-off we believe you own a 50/2062656 interest in the N/2 SE/4 of Section 21, and a 10/343776 interest in the S/2 SE/4 of Section 21. The records reflect that the mineral interest appears to be unleased, at least as to the deep rights below 3500'.

Enclosed is a draft in the amount of \$50.00 which reflects the total bonus consideration offered. Also enclosed is a standard oil and gas lease with a 3/16 royalty and a 3-year term.

If acceptable, the lease should be signed by you and your spouse, if applicable, the depository bank entered in paragraph 4, and your signatures notarized on the back of the lease form. Please initial the changes to the basic contract and present the draft and lease to your bank for payment. The original lease should be attached to the draft, the copy is for your file.

We appreciate very much the opportunity to discuss this proposal with you and will look forward to hearing from you at your earliest convenience.

Very truly yours,

Thomas R. Barr

Thomas R. Barr
Land Manager

Enclosures

THE FIRST NATIONAL BANK
OF MIDLAND, TEXAS

Midland, Texas	October 10	19 79	NO.
PLACE	DATE		
15	DAYS AFTER	Receipt	AND SUBJECT TO APPROVAL OF TIT
PAY TO THE ORDER OF		Gordon G. Berg	
		\$ 50.00	
Fifty--&--No/100-----		DOLLAR	
WITH EXCHANGE			
FOR In consideration for the execution of an Oil & Gas Lease described			
as the SE/4 of Section 21, T-23-S, R-37-E, Lea County, New Mexico			
TO		Thomas R. Barr	
V-F Petroleum Inc.			
One Marienfeld Place, Suite 580			
Midland, Texas 79701			

NOTICE

DO NOT HANDLE AS A CHECK ITEM

Thomas R. Barr

V-F PETROLEUM, INC.

suite 580

one marienfeld place

midland, texas 79701

915 683-3344

October 10, 1979

Miss Ida Miller
Room 708, 1500 Walnut Street
Philadelphia, Pennsylvania 19102

Mineral Ownership
SE/4 Section 21
T-23-S, R-37-E
Lea County, New Mexico

Dear Miss Miller:

We are writing to set forth our request concerning the mineral interest owned by you in the subject acreage.

According to our mineral interest take-off we believe you own a 25/2062656 interest in the N/2 SE/4 of Section 21, and a 5/343776 interest in the S/2 SE/4 of Section 21. The records reflect that the mineral interest appears to be unleased, at least as to the deep rights below 3500'.

Enclosed is a draft in the amount of \$50.00 which reflects the total bonus consideration offered. Also enclosed is a standard oil and gas lease with a 3/16 royalty and a 3-year term.

If acceptable, the lease should be signed by you and your spouse, if applicable, the depository bank entered in paragraph 4, and your signatures notarized on the back of the lease form. Please initial the changes to the basic contract and present the draft and lease to your bank for payment. The original lease should be attached to the draft, the copy is for your file.

We appreciate very much the opportunity to discuss this proposal with you and will look forward to hearing from you at your earliest convenience.

Very truly yours,

Thomas R. Barr

Thomas R. Barr
Land Manager

Enclosures

COURTESY OF
THE FIRST NATIONAL BANK
OF MIDLAND, TEXAS

Midland, Texas	October 10	1979	NO.
PLACE	DATE		
15	DAYS AFTER	Receipt	AND SUBJECT TO APPROVAL OF TITLE
PAY TO THE ORDER OF		Ida Miller	
		\$ 50.00	
Fifty--&--No/100-----		DOLLARS	
WITH EXCHANGE			
FOR In consideration for the execution of an Oil & Gas Lease described			
as the SE/4 of Section 21, T-23-S, R-37-E, Lea County, New Mexico			
To		Thomas R. Barr	
V-F Petroleum, Inc.			
One Marlenfeld Place, Suite 580			

NOTICE

DO NOT HANDLE AS A CASH ITEM

Thomas R. Barr

V-F PETROLEUM INC.

suite 580

one marienfeld place

midland, texas 79701

915 683-3344

October 10, 1979

Mr. Elmer G. Johnson
8364 Bennett Avenue
Fontana, California 92335

Mineral Ownership
SE/4 Section 21
T-23-S, R-37-E
Lea County, New Mexico

Dear Mr. Johnson:

We are writing to set forth our request concerning the mineral interest owned by you in the subject acreage.

According to our mineral interest take-off we believe you own a 25/2062656 interest in the N/2 SE/4 of Section 21, and a 5/343776 interest in the S/2 SE/4 of Section 21. The records reflect that the mineral interest appears to be unleased, at least as to the deep rights below 3500'.

Enclosed is a draft in the amount of \$50.00 which reflects the total bonus consideration offered. Also enclosed is a standard oil and gas lease with a 3/16 royalty and a 3-year term.

If acceptable, the lease should be signed by you and your spouse, if applicable, the depository bank entered in paragraph 4, and your signatures notarized on the back of the lease form. Please initial the changes to the basic contract and present the draft and lease to your bank for payment. The original lease should be attached to the draft, the copy is for your file.

We appreciate very much the opportunity to discuss this proposal with you and will look forward to hearing from you at your earliest convenience.

Very truly yours,

Thomas R. Barr

Thomas R. Barr
Land Manager

Enclosures

THE FIRST NATIONAL BANK
OF MIDLAND, TEXAS

Midland, Texas	October 10	1979	NO.
PLACE	DATE		
15	DAYS AFTER	Receipt	AND SUBJECT TO APPROVAL OF TITLE
PAY TO THE ORDER OF		Elmer G. Johnson	
		\$ 50.00	
Fifty--&--Nc/100-----		DOLLARS	
WITH EXCHANGE			
FOR In consideration for the execution of an Oil & Gas Lease described			
as the SE/4 of Section 21, T-23-S, R-37-E, Lea County, New Mexico			
To		Thomas R. Barr	
V-F Petroleum Inc.			
ONE MARIENFELD PLACE, MIDLAND, TEXAS			

NOTICE

DO NOT HANDLE AS A CASH ITEM

Thomas R. Barr

WOLF PETROLEUM COMPANY, INC.

suite 580

one marienfeld place

midland, texas 79701

915 683-3344

October 10, 1979

Mr. Andrew M. Taylor
7415 E. Lincoln Drive
Scottsdale, Arizona 88251

Mineral Ownership
SE/4 Section 21
T-23-S, R-37-E
Lea County, New Mexico

Dear Mr. Taylor:

We are writing to set forth our request concerning the mineral interest owned by you in the subject acreage.

According to our mineral interest take-off we believe you own a 0/0 interest in the N/2 SE/4 of Section 21, and a 10/343776 interest in the S/2 SE/4 of Section 21. The records reflect that the mineral interest appears to be unleased, at least as to the deep rights below 3500'.

Enclosed is a draft in the amount of \$50.00 which reflects the total bonus consideration offered. Also enclosed is a standard oil and gas lease with a 3/16 royalty and a 3-year term.

If acceptable, the lease should be signed by you and your spouse, if applicable, the depository bank entered in paragraph 4, and your signatures notarized on the back of the lease form. Please initial the changes to the basic contract and present the draft and lease to your bank for payment. The original lease should be attached to the draft, the copy is for your file.

We appreciate very much the opportunity to discuss this proposal with you and will look forward to hearing from you at your earliest convenience.

Very truly yours,

Thomas R. Barr

Thomas R. Barr
Land Manager

Enclosures

COURTESY OF
THE FIRST NATIONAL BANK
OF MIDLAND, TEXAS

Midland, Texas	October 10	19 79	NO.
PLACE	DATE		
15	DAYS AFTER	Receipt	AND SUBJECT TO APPROVAL OF TITLE
PAY TO THE ORDER OF		Andrew M. Taylor	
		\$ 50.00	
Fifty--&--No/100-----		DOLLARS	
WITH EXCHANGE			
FOR In consideration for the execution of an Oil & Gas Lease described			
as the SE/4 of Section 21, T-23-S, R-37-E, Lea County, New Mexico			

To Thomas R. Barr

W-E Petroleum Inc.

NOTICE

DO NOT HANDLE AS A CERT ITEM

Thomas R. Barr

V-F Petroleum LLC.

suite 580

one marienfeld place

midland, texas 79701

915 683-3344

February 4, 1980

Mrs. Kathleen Cone
P. O. Drawer 1509
Lovington, New Mexico 88260

Proposed McKee Well
North Teague Prospect
SE/4 Section 21
T-23-S, R-37-E
Lea County, New Mexico

Dear Mrs. Cone:

Reference is made to our previous correspondence in which we requested that you lease your interest to V-F Petroleum Inc. below the depth of 6500 feet in the subject acreage. We have talked with Clifford Cone who has requested that we forward an AFE and Operating Agreement for your review.

If acceptable, please execute and return one copy of both the Operating Agreement and AFE to this office. We expect to commence the well in the SE/4 SE/4 of Section 21 in the second quarter of this year.

If you should decide to lease to V-F Petroleum Inc. rather than join please advise.

We appreciate very much your consideration of our proposal and look forward to hearing from you.

Very truly yours,



Thomas R. Barr
Land Manager

TRB:mg

Enclosures

V-F Petroleum Inc.

suite 580

one marienfeld place

midland, texas 79701

915 683-3344

December 27, 1979

Mrs. Kathleen Cone
P. O. Drawer 1509
Lovington, New Mexico 88260


Oil & Gas Mineral Ownership
SE/4 Section 21
T-23-S, R-37-E
Lea County, New Mexico

Dear Mrs. Cone:

This letter is written to follow up my correspondence of October 10, 1979. In that letter we requested that you lease your mineral interest under the subject tract below the depth of 6500'. Since our letter we have succeeded in acquiring a substantial amount of the leasehold interest and hope to drill a well in the first half of next year.

If you have any questions or comments concerning our proposal please contact me. We look forward to hearing from you at your earliest convenience.

Very truly yours,


J. M. Fullinwider
Vice President

JMF:mg

V-F PETROLEUM INC.

suite 580

one marienfeld place

midland, texas 79701

915 683-3344

October 10, 1979

Mrs. Kathleen Cone
P. O. Drawer 1509
Lovington, New Mexico 88260

Oil & Gas Mineral Ownership
SE/4 Section 21, T-23-S, R-37-E
Lea County, New Mexico

Dear Mrs. Cone:


According to our review of the county records, we believe you own a mineral interest under this land as shown on the attached schedule. The records reflect that the mineral interest appears to be unleased, at least as to the deep rights below 6500'. We have been acquiring leases on the deep rights and would like to consider the drilling of a deep test well located on this tract prior to the end of this year.

We have been paying \$50.00 per acre cash bonus and 3/16 royalty for a 3-year term lease. Hoping you will agree to this trade we are enclosing a draft in the amount of \$105.42 which reflects this bonus consideration of \$50.00 per acre. Also enclosed is a standard form oil and gas lease carrying a 3/16 royalty, for a 3-year term.

If acceptable, the lease should be executed by you, the depository bank entered in paragraph 4, and your signature notarized on the back of the lease form. Please present the draft and the lease to your bank for collection. The original lease should be attached to the draft - the copy is for your file.


We appreciate very much the opportunity to discuss this proposal with you and will look forward to hearing from you at your earliest convenience.

Very truly yours,


J. M. Fullinwider
Vice President

Enclosures

COLLECTION DRAFT
COURTESY OF
THE FIRST NATIONAL BANK
OF MIDLAND, TEXAS

Midland, Texas	October 10	19 79	NO.
PLACE	DATE		
15	DAYS AFTER	Receipt	AND SUBJECT TO APPROVAL OF TITLE
PAY TO THE ORDER OF		Kathleen Cone	
		\$ 105.42	
One Hundred Five--&--42/100-----		DOLLARS	
WITH EXCHANGE			
FOR In consideration for the execution of an Oil & Gas Lease described as the SE/4 of Section 21, T-23-S, R-37-E, Lea County, New Mexico			
To		Thomas R. Barr	
V-F Petroleum Inc.		NOTICE	
Suite 580, One Marlenfeld Place		DO NOT HANDLE AS A CASH ITEM	
			

V-F Petroleum Inc.

suite 580

one marienfeld place

midland, texas 79701

915 683-3344

February 4, 1980

Mrs. Cathie Cone Auvenshine
Route 6, Box 79N
Austin, Texas 78737

Proposed McKee Well
North Teague Prospect
SE/4 Section 21
T-23-S, R-37-E
Lea County, New Mexico

Dear Mrs. Auvenshine:


Reference is made to our previous correspondence in which we requested that you lease your interest to V-F Petroleum Inc. below the depth of 6500 feet in the subject acreage. We have talked with Clifford Cone who has requested that we forward an AFE and Operating Agreement for your review.

If acceptable, please execute and return one copy of both the Operating Agreement and AFE to this office. We expect to commence the well in the SE/4 SE/4 of Section 21 in the second quarter of this year.

If you should decide to lease to V-F Petroleum Inc. rather than join please advise.

We appreciate very much your consideration of our proposal and look forward to hearing from you.

Very truly yours,


Thomas R. Barr
Land Manager

TRB:mg

Enclosures

(512) 288-0357
(512) 444-0266 office

Cathie Cone Auvenshine
Route 6, Box 79N
Austin, Texas 78737
November 9, 1979

V-F Petroleum Inc.
One Marienfeld Place
Suite 580
Midland, Texas 79701

Attention: Mr. J. M. Fullinwider
Vice President

Re: Oil & Gas Mineral Ownership
T23S-R37E: Sec. 21: SE $\frac{1}{4}$
Lea County, New Mexico

Dear Mr. Fullinwider:

Thank you for your lease offer on the above-captioned lease. Because I am not interested in leasing, I am returning the Oil and Gas Lease and the accompanying draft.

I am willing to join the drilling of a well on the above-captioned tract, subject to an agreeable operating agreement.

Sincerely,

Cathie Auvenshine
Cathie Auvenshine

CA/sh

Enclosures

RECEIVED
V-F PETROLEUM INC

NOV 13 1979

JE	TC
VV	JW
BR	KR
ME	

(512) 288-0357
, (512) 444-0266 office

Cathie Cone Auvenshine
Route 6, Box 79N
Austin, Texas 78757
October 29, 1979

Teague N.
5

V-F Petroleum Inc.
Suite 580
One Marienfeld Place
Midland, Texas 79701

Attention: Mr. J. M. Fullinwider
Vice President

Re: T23S-R37E: Sec. 21: SE $\frac{1}{4}$
Lea County, New Mexico
Sec. 21: N $\frac{1}{2}$ SE $\frac{1}{4}$: 1/48 MI
Sec. 21: S $\frac{1}{2}$ SE $\frac{1}{4}$: 1/32 MI

Dear Mr. Fullinwider:

Mrs. Auvenshine is in receipt of your letter dated October 10, 1979 in which you wish to acquire an Oil & Gas Lease on the above-captioned mineral interests.

Mrs. Auvenshine is currently considering your offer of \$50.00 per acre cash bonus and 3/16 royalty for a 3 year term lease. She will be in contact with you at a later date, when she has reached her decision.

Thank you for your interest in acquiring an Oil and Gas Lease on the above-captioned mineral interests.

Sincerely,

Sandra Hicks

Sandra Hicks, Secretary to
CATHIE AUVENSHINE

/sh

OCT 31 1979
7

~~WAF~~ EPICORP OIL & GAS INC.

suite 580

one marienfeld place

midland, texas 79701

915 683-3344

October 10, 1979

Mrs. Cathie Cone Auvenshine
Route 6, Box 79N
Austin, Texas 78737

Oil & Gas Mineral Ownership
SE/4 Section 21, T-23-S, R-37-E
Lea County, New Mexico

Dear Mrs. Auvenshine:

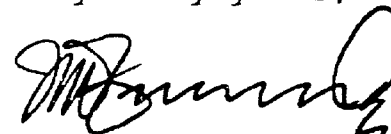
According to our review of the county records, we believe you own a mineral interest under this land as shown on the attached schedule. The records reflect that the mineral interest appears to be unleased, at least as to the deep rights below 6500'. We have been acquiring leases on the deep rights and would like to consider the drilling of a deep test well located on this tract prior to the end of this year.

We have been paying \$50.00 per acre cash bonus and 3/16 royalty for a 3-year term lease. Hoping you will agree to this trade we are enclosing a draft in the amount of \$50.00 which reflects this bonus consideration of \$50.00 per acre. Also enclosed is a standard form oil and gas lease carrying a 3/16 royalty, for a 3-year term.

If acceptable, the lease should be executed by you, the depository bank entered in paragraph 4, and your signature notarized on the back of the lease form. Please present the draft and the lease to your bank for collection. The original lease should be attached to the draft - the copy is for your file.

We appreciate very much the opportunity to discuss this proposal with you and will look forward to hearing from you at your earliest convenience.

Very truly yours,



J. M. Fullinwider
Vice President

Enclosures

COLLECTION DRAFT
COURTESY OF
THE FIRST NATIONAL BANK
OF MIDLAND, TEXAS

Midland, Texas	October 10	1979	NO.
PLACE	DATE		
15	DAYS AFTER	Receipt	AND SUBJECT TO APPROVAL OF TITLE
PAY TO THE ORDER OF		Cathie Cone Auvenshine	
		\$ 50.00	
Fifty--&--No/100--		DOLLAR	
WITH EXCHANGE			
FOR In consideration for the execution of an Oil & Gas Lease described			
as the SE/4 of Section 21, T-23-S, R-37-E, Lea County, New Mexico			
To		Thomas R. Barr	
V-L-I Petroleum Inc.			
Midland, Texas			

NOTICE

DO NOT HANDLE AS A CASH ITEM

TH. P. R.

17-17
suite 580

one marientfield place

midland, texas 79701

915 683-3344

February 15, 1980

Mr. David Bond Kyte
c/o Priscilla Kyte
802 Alameda Padre Serra
Santa Barbara, California 93101

Compulsory Pooling
V-F Petroleum Inc.
SE/4 Section 21
T-23-S, R-37-E
Lea County, New Mexico

Dear Mrs. Kyte:

Reference is made to our various telephone conversations concerning Mr. Kyte's mineral interest under the S/2 SE/4 of Section 21, T-23-S, R-37-E, Lea County, New Mexico. In those conversations we have advised that V-F Petroleum Inc. has made application for compulsory pooling of all uncommitted interests and the hearing is to be held February 27, 1980 in Santa Fe, New Mexico.

We look forward to the receipt of your lease which you have advised is in the mail to us at this time.

Very truly yours,



Thomas R. Barr
Land Manager

✓
suite 303

one marenfeld place

midland, texas 79701

95 653 3344

November 12, 1979

Mr. David Bond Kyte
c/o Mrs. Priscilla Kyte
802 Alameda
Padre Serra
Santa Barbara, California 93101

Mineral Ownership
S/2 SE/4 Section 21
T-23-S, R-37-E
Lea County, New Mexico

Dear Mrs. Kyte:

As per our telephone conversation I am writing to set forth our request concerning the mineral interest owned by Mr. Kyte in the subject acreage.

According to our mineral take-off, we believe that you own an undivided 1/128 interest in the S/2 SE/4 of Section 21. The records reflect that the mineral interest appears to be unleased, at least as to the deep rights below 6500'.

Enclosed is a draft in the amount of \$50.00 which reflects the bonus consideration for your approximately .625 acres. Also enclosed is a standard oil and gas lease with a 3/16 royalty and a 3-year term. For your information, the Bank of California has executed the Oil and gas lease for the interest of the Betty Kyte Dreesseen Trust.

If acceptable, the lease should be signed by you, the depository bank entered in paragraph 4, and your signature notarized on the back of the lease form. Please initial the changes to the basic contract and present the draft with the lease to your bank for payment. The original lease should be attached to the draft - the copy is for your file.

We appreciate very much the opportunity to discuss this prospect with you and will look forward to hearing from you at your earliest convenience.

Very truly yours,

Thomas R. Barr
Land Manager

Enclosures

21/12/79
1-25-80

10. Lessor, its successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof of record in the county in which said land is situated; thereupon lessor shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Printed the day and year first above written.

David Bond Kyte

V-F PETROLEUM CORP. INC.

suite 580

one marionfeld place

midland, texas 79701

915 683-3344

October 10, 1977

Mr. David Bond Kyte ✓
c/o Mrs. Betty Kyte Dreesseen
27447 Edgerton Road
Los Altos, California 94022

Mineral Ownership
SE/4 Section 21
T-23-S, R-37-E
Lea County, New Mexico

Dear Mr. Kyte:

We are writing to set forth our request concerning the mineral interest owned by you in the subject acreage.

According to our mineral interest take-off, we believe that you own an undivided 1/128 interest in the S/2 SE/4 of Section 21. The records reflect that the mineral interest appears to be unleased at least as to the deep rights below 3500'.

Enclosed is a draft in the amount of \$50.00 which reflects the bonus consideration for your approximately .625 acres. Also enclosed is a standard oil and gas lease with a 3/16 royalty and a 3 year term. For your information, I have also requested a lease of the 3/128 interest subject to the Betty Kyte Dreesseen Trust, Bank of California.

If acceptable, the lease should be signed by you and your wife, if applicable, the depository bank entered in paragraph 4, and your signature(s) notarized on the back of the lease form. Please initial the changes to the basic contract and present the draft with the lease to your bank for payment. The original lease should be attached to the draft, the copy is for your file.

We appreciate very much the opportunity to discuss this prospect with you and will look forward to hearing from you at your earliest convenience.

Very truly yours,

Thomas R. Barr
Thomas R. Barr
Land Manager

Enclosures

COURTESY OF
THE FIRST NATIONAL BANK
OF MIDLAND, TEXAS

Midland, Texas	October 10	1979	NO.
PLACE	DATE		
15	DAYS AFTER	Receipt	AND SUBJECT TO APPROVAL OF TITLE
PAY TO THE ORDER OF David Bond Kyte			
			\$ 50.00
Fifty--&--No/100--			DOLLARS
WITH EXCHANGE			
FOR In consideration for the execution of an Oil & Gas Lease described as the SE/4 of Section 21, T-23-S, R-37-E, Lea County, New Mexico			
To Thomas R. Barr			
V-F Petroleum Inc.			

NOTICE

DO NOT HANDLE AS CASH ITEM

Thomas R. Barr

NORTH TEAGUE PROSPECT BELOW 6500'

<u>Type of Commitment</u>	<u>N/2 SE/4</u>	<u>S/2 SE/4</u>
Leased to V-F Petroleum Inc.	10.36%	27.25%
Farmed out to V-F	62.49	30.63
Joined in well with V-F	25.83	39.37
Verbal commitment to join or to lease to V-F	1.25	2.66
Uncommitted	.07	.09
	100.00%	100.00%

BEFORE EXAMINER HUTTER
OIL CONSERVATION DIVISION
V-F BV EXHIBIT NO. 5
CASE NO. 6819

WELL COST ESTIMATE

Drilling & Testing

Operator V-F PETROLEUM INC. Well Name TRAVIS No. 1Area NORTH TEAGUE FIELD County LEA State N.M.Projected Depth 9,600' Objective Devonian & McKee Expl. Devel. X W.O.

SE SE SE Section 21, T-23-S, R-37-E

	ESTIMATED	ACTUAL
INTANGIBLE DRILLING COSTS		
Location: Survey & Stake	\$ 400	
Roads, Pad & Clearing	12,000	
Surface Damages	2,500	
Drilling: Footage <u>9,600</u> ' @ \$ <u>20.00</u> /ft	192,000	
Day Work W/Pipe <u>4</u> Days @ \$ <u>4,500</u> /day	18,000	
Day Work W/O Pipe <u>1</u> Days @ \$ <u>4,500</u> /day	4,500	
Cement: Surface Casing	1,500	
Intermediate Casing	4,500	
Cementing Services:		
Surface Casing	700	
Intermediate Casing	1,000	
Mud and Chemicals (Salt Gel)	28,000	
Casing Pit Lining	1,400	
Testing <u>4</u> DSTs & Rigtime included above	10,000	
Logging: Mud Log from _____ ' to _____ '	--	
Electrical Surveys: Dual Lat. to TD 3000'	--	
Densi-Neut. TD to 3000'	16,000	
GR Caliper TD - Surface	--	
Geological Days @ \$ <u>275</u> /day (plus expenses)	3,500	
Engineering Days @ \$ <u>275</u> /day (plus expenses)	3,500	
Equipment Rental Csg. - Csg. Crews	5,000	
Hauling	3,000	
Miscellaneous & Contengencies	15,000	
Water - Fresh & Brine	15,000	
TOTAL INTANGIBLE DRILLING COSTS	\$ 337,500	
TANGIBLE DRILLING COSTS		
Surface Casing <u>350</u> ' of <u>11-3/4"</u> @ \$ <u>15.00</u> /ft	\$ 5,300	
Intermediate Casing <u>2950</u> ' of <u>8-5/8"</u> @ \$ <u>11.00</u> /ft	32,400	
Well Head	9,000	
Miscellaneous	3,000	
TOTAL TANGIBLE DRILLING COSTS	\$ 49,700	
TOTAL DRILLING COSTS	\$ 387,200	
INTANGIBLE ABANDONMENT COSTS		
Cement for Plugging	\$ 1,000	
Cementing Service & Rigtime	6,000	
Location Clean-Up and Fence Work	1,000	
TOTAL INTANGIBLE ABANDONMENT COSTS	\$ 8,000	
TOTAL DRY-HOLE COST	\$ 395,200	

APPROVED:

COMPANY V-F PETROLEUM INC.By V. F. VASICEK *V.F. Vasicek*Date 1-23-80

COMPANY

By

Date

BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION

UF PER EXHIBIT NO. 6CASE NO. 6819

WELL COST ESTIMATE
Completion & Equipment

Operator V-F PETROLEUM INC. Well Name TRAVIS No. 1
Area NORTH TEAGUE FIELD County LEA State N.M.
Projected Depth 9,600 Objective Devonian & McKee Expl. Devel. X W.O.

SE SE SE Section 21, T-23-S, R-37-E

	ESTIMATED	ACTUAL
<u>INTANGIBLE COMPLETION COSTS</u>		
Rotary Day Work <u>1</u> days @ \$ <u>5,000</u> /day	\$ 5,000	
Pulling Unit Day Work <u>8</u> days @ \$ <u>1,100</u> /day	8,800	
Cement DV Tool	8,000	
Cementing Services DV Tool	1,800	
Electrical Surveys	2,000	
Perforating	3,000	
Formation Treatment: Acid	6,000	
Frac		
Testing	2,000	
Hauling	2,000	
Engineering <u>10</u> days @ \$ <u>275</u> /day (plus expenses)	3,500	
Miscellaneous & Contengencies & Taxes	10,000	
TOTAL INTANGIBLE COMPLETION COSTS	\$ 52,100	
<u>TANGIBLE COMPLETION COSTS</u>		
Production Casing <u>9,600</u> ' of <u>5-1/2"</u> @ \$ <u>7.30</u> /ft	\$ 70,000	
Production Casing ' of " @ \$ /ft		
Liner ' of " @ \$ /ft		
Tubing <u>9,600</u> ' of <u>2-3/8"</u> @ \$ <u>3.40</u> /ft	32,700	
Sucker Rods <u>9,600</u> ' of <u>3/4-7/8</u> @ \$ <u>1.50</u> /ft	15,000	
Xmas Tree	4,000	
Pumping Unit w/base	40,000	
Engine/Motor & Controls Electrical lines	5,000	
Separator Subsurface Pump & Accessories	2,000	
Heater/Treater	6,000	
Flow Lines	1,000	
Tank Battery & Connections	10,000	
Installation Labor	5,000	
Miscellaneous & Contengencies - Taxes	15,000	
TOTAL TANGIBLE COMPLETION COSTS	\$ 205,700	
TOTAL COMPLETION COSTS	\$ 257,800	
TOTAL COMPLETED WELL COSTS	\$ 645,000	

APPROVED:

COMPANY V-F PETROLEUM INC.

COMPANY

By V. F. VASICEK *V. F. Vasicek*

By

Date 1-23-80

Date

Teague North Prospect
SE/4 Section 21
T-23-S, R-37 E
Lea County, New Mexico

<u>Name & Address</u>	<u>Interest</u>		<u>Comments</u>
	<u>N/2 SE/4</u>	<u>S/2 SE/4</u>	
Mr. Max Chudy 119 Rohr Avenue Buffalo, New York 14211	500/2,062,656	100/343,776	No answer
Flora G. Sarkisian, Executrix of the Est. of Dickram M. Sarkisian, deceased 35 West 44th Street New York, NY 10018	240/2,062,656	48/343,776	No answer
E. M. Edwards Company 1500 Walnut Street, Room 1608 Philadelphia, PA 19102	160/2,062,656	32/343,776	No answer
Hylah G. Sullivan	135/2,062,656	27/343,776	Unable to locate
Mrs. Rose Lancaster Rural Route 4 Darlington, Wisconsin 53530	62.5/2,062,656	12.5/343,776	No answer
Mrs. Anna Ross Gebhardt 1732 Dodson Street Evanston, Illinois 60202	62.5/2,062,656	12.5/343,776	No answer
Edward Mitchell Edwards 1500 Walnut Street, Room 708 Philadelphia, PA 19102	125/2,062,656	25/343,776	No answer
Franklin J. Zouch 8114 North 9th Avenue Phoenix, Arizona 85021	80/2,062,656	16/343,776	No answer
Delia B. Edwards 1500 Walnut Street, Room 1608 Philadelphia, PA 19102	75/2,062,656	15/343,776	No answer
Gorden S. Berg 7030 Chappel Avenue Chicago, Illinois 60649	50/2,062,656	10/343,776	No answer
Miss Ida Miller 1500 Walnut Street, Room 708 Philadelphia, PA 19102	25/2,062,656	5/343,776	No answer
Elmer G. Johnson 8364 Bennett Avenue Fontana, CA 92335	25/2,062,656	5/343,776	No answer
Andrew M. Taylor 7415 E. Lincoln Drive Scottsdale, Arizona 85251	-0-	10/343,776	No answer
Mrs. Kathleen Cone P. O. Drawer 1509 Lovington, NM 88260	1.04167	1.56250	
Cathie Cone Auvenshine Route 6, Box 79N Austin, Texas 78737	.20833	.31250	
David Bond Kyte c/o Priscilla Kyte 802 Alameda Padre Serra Santa Barbara, CA 93101	-0-	.78125%	
	<u>1.32%</u>	<u>2.75%</u>	

Exhibit 3
Case 6819

NORTH TEAGUE PROSPECT BELOW 6500'

<u>Type of Commitment</u>	<u>N/2 SE/4</u>	<u>S/2 SE/4</u>
Leased to V-F Petroleum Inc.	10.36%	27.25%
Farmed out to V-F	62.49	30.63
Joined in well with V-F	25.83	39.37
Verbal commitment to join or to lease to V-F	1.25	2.66
Uncommitted	.07	.09
	<hr/> 100.00%	<hr/> 100.00%

Exhibit 5
Case 6819

AFE
WELL COST ESTIMATE
Drilling & Testing

Operator V-F PETROLEUM INC. Well Name TRAVIS No. 1
Area NORTH TEAGUE FIELD County LEA State N.M.
Projected Depth 9,600' Objective Devonian & McKee Expl. Devel. X W.O.
SE SE SE Section 21, T-23-S, R-37-E

	ESTIMATED	ACTUAL
INTANGIBLE DRILLING COSTS		
Location: Survey & Stake	\$ 400	
Roads, Pad & Clearing	12,000	
Surface Damages	2,500	
Drilling: Footage <u>9,600</u> ' @ \$ <u>20.00</u> /ft	192,000	
Day Work W/Pipe <u>4</u> Days @ \$ <u>4,500</u> /day	18,000	
Day Work W/O Pipe <u>1</u> Days @ \$ <u>4,500</u> /day	4,500	
Cement: Surface Casing	1,500	
Intermediate Casing	4,500	
Cementing Services:		
Surface Casing	700	
Intermediate Casing	1,000	
Mud and Chemicals (Salt Gel)	28,000	
Coring Pit Lining	1,400	
Testing <u>4</u> DSTs & Rigtime included above	10,000	
Logging: Mud Log from <u> </u> ' to <u> </u> ' <u> </u>	--	
Electrical Surveys: Dual Lat. to TD 3000'	--	
Densi-Neut. TD to 3000'	16,000	
GR Caliper TD - Surface	--	
Geological <u> </u> Days @ \$ <u>275</u> /day (plus expenses)	3,500	
Engineering <u> </u> Days @ \$ <u>275</u> /day (plus expenses)	3,500	
Equipment Rental Csg. - Csg. Crews	5,000	
Hauling	3,000	
Miscellaneous & Contengencies	15,000	
Water - Fresh & Brine	15,000	
TOTAL INTANGIBLE DRILLING COSTS	\$ 337,500	
TANGIBLE DRILLING COSTS		
Surface Casing <u>350</u> ' of <u>11-3/4"</u> @ \$ <u>15.00</u> /ft	\$ 5,300	
Intermediate Casing <u>2950</u> ' of <u>8-5/8"</u> @ \$ <u>11.00</u> /ft	32,400	
Well Head	9,000	
Miscellaneous	3,000	
TOTAL TANGIBLE DRILLING COSTS	\$ 49,700	
TOTAL DRILLING COSTS	\$ 387,200	
INTANGIBLE ABANDONMENT COSTS		
Cement for Plugging	\$ 1,000	
Cementing Service & Rigtime	6,000	
Location Clean-Up and Fence Work	1,000	
TOTAL INTANGIBLE ABANDONMENT COSTS	\$ 8,000	
TOTAL DRY-HOLE COST	\$ 395,200	

APPROVED:

COMPANY V-F PETROLEUM INC.

COMPANY

By V. F. VASICEK *V. Vasicek*

By

Date 1-23-80

Date

Exhibit 6
Case 6819

WELL COST ESTIMATE

Completion & Equipment

Operator V-F PETROLEUM INC. Well Name TRAVIS No. 1
 Area NORTH TEAGUE FIELD County LEA State N.M.
 Projected Depth 9,600 Objective Devonian & McKee Expl. Devel. X W.O. W.O.

SE SE SE Section 21, T-23-S, R-37-E

	ESTIMATED	ACTUAL
INTANGIBLE COMPLETION COSTS		
Rotary Day Work <u>1</u> days @ \$ <u>5,000</u> /day	\$ 5,000	
Pulling Unit Day Work <u>8</u> days @ \$ <u>1,100</u> /day	8,800	
Cement DV Tool	8,000	
Cementing Services DV Tool	1,800	
Electrical Surveys	2,000	
Perforating	3,000	
Formation Treatment: Acid	6,000	
Frac		
Testing	2,000	
Hauling	2,000	
Engineering <u>10</u> days @ \$ <u>275</u> /day (plus expenses)	3,500	
Miscellaneous & Contengencies & Taxes	10,000	
TOTAL INTANGIBLE COMPLETION COSTS	\$ 52,100	
TANGIBLE COMPLETION COSTS		
Production Casing <u>9,600</u> ' of <u>5-1/2"</u> @ \$ <u>7.30</u> /ft	\$ 70,000	
Production Casing ' of " @ \$ /ft		
Liner ' of " @ \$ /ft		
Tubing <u>9,600</u> ' of <u>2-3/8"</u> @ \$ <u>3.40</u> /ft	32,700	
Sucker Rods <u>9,600</u> ' of <u>3/4-7/8</u> @ \$ <u>1.50</u> /ft	15,000	
Xmas Tree	4,000	
Pumping Unit w/base	40,000	
Engine/Motor & Controls Electrical lines	5,000	
Separation Subsurface Pump & Accessories	2,000	
Heater/Treater	6,000	
Flow Lines	1,000	
Tank Battery & Connections	10,000	
Installation Labor	5,000	
Miscellaneous & Contengencies - Taxes	15,000	
TOTAL TANGIBLE COMPLETION COSTS	\$ 205,700	
TOTAL COMPLETION COSTS	\$ 257,800	
TOTAL COMPLETED WELL COSTS	\$ 645,000	

APPROVED:

COMPANY V-F PETROLEUM INC.

COMPANY _____

By V. F. VASICEK

By _____

Date 1-23-80

Date _____

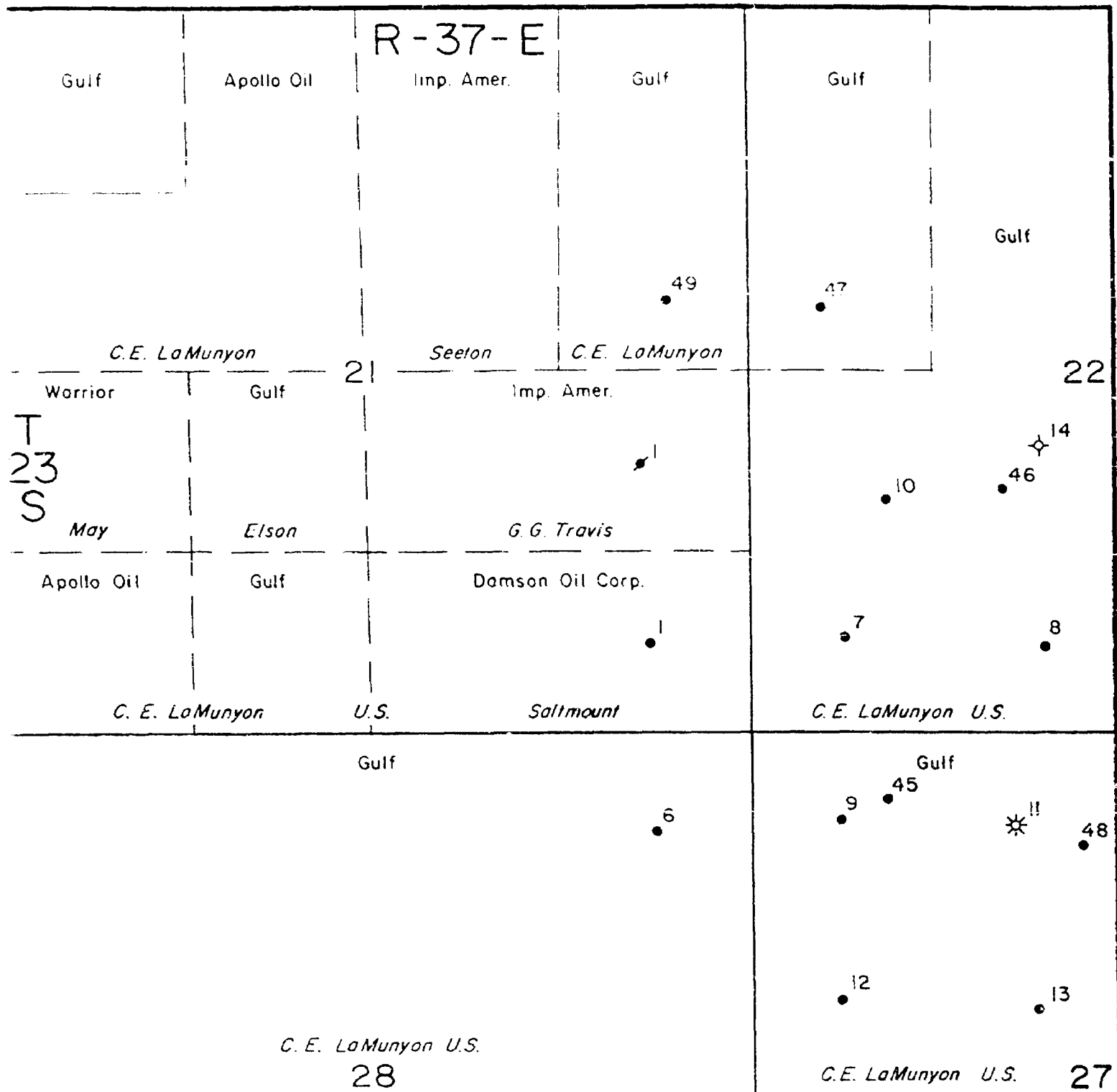


Exhibit 1
Case 6819

N



V-F PETROLEUM INC.
Midland, Texas

NORTH TRAGUE (Devonian) AREA
LEA COUNTY, NEW MEXICO
SCALE: 1" = 1000'

Date: Jan. '80 Geologist: E.A. Wagner

Teague North Prospect
SE/4 Section 21
T-23-S, R-37-E
Lea County, New Mexico

Name & Address	Interest		Comments
	N/2 SE/4	S/2 SE/4	
Mr. Max Chudy 119 Rohr Avenue Buffalo, New York 14211	500/2,062,656	100/343,776	No answer
Flora G. Sarkisian, Executrix of the Est. of Dickram M. Sarkisian, deceased 35 West 44th Street New York, NY 10018	240/2,062,656	48/343,776	No answer
E. M. Edwards Company 1500 Walnut Street, Room 1608 Philadelphia, PA 19102	160/2,062,656	32/343,776	No answer
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Mrs. Anna Ross Gebhardt 1732 Dodson Street Evanston, Illinois 60202	62.5/2,062,656	12.5/343,776	No answer
Edward Mitchell Edwards 1500 Walnut Street, Room 708 Philadelphia, PA 19102	125/2,062,656	25/343,776	No answer
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Delia B. Edwards 1500 Walnut Street, Room 1608 Philadelphia, PA 19102	75/2,062,656	15/343,776	No answer
Gorden S. Berg 7030 Chappel Avenue Chicago, Illinois 60649	50/2,062,656	10/343,776	No answer
Miss Ida Miller 1500 Walnut Street, Room 708 Philadelphia, PA 19102	25/2,062,656	5/343,776	No answer
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Andrew M. Taylor 7415 E. Lincoln Drive Scottsdale, Arizona 85251	-0-	10/343,776	No answer
Mrs. Kathleen Cone P. O. Drawer 1509 Lovington, NM 88260	1.04167	1.56250	
Cathie Cone Auvenshine Route 6, Box 79N Austin, Texas 78737	.20833	.31250	
David Bond Kyte c/o Priscilla Kyte 802 Alameda Padre Serra Santa Barbara, CA 93101	-0-	.78125%	
	1.32%	2.75%	

Exhibit 3
Case 6819

NORTH TEAGUE PROSPECT BELOW 6500'

<u>Type of Commitment</u>	<u>N/2 SE/4</u>	<u>S/2 SE/4</u>
Leased to V-F Petroleum Inc.	10.36%	27.25%
Farmed out to V-F	62.49	30.63
Joined in well with V-F	25.83	39.37
Verbal commitment to join or to lease to V-F	1.25	2.66
Uncommitted	.07	.09
	100.00%	100.00%

Exhibit 5
case 6819

Drilling & Testing

Operator V-F PETROLEUM INC. Well Name TRAVIS No. 1

Area NORTH TEAGUE FIELD County LEA State N.M.

Projected Depth 9,600' Objective Devonian & McKee Expl. Devel. X W.O.

SE SE SE Section 21, T-23-S, R-37-E

	ESTIMATED	ACTUAL
INTANGIBLE DRILLING COSTS		
Location: Survey & Stake	\$ 400	
Roads, Pad & Clearing	12,000	
Surface Damages	2,500	
Drilling: Footage <u>9,600</u> ' @ \$ <u>20.00</u> /ft	192,000	
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Cementing Services:		
Surface Casing	700	
Intermediate Casing	1,000	
Mud and Chemicals (Salt Gel)	28,000	
Casing Pit Lining	1,400	
Testing <u>4</u> DSTs & Rigtime included above	10,000	
Logging: Mud Log from _____ ' to _____ ' Dual Lat. to TD 3000'	--	
Electrical Surveys	--	
Densi-Neut. TD to 3000'	16,000	
GR Caliper TD - Surface	--	
Geological _____ Days @ \$ <u>275</u> /day (plus expenses)	3,500	
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Well Head	9,000	
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TOTAL TANGIBLE DRILLING COSTS	\$ 49,700	
TOTAL DRILLING COSTS	\$ 387,200	
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Location Clean-Up and Fence Work	1,000	
TOTAL INTANGIBLE ABANDONMENT COSTS	\$ 8,000	
TOTAL DRY-HOLE COST	\$ 395,200	

APPROVED:

COMPANY V-F PETROLEUM INC.

By V. F. VASICEK

Date 1-23-80

COMPANY

By

Date

Exhibit 6
Case 6819

WELL COST ESTIMATE
Completion & Equipment

Operator V-F PETROLEUM INC. Well Name TRAVIS No. 1
Area NORTH TEAGUE FIELD County LEA State N.M.
Projected Depth 9,600 Objective Devonian & McKee Expl. Devel. X W.O.

SE SE SE Section 21, T-23-S, R-37-E

	ESTIMATED	ACTUAL
INTANGIBLE COMPLETION COSTS		
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Formation Treatment: Acid	6,000	
Frac		
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Production Casing ' of " @ \$ /ft		
Liner ' of " @ \$ /ft		
Tubing <u>9,600</u> ' of <u>2-3/8"</u> @ \$ <u>3.40</u> /ft	32,700	
Sucker Rods <u>9,600</u> ' of <u>3/4-7/8</u> @ \$ <u>1.50</u> /ft	15,000	
Xmas Tree	4,000	
Pumping Unit w/base	40,000	
Engine/Motor & Controls Electrical lines	5,000	
Separation Subsurface Pump & Accessories	2,000	
Heater/Treater	6,000	
Flow Lines	1,000	
Tank Battery & Connections	10,000	
Installation Labor	5,000	
Miscellaneous & Contengencies - Taxes	15,000	
TOTAL TANGIBLE COMPLETION COSTS	\$ 205,700	
TOTAL COMPLETION COSTS	\$ 257,800	
TOTAL COMPLETED WELL COSTS	\$ 645,000	

APPROVED:

COMPANY V-F PETROLEUM INC. COMPANY
By V. F. VASICEK *V. F. Vasicek* By
Date 1-23-80 Date

CASE 6818: (Continued from February 27, 1980, Examiner Hearing)

Application of Tenneco Oil Company for an NGPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination for its State HL #1 Well No. 1 located in Unit H of Section 11, Township 19 South, Range 29 East.

CASE 6835: Application of Anadarko Production Company for an NGPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination for its New Mexico State "AB" Com. Well No. 1 located in Unit H of Section 36, Township 18 South, Range 28 East.CASE 6836: Application of Anadarko Production Company for an NGPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination for its New Mexico "AA" State Well No. 1 located in Unit F of Section 35, Township 18 South, Range 28 East.CASE 6837: Application of Curtis Little for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the W/2 of Section 7, Township 25 North, Range 3 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. 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 6819: (Continued from February 27, 1980, Examiner Hearing)

Application of V-F Petroleum, Inc. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the McKee or Devonian formations, or both, underlying four 40-acre units, being the SE/4 SE/4, NE/4 SE/4, NW/4 SE/4, and SW/4 SE/4 of Section 21, Township 23 South, Range 37 East, North Teague Field, each 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 wells 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 wells and a charge for risk involved in drilling said wells.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
27 February 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of V-F Petroleum, Inc.,) CASE
for compulsory pooling, Lea County,) 6819
New Mexico.)

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation	Ernest L. Padilla, Esq.
Division:	Legal Counsel to the Division
	State Land Office Bldg.
	Santa Fe, New Mexico 87501

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 MR. STAMETS: Call next Case 6919. Ap-
2 plication of V-F Petroleum Corporation -- Inc., rather, for
3 compulsory pooling, Lea County, New Mexico.

4 At the request of the Applicant this case
5 will be continued to the March 12th Examiner Hearing.

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(Hearing concluded.)

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SALLY W. BOYD, C.S.R.
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Santa Fe, New Mexico 87501
Phone (505) 455-7409

REORTER'S CERTIFICATE

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

Sally W. Boyd C.S.R.

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

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Richard L. Stamm
Oil Conservation Division
Examiner

NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
27 February 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of V-F Petroleum, Inc.,)
for compulsory pooling, Lea County,) CASE
New Mexico.) 6819

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

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For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
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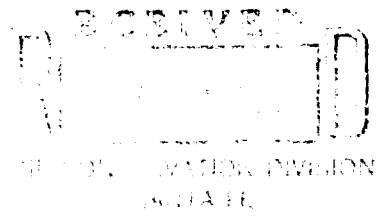
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... of ... that
the ... transcript ... before the Oil Conserva-
tion Division was reported to be ... that the said transcript
is a fair, true, and correct record of the hearing, prepared
by me at the best of my ability.

I do hereby certify that the foregoing is
a true and correct copy of the transcript as
received by me on _____, 19____.
_____, Examiner
Oil Conservation Division

- CASE 6819: Application of V-F Petroleum, Inc. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the McKee or Devonian formations, or both, underlying four 40-acre units, being the SE/4 SE/4, NE/4 SE/4, NW/4 SE/4, and SW/4 SE/4 of Section 21, Township 23 South, Range 37 East, North Teague Field, each 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 wells 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 wells and a charge for risk involved in drilling said wells.
- CASE 6373: (Reopened and Readvertised) (Continued from January 30, 1980, Examiner Hearing)
- In the matter of Case 6373 being reopened pursuant to the provisions of Order No. R-5875 which order created the East High Hope-Abo Gas Pool with temporary special rules therefor providing for 320-acre spacing. All interested parties may appear and show cause why the East High Hope-Abo Gas Pool should not be developed on 160-acre spacing units.
- CASE 6820: Application of Boyd Operating Co. for a dual completion and unorthodox well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Blakemore Federal Well No. 1 at an unorthodox Wolfcamp location in the center of Unit A of Section 20, Township 9 South, Range 26 East, to produce gas from the Wolfcamp and Abo formations.
- CASE 6821: Application of Shell Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blinebry and Drinkard production in the wellbore of its Andrews Well No. 1 located in Unit F of Section 14, Township 21 South, Range 37 East.
- CASE 6822: Application of Mesa Petroleum Co. for a gas well classification and unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the classification of its Jog State Well No. 1 as a retrograde gas condensate well with 320-acre spacing; applicant further seeks approval for the unorthodox location of said well in the center of Unit L of Section 2, Township 24 South, Range 32 East, the S/2 of said Section 2 to be dedicated to the well.
- CASE 6767: (Continued from February 13, 1980, Examiner Hearing)
- Application of Alpha Twenty-One Production Company for two non-standard gas proration units, unorthodox well location, and approval of infill drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 40-acre non-standard proration unit comprising the NW/4 NW/4 of Section 27, Township 25 South, Range 37 East, Jalmat Gas Pool, to be dedicated to El Paso Natural Gas Company's Harrison Well No. 2, and also a 200-acre unit comprising the S/2 N/2 and NE/4 NW/4 of said Section 27 to be dedicated to a well to be drilled at an unorthodox location 1980 feet from the North line and 560 feet from the West line of Section 27. Applicant further seeks a finding that the drilling of the latter well is necessary to effectively and efficiently drain that portion of an existing proration unit which cannot be so drained by the existing well.



BEFORE THE
NEW MEXICO ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF
V-F PETROLEUM, INC., FOR
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO

Case 6819

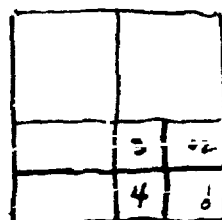
A P P L I C A T I O N

COMES NOW V-F PETROLEUM, INC., and applies to the Oil Conservation Division, New Mexico Energy and Minerals Department, for compulsory pooling of four 40-acre units for production from the McKee formation, or from the Devonian formation, or both, Lea County, New Mexico, North Teague (Devonian) area, and in support thereof would show the Division:

1. Applicant proposes to drill an initial well, to be located 330 feet from the South line, and 330 feet from the East line, Section 21, Township 23 South, Range 37 East, N.M.P.M., dedicating thereto the SE/4 SE/4 of Section 21. The initial well will be drilled to a depth sufficient to test the McKee at approximately 9,000 feet, and the Devonian at approximately 7,600 feet.

2. In the event the initial well is successfully completed for production from either the McKee or the Devonian, or both, applicant proposes to drill at a standard location in the NE/4 SE/4 of Section 21, and if successful, to then drill the NW/4 SE/4 and the SW/4 SE/4 of the said Section 21.

3. Applicant has obtained the concurrence of all interest owners in the SE/4 of Section 21, with the exception of the owners of 2.55% in the N/2 SE/4, and of 3.82 in the S/2 SE/4, although



although it has made diligent effort to obtain a lease, farmout, or participation of the non-consenting owners.

4. The ownership, and the interest of each owner to the best of Applicant's information and belief, of those not consenting to the drilling of the proposed wells is shown on Exhibit "A" attached to this Application and made a part hereof.

WHEREFORE, Applicant prays that each of the quarter-quarter sections listed above be compulsorily pooled, that Applicant be designated as the operator of any well to be drilled, and that it be permitted to recover its costs of drilling, completing and equipping any well to be drilled, out of production, and to recover its costs of operation out of production, together with a risk factor for the risk of drilling, completing and equipping the wells, and for such other and further provision as the Division may deem proper.

Respectfully submitted,

V-F PETROLEUM, INC.

By: Jason Kellahin
W. Thomas Kellahin
KELLAHIN & KELLAHIN
P. O. Box 1769
Santa Fe, New Mexico 87501
Phone: (505) 982-4285
ATTORNEYS FOR APPLICANT

Teague North Prospect
SE/4 Section 21
T-23-S, R-37-E
Lea County, New Mexico

Name & Address	Interest	
	N/2 SE/4	S/2 SE/4
Mr. R. B. Mitchell First City National Bank Building Austin, Texas 77002	5295/2,062,656	1059/343,776
Mr. Walsh B. Trammell 601 Southern National Bank Building Houston, Texas 77002	1940/2,062,656	388/343,776
Mr. Max Chudy 119 Rohr Avenue Buffalo, New York	500/2,062,656	100/343,776
Sheridan Family Trust 3686 Collins Street Saratoga, Florida 33580	390/2,062,656	78/343,776
Rose P. Feltman 61-20 Grand Parkway, Spt. 602-C Forest Hills, New York 11375	390/2,062,656	78/343,776
Flora G. Sarkisian, Executrix of the Estate of Dickram M. Sarkisian, deceased 35 West 44th Street New York, New York 10018	240/2,062,656	48/343,776
Harry L. Jones & Isabel Jones as Joint Tenants with Right of Survivorship 108 S. Court Street Orlando, Florida 32801	200/2,062,656	40/343,776
E. M. Edwards Company 1500 Walnut Street, Room 1608 Philadelphia, PA 19102	160/2,062,656	32/343,776
Hylah G. Sullivan	135/2,062,656	27/343,776
Mrs. Rose Lancaster Rural Route 4 Darlington, Wisconsin 53530	62.5/2,062,656	12.5/343,776
Mrs. Anna Ross Gebhardt 1732 Dobson Street Evanston, Illinois 60202	62.5/2,062,656	12.5/343,776
Edward Mitchell Edwards 1500 Walnut Street, Room 708 Philadelphia, PA 19102	125/2,062,656	25/343,776
Franklin J. Zouch 8114 North 9th Avenue Phoenix, Arizona 85021	80/2,062,656	16/343,776
Robert Bradshaw Delphi, Indiana 46923	80/2,062,656	16/343,776
Delia B. Edwards 1500 Walnut Street, Room 1608 Philadelphia PA 19102	75/2,062,656	15/343,776

Gorden G. Berg 7030 Chappel Avenue Chicago, Illinois 60649	50/2,062,656	10/343,776
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Elmer G. Johnson 8364 Bennett Avenue Fontana, Calif. 92335	25/2,062,656	5/343,776
Charles T. Gallaher, II 1216 Sixth Street Moundsville, West Virginia 26041	25/2,062,656	5/343,776
Andrew M. Taylor 7415 E. Lincoln Drive Scottsdale, Arizona 85251	-0-	10/343,776
Mrs. Kathleen Cone P. O. Drawer 1509 Lovington, New Mexico 88260	50/602% of 1/48	50.602% of 1/32
Douglas L. Cone, M.D. P. O. Box 6217 Lubbock, Texas 79413	9.8796% of 1/48	9.8796% of 1/32
Clifford Cone P. O. Box 6010 Lubbock, Texas 79413	9.8796% of 1/48	9.8796% of 1/32
Thomas R. Cone P. O. Box 126 Southwest City, Missouri 64843	9.8796% of 1/48	9.8796% of 1/32
Kenneth G. Cone P. O. Drawer 1509 Lovington, New Mexico 88260	9.8796% of 1/48	9.8796% of 1/32
Cathie Cone Auvenshine Route 6, Box 79N Austin, Texas 78737	9.8796% of 1/48	9.8796% of 1/32
June Speight Suite 900 500 Rockfeller Plaza New York, New York 10020	12.5%	12.5%

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BEFORE THE
NEW MEXICO ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF
V-F PETROLEUM, INC., FOR
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO

Pass 6819

A P P L I C A T I O N

COMES NOW V-F PETROLEUM, INC., and applies to the Oil Conservation Division, New Mexico Energy and Minerals Department, for compulsory pooling of four 40-acre units for production from the McKee formation, or from the Devonian formation, or both, Lea County, New Mexico, North Teague (Devonian) area, and in support thereof would show the Division:

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2. In the event the initial well is successfully completed for production from either the McKee or the Devonian, or both, applicant proposes to drill at a standard location in the NE/4 SE/4 of Section 21, and if successful, to then drill the NW/4 SE/4 and the SW/4 SE/4 of the said Section 21.

3. Applicant has obtained the concurrence of all interest owners in the SE/4 of Section 21, with the exception of the owners of 2.55% in the N/2 SE/4, and of 3.82 in the S/2 SE/4, although

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4. The ownership, and the interest of each owner to the best of Applicant's information and belief, of those not consenting to the drilling of the proposed wells is shown on Exhibit "A" attached to this Application and made a part hereof.

WHEREFORE, Applicant prays that each of the quarter-quarter sections listed above be compulsorily pooled, that Applicant be designated as the operator of any well to be drilled, and that it be permitted to recover its costs of drilling, completing and equipping any well to be drilled, out of production, and to recover its costs of operation out of production, together with a risk factor for the risk of drilling, completing and equipping the wells, and for such other and further provision as the Division may deem proper.

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June Speight Suite 900 500 Rockefeller Plaza New York, New York 10020	12.5%	12.5%

BEFORE THE
NEW MEXICO ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF
V-F PETROLEUM, INC., FOR
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO

Case 6819

A P P L I C A T I O N

COMES NOW V-F PETROLEUM, INC., and applies to the Oil Conservation Division, New Mexico Energy and Minerals Department, for compulsory pooling of four 40-acre units for production from the McKee formation, or from the Devonian formation, or both, Lea County, New Mexico, North Teague (Devonian) area, and in support thereof would show the Division:

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Cathie Cone Auvenshine Route 6, Box 79N Austin, Texas 78737	9.8796% of 1/48	9.8796% of 1/32
June Speight Suite 900 500 Rockefeller Plaza New York, New York 10020	12.5%	12.5%

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. 6819

Order No. R- 6292

APPLICATION OF V-F PETROLEUM,
INC. FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March 12
1980, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this _____ day of March, 19 80, 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, V-F Petroleum, Inc.,
seeks an order pooling all mineral interests in the McKee or
Devonian formations, or both, underlying four 40-acre units, being
the SE/4 SE/4, NE/4 SE/4, NW/4 SE/4, ~~underlying~~ and SW/4 SE/4
of Section 21, Township 23 South, Range 37 East
NMPM, North Teague Field, Lea County, New
Mexico., each to be dedicated to a well to be drilled at a standard
location thereon.

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(3) That the applicant has the right to drill and proposes to drill a well *on each of the aforesaid four 40-acre proration units.*

(4) That there are interest owners in the proposed proration units 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 units the opportunity to recover or receive without unnecessary expense his just and fair share of the *oil and gas* ^{the subject formations,} in ~~said pool~~ ^{the subject} application should be approved by pooling all mineral interests, whatever they may be, within said units.

(6) That the applicant should be designated the operator of the subject wells and units.

(7) That any non-consenting working interest owner ^{in each of the four subject proration units} should be afforded the opportunity to pay his share of estimated well ^{for that unit} 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 ^{in each of said units who} ~~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 ^{unit} 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.

where it is necessary
per month while producing

(11) That \$2000.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) ^{for each of the subject wells,} that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest ^{in the well,} and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating ^{each of} the subject wells, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from ^{each of} the subject wells 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 the operator of the above described pooled units should commence the drilling of the first unit well on or before July 15, 1980, and should continue the drilling of said well with due diligence to a depth sufficient to test the McKee formation or the Devonian formation; that, within 120 days following completion of the first well, the operator should commence the drilling of the three remaining unit wells, one at a time, allowing no more than 120 days to elapse between the completion of one well and the commencement of the next, ^{and} that the drilling of each of said wells should be continued with due diligence to a depth sufficient to test the McKee or Devonian formation.

(14) That upon the failure of the operator to commence the drilling of the first unit well authorized hereunder on or before July 15, 1980, this order should become null and void and of no effect whatsoever; that upon the failure of the operator to continue the drilling of the three remaining unit wells in accordance with the time schedule ~~the~~ described in finding NO. (13) above, this order should become null and void and of no effect whatever except as to such well(s) and, unit(s)

~~pooling said unit should become null and void and of no effect
whatsoever.~~

IT IS THEREFORE ORDERED:

SW/4 SE/4

(1) That all mineral interests, whatever they may be,
or both,
in the McKee or Devonian formations underlying ~~the~~ four
40-acre units, being the SE/4 SE/4, NE/4 SE/4, NW/4 SE/4, and
of Section 21, Township 23 South, Range 37 East,
NMPM, North Teague Field, Lea County, New Mexico,
are hereby pooled to form ~~a~~ ^{four} standard 40 acre gas spacing
and proration unit^s to be dedicated to a well to be drilled
at a standard location thereon.

PROVIDED HOWEVER, the operator of the above-described
pooled units shall commence the drilling of
the first unit well on or before July 15, 1980,
and shall continue the drilling of said well
with due diligence to a depth sufficient to test
the McKee formation or the Devonian formation;
that, within 120 days following completion of the
first well, the operator shall commence the
drilling of the three remaining unit wells, one
at a time, allowing no more than 120 days to
elapse between the completion of one well and
the commencement of the next; ^{and} that the drilling
of each of said wells shall be continued with
due diligence to a depth sufficient to test
the McKee or Devonian formation; and

PROVIDED FURTHER, ^{that} upon the failure of the operator
to commence the drilling of the first unit
well authorized hereunder on or before
July 15, 1980, this order shall become null
and void and of no effect whatsoever; that
upon the failure of the operator to continue
the drilling of the three remaining unit wells
in accordance with the time schedule
~~as~~ described in the above paragraph, this order
shall become null and void and of no effect
whatever except as to such well(s) and unit(s)
^{already} drilled and developed in compliance herewith.

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

(2) That V-F Petroleum, Inc. is hereby designated the operator of the ~~subject wells~~^{four} and units.

(3) That after the effective date of this order and within 90 days prior to commencing ~~said wells~~^{each of}, 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~~^{in that well} 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~~^{for each 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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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 ^{the} production of each of the subject wells:

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

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs. ^(while drilling and \$200.00 per month while producing are)

(9) That \$2000.00 per month ^{is} hereby fixed as a reasonable charge for supervision (combined fixed rates) ^{for each of the subject wells;} that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest ^{in the well,} and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating ^{the} such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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(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 ^{from that well,} and no costs or charges shall be withheld from production attributable to royalty interests.

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

(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 herein-
above designated.