

CASE 6897: McCLELLAN OIL CORPORATION
FOR TWO COMPULSORY POOLINGS, CHAVES
COUNTY, NEW MEXICO

Case No.

6897

Application

Transcripts

Small Exhibits

ETC



June 13, 1980

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

Re: CASE NO. 6897
ORDER NO. R-6367

Applicant:

McClellan Oil Corporation

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



McClellan Oil Corporation

June 18, 1980

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

The Blanco Company
Post Office Box 1150
Roswell, New Mexico 88201


Re: S $\frac{1}{2}$ Sec. 30-T6S-R26E
Chaves County, New Mexico
CASE No. 6897
Order No. R-6367

Gentlemen:

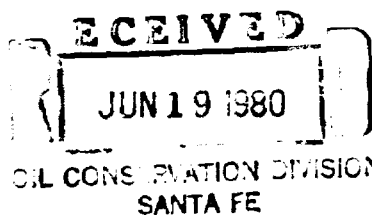
Pursuant to the captioned Order, enclosed is an AFE for the well to be drilled on the captioned acreage. This well must be commenced prior to August 15, 1980.

If it is your decision to participate in the drilling of this test well, we would appreciate your executing and returning one copy of this AFE to our office at your earliest convenience, but in any event prior to August 15, 1980.

Very truly yours,


Jack L. McClellan
President

cc: State of New Mexico
Energy and Minerals Department
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501
w/attached AFE





McClellan Oil Corporation

Suite 1000 Security Bank Building

Box 848

Roswell, New Mexico 88201

Authority For Expenditure

To: _____ Lease: Johnson No. Fee

Purpose: Drill New Well Field: Wildcat

Objective Depth 4300 Formation Abo County: Chaves

Date: May 20, 1980 AFE No. 1 State: New Mexico

Anticipated Commencement Date August 1, 1980 Location: 1980' FSI & 660' FWL Well No. 1

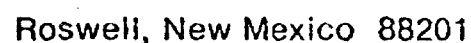
Type Well: Gas Spacing 160 Section 30 Township 6-S Range 26-E

INTANGIBLES

Item	Amount	
	Dry Hole	Producer
Surveying	\$ 500	\$ 500
Build Location & Roads	7,000	7,000
Drilling 4300 ft. @ \$ 17.00	73,000	73,000
Day Work 2 days @ \$ 3500	3,500	5,200
Completion 10 days @ \$ 650		6,500
Muds & Chemicals	10,000	10,000
Electric logging	13,000	13,000
Drill Stem Tests No: _____		
Acid 1500 Gals.		3,000
Fracturing 17,500 Gals. 20,000 lbs.		15,000
Perforating & Logging		3,500
Coring _____ ft.		
Geol. & Geophy. Expense		
Well Supervision		
Administrative Overhead	3,000	3,000
Engr. & Geol. Services	2,500	3,500
Cement Services		
Surface _____ sx		
Interm. 350 sx	3,500	3,500

TANGIBLES

Item	Amount	
	Dry Hole	Producer
Casing (Size, Amt., Price)	\$	\$
Surf.		
Interm. 8-5/8"-1300-\$9.45	12,300	12,300
Prod. 4 1/2"-4300-\$4.32		18,600
Tubing (Size, Amt., Price)		
2-3/8"-4300'-\$2.75		11,900
Rods (Size, Amt., Price)		
Down Hole Pump		
Type: _____ Size: _____		
Float & Other Equipment		
Surface		
Intermediate	350	350
Production		500
Pumping Unit		
Engine		
Elec. Motor & Panel		
Flowlines & Connections	350	1,000
Storage Tanks, Stairs, Wlks.		
No. _____ Size _____		



To: _____	Lease: <u>Johnson</u> _____ No. <u>Fee</u> _____
Purpose: <u>Drill New Well</u> _____	Field: <u>Wildcat</u> _____
Objective Depth <u>4300</u> _____ Formation <u>Aho</u> _____	County: <u>Chaves</u> _____
Date: <u>May 20, 1980</u> _____ AFE No. <u>1</u> _____	State: <u>New Mexico</u> _____
Anticipated Commencement Date <u>August 1, 1980</u> _____	Location: <u>1980' FSL & 660' FWL</u> Well No. <u>1</u> _____
Type Well: <u>Gas</u> _____ Spacing <u>160</u> _____	Section <u>30</u> Township <u>6-S</u> Range <u>26-E</u> _____

Item	Amount		Item	Amount	
	Dry Hole	Producer		Dry Hole	Producer
Surveying	\$ 500	\$ 500	Casing (Size, Amt., Price)	\$	\$
Build Location & Roads	7,000	7,000	Surf.		
Drilling 4300 ft. @ \$ 17.00	73,000	73,000	Interm. 8-5/8" -1300-\$9.45	12,300	12,300
Day Work 2 days @ \$ 3500	3,500	5,200	Prod. 4 1/2-4300-\$4.32		18,600
Completion 10 days @ \$ 650		6,500	Tubing (Size, Amt., Price)		
Muds & Chemicals	10,000	10,000	2-3/8"-4300'-\$2.75		11,900
Electric logging	13,000	13,000	Rods (Size, Amt., Price)		
Drill Stem Tests No. _____			Down Hole Pump		
Acid 1500 Gals _____		3,000	Type: _____ Size: _____		
Fracturing 17,500 Gals. 20,000 lbs.		15,000	Float & Other Equipment		
Perforating & Logging		3,500	Surface		
Coring _____ ft. _____			Intermediate	350	350
Geol. & Geophy. Expense			Production		500
Well Supervision			Pumping Unit		
Administrative Overhead	3,000	3,000	Engine		
Engr. & Geol. Services	2,500	3,500	Elec. Motor & Panel		
Cement Services			Flowlines & Connections	350	1,000
Surface _____ sx _____			Storage Tanks, Stairs, Wlks.		
Interm. 350 sx _____	3,500	3,500	No. _____ Size _____		
Prod. 300 sx _____		3,500	Separator: Size: _____		2,500
Plugging—Clean-up	5,000	2,000	Hester Treater: Size: _____		
Surface Damage	1,000	1,000	Wellhead Equipment		6,000
Contract Labor	500	1,500	Valves & Fittings		2,000
Trucking	500	1,500	Packers In contingencies		
Equipment Rental		7,000	Meters		
Water	8,000	10,000	Electrical Systems		
Environmental Impact			Injection Equipment		
Legal Fees			Lease Acquisition		
Contingencies	4,000	9,000			
Taxes %	6,750	10,250			
SUBTOTAL INTANGIBLES	\$141,700	\$192,400	SUB TOTAL TANGIBLES	\$ 13,000	\$ 55,000

TOTAL



McClellan Oil Corporation

June 18, 1980

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. James T. Jennings
Post Office Box 1180
Roswell, New Mexico 88201

Re: S $\frac{1}{2}$ Sec. 30-T6S-R26E
Chaves County, New Mexico
CASE No. 6897
Order No. R-6367

Dear Mr. Jennings:

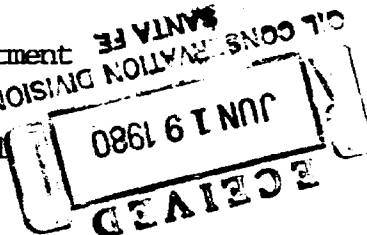
Pursuant to the captioned Order, enclosed is an AFE for the well to be drilled on the captioned acreage. This well must be commenced prior to August 15, 1980.

If it is your decision to participate in the drilling of this test well, we would appreciate your executing and returning one copy of this AFE to our office at your earliest convenience, but in any event prior to August 15, 1980.

Very truly yours,


Jack L. McClellan
President

cc: State of New Mexico
Energy and Minerals Department
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501
w/attached AFE





To: _____	Lease: <u>Johnson</u> No. <u>Fee</u>
Purpose: <u>Drill New Well</u>	Field: <u>Wildcat</u>
Objective Depth <u>4300</u> Formation <u>Abo</u>	County: <u>Chaves</u>
Date: <u>May 20, 1980</u> AFE No. <u>1</u>	State: <u>New Mexico</u>
Anticipated Commencement Date <u>August 1, 1980</u>	Location: <u>1980' FSL & 660' FWL</u> Well No. <u>1</u>
Type Well: <u>Gas</u> Spacing <u>160</u>	Section <u>30</u> Township <u>6-S</u> Range <u>26-E</u>

Item	Amount	
	Dry Hole	Producer
Casing (Size, Amt., Price) _____	\$	\$
Surf. _____		
Interm. 8-5/8"-1300-\$9.45	12,300	12,300
Prod. 4 1/2-4300-\$4.32		18,600
Tubing (Size, Amt., Price) _____		
2-3/8"-4300'-\$2.75		11,900
Rods (Size, Amt., Price) _____		
Down Hole Pump _____		
Type: _____ Size: _____		
Float & Other Equipment _____		
Surface _____		
Intermediate _____	350	350
Production _____		500
Pumping Unit _____		
Engine _____		
Elec. Motor & Panel _____		
Flowlines & Connections _____	350	1,000
Storage Tanks, Stairs, Wlks. _____		
No. _____ Size _____		
Separator: _____ Size: _____		2,500
Heater Treater: _____ Size: _____		
Wellhead Equipment _____		6,000
Valves & Fittings _____		2,000
Packers <u>In contingencies</u>		
Meters _____		
Electrical Systems _____		
Injection Equipment _____		
Lease Acquisition _____		
SUB TOTAL TANGIBLES	\$ 13,000	\$ 55,000

[illegible]

MOC

SALLY W. BOYD, C.S.R.

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

EXAMINER HEARING

IN THE MATTER OF:

Application of McClellan Oil Cor-) CASE
poration for two compulsory) 6897
poolings, Chaves County, New)
Mexico.)

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

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

For the Applicant:

W. Thomas Kellahin, Esq.
KELLAHIN & KELLAHIN
500 Don Gaspar
Santa Fe, New Mexico 87501

I N D E X

JACK L. McCLELLAN

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E X H I B I T S

Applicant Exhibit One, Letter 4

Applicant Exhibit Two, Letter 7

Applicant Exhibit Three, Lease 8

Applicant Exhibit Four, AFE 8

Applicant Exhibit Five, Plat 10

Applicant Exhibit Six, Tabulation 11

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1 MR. STAMETS: We'll call next Case 6897.

2 MR. PADILLA: Application of McClellan
3 Oil Corporation for two compulsory poolings, Chaves County,
4 New Mexico.

5 MR. KELLAHIN: Tom Kellahin of Santa Fe,
6 appearing on behalf of the applicant and I have one witness.

7
8 (Witness sworn.)

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

13
14 DIRECT EXAMINATION

15 BY MR. KELLAHIN:

16 Q Would you please state your name and oc-
17 cupation?

18 A My name is Jack L. McClellan, owner of
19 McClellan Oil Corporation and petroleum geologist.

20 Q Mr. McClellan, have you testified as a
21 geologist before the New Mexico Oil Conservation Division
22 on previous occasions?

23 A Yes, I have.

24 Q And have your qualifications as an expert
25 witness been accepted and made a matter of record?

1 A Yes, they have.

2 MR. KELLAHIN: We tender Mr. McClellan as
3 an expert geologist.

4 MR. STAMETS: The witness is considered
5 qualified.

6 Q Mr. McClellan, would you turn first of all
7 to what we've marked as page five or Exhibit Five of the
8 packet of exhibits and look at the plat and orient the Exa-
9 miner to the location of the acreage for which you seek a
10 compulsory pooling order?

11 A The acreage consists of the south half of
12 Section 30, Township 6 South, Range 26 East, Chaves County,
13 New Mexico.

14 Q What is the interval, vertical interval,
15 involved in the forced pooling application?

16 A 1200 feet below the surface to an appro-
17 ximate depth of 45 - 4600 feet, the base of the Abo.

18 MR. KELLAHIN: If the Examiner please,
19 the application was filed in the alternative. It sought
20 permission to drill the well in the south half and to com-
21 pulsory pool that acreage. The spacing in that areage is
22 160 acres. Mr. McClellan believes that there is potential,
23 that, although despite the risk involved in the well, if he
24 encounters a substantial Abo producer there would be a desire
25 on his part to dedicate 320 acres to the well.

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1 In the alternative we have sought approval
2 of 160-acre spacing, which is consistent with statewide
3 spacing, and that if the first well on the proration unit
4 is only able to drain 160 acres, then we would like this
5 order to have also pooled the other half of the south half
6 of 30, which would have been the southeast quarter of the
7 southwest quarter for the second well.

8 That explains our position. We want the
9 ability to control the south half for either the drilling of
10 two wells or for the dedication of the entire south half to
11 the one well.

12 MR. STAMETS: How long a period of time
13 after completion of the first well do you feel would be --
14 would be appropriate to either begin the second well or gain
15 approval of 320-acre spacing?

16 A Well, at the present time there is a
17 pipeline being -- going to be laid approximately as shown
18 on Exhibit Five.

19 I would think that it would entail some
20 production for a period of six months or so before we could
21 really ascertain the potential of the production from the
22 Abo zone in that well.

23 MR. STAMETS: How soon do you anticipate
24 completion of this pipeline in the area?

25 A Probably another four -- four months.

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1 MR. STAMETS: So there'd be no opportunity
2 to produce either of the wells.

3 A No.

4 MR. STAMETS: No matter how many you
5 drilled in there for a few months.

6 A Right.

7 MR. STAMETS: So at the maximum, a period
8 of twelve months from the date of the hearing should be suf-
9 ficient time to allow you to either drill the second well
10 or to get the 320-acre spacing approved?

11 A Yes, I think a year should be sufficient.

12 MR. STAMETS: The flexibility is there to
13 allow us to grant twelve months for completion of these
14 wells, and of course during that period of time you can come
15 in and get your 320 spacing, which should go ahead and take
16 care of any problems you might have relative to production.

17 A Uh-huh.

18 MR. KELLAHIN: As an additional comment,
19 Mr. Examiner, the only parties that have not agreed to parti-
20 cipate in the well in the entire south half of this section
21 are Mr. James Jennings and Blanco Company, both of which re-
22 ceived copies of the original application, which did indi-
23 cate the application in the alternative, so that they under-
24 stand that their entire interest in the south half of this
25 section is subject to order of the Commission.

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1 MR. STAMETS: One other question along
2 these lines. You intend to begin the first well immediately?

3 A Yes. Our lease, the lease that we have
4 leased, has a term of -- as shown on Exhibit Six, all expire,
5 the earliest expiring one would be August the 22nd, so our
6 intention is to commence the well prior to that August 22nd.

7 MR. STAMETS: And the commencement of the
8 first well is sufficient to hold all of your interest in the
9 south half of the section?

10 A Yes, sir.

11 MR. STAMETS: Okay. All right, we'll --
12 I believe we can -- I believe we can proceed to do what you
13 want, even though it may not exactly say what you want.

14 MR. KELLAHIN: All right, sir.

15 Q Would you refer, Mr. McClellan, to Exhibit
16 Number One and identify that for us?

17 A Exhibit Number One is the letter that was
18 written to the Blanco Company and an exact letter was written
19 to the James T. Jennings, asking that they either make a
20 lease to me at the -- under the same conditions that we'd
21 leased the other mineral owners in this lease, or that they
22 join in the drilling of a test well.

23 Q Exhibit Number Two is a copy of the letter
24 to Mr. Jennings?

25 A Yes, it is.

1 Q All right, and enclosed with that letter
2 did you provide Mr. Jennings and Blanco Company a proposed
3 AFE?

4 A Yes, I did.

5 Q What is indicated by Exhibit Number Three?

6 A Exhibit Three was an oil and gas lease
7 furnished to them initially, asking that they lease under
8 the same conditions that we were leasing at that time the
9 other owners.

10 Q This is a sample of the lease executed
11 by all the other interests, working interest owners in the
12 south half of the section?

13 A Yes, it is.

14 Q Except for Mr. Jennings and the Blanco
15 Company?

16 A Yes.

17 Q Would you identify for us Exhibit Number
18 Four?

19 A Exhibit Number Four was an AFE presented
20 to Mr. Jennings and Blanco Company, and I requested that
21 they join in the drilling of the test well, as to their
22 interest.

23 Q You proposed that McClellan Oil Corpor-
24 ation will be designated the operator of the force pooled
25 acreage?

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1 A Yes.

2 Q And what was your original estimate of
3 costs involved in drilling this well, as indicated on Exhibit
4 Four?

5 A The cost of a dry hole was \$137,000; of
6 a completed flowing gas well, \$230,000.

7 Q Have those estimates been supplemented to
8 a current price as of this week or so?

9 A Yes, they have.

10 Q All right, let's go to that exhibit now,
11 if you don't mind, Mr. McClellan. I believe it's Exhibit
12 Number Seven.

13 A Exhibit Number Seven was prepared May the
14 20th reflecting basically a change in the drilling costs in
15 that area, indicating that the price had risen on the
16 drilling, that a dry hole would at the present time cost
17 \$154,700; completed flowing gas well, \$247,400.

18 Q Okay. The second AFE, Exhibit Number
19 Seven, shows an increased potential cost of some \$17,400,
20 and that cost is represented in what items, cost of actual
21 drilling?

22 A The footage contract for drilling the
23 well is the principal increase.

24 Q Okay. In your opinion does Exhibit Num-
25 ber Seven represent a reasonable and accurate estimate of

SALLY W. BOYD, C.S.R.

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1 the costs involved in drilling an Abo test in this area?

2 A Yes, it does.

3 Q All right, sir, would you go to Exhibit
4 Number Five, which is the plat, and do you have an opinion
5 with regards to the risk involved in drilling this Abo test?

6 A Yes. I have examined logs depicted --
7 most of the logs depicted on the line drawn from A to A'.
8 I had examined all of those and it's evident that these Abo
9 sands within the Abo formation are not continuous. They are
10 very difficult to determine which ones you'll encounter, or
11 if you'll encounter any of them.

12 Examination particularly of the Yates
13 Red Rock over in Section 28, 16, 5, which resulted in a dry
14 hole, which did not have any of the sands present. There
15 have been no Abo wells drilled east of our proposed location
16 within many miles.

17 Q This exhibit identifies all the Abo wells
18 in the area?

19 A To my knowledge, that have been reported.

20 Q Okay. Describe for us the type of well
21 involved in this Yates well in Section 36.

22 A It was a well that was completed out of
23 one zone from 3815 to 25. It had one sand present, and I
24 believe the absolute open flow potentialled 1,200,000.

25 Q How does that potential compare to a

1 typical Abo well?

2 A Well, it is a typical Abo well, but the
3 wells to the north had, for instance, the McClellan "MB" in
4 Section 31 has about 62 feet of pay; about 6 zones of sands
5 development. So with respect to those, it's -- it's much
6 lesser productivity-wise than the wells to the north.

7 Q All right. Do you have an opinion of the
8 percentage risk involved in drilling the proposed well?

9 A Well, that's a difficult question, and it
10 would be an opinion. I think if you had, oh, probably one
11 chance in four, that it would be productive, commercially
12 productive.

13 Q The Commission provides by statute that
14 the statutory maximum to be allowed to an operator for a risk
15 factor to be charged against the non-consenting working in-
16 terests, a risk factor of 200 percent, which would be the
17 cost -- their proportionate share of the cost plus 200 per-
18 cent. That is the statutory maximum.

19 In terms of the statutory maximum, Mr.
20 McClellan, where would you place the risk involved in
21 drilling this well?

22 A At the maximum, 200 percent.

23 Q Would you identify Exhibit Number Six for
24 us and describe that -- what that is?

25 A Exhibit Six is a breakdown of the -- all

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1 the mineral owners within this lease, indicating that I have
2 all of them under lease, showing the date of the lease, date
3 of expiration, and the royalty retained, with the exception
4 of the Blanco Company and James T. Jennings.

5 My total lease under this south half of
6 Section 30 is 84.08 percent.

7 Also it depicts the name and address of
8 the two non-consenting parties, James T. Jennings, the Blanco
9 Company, and also the one formation that we anticipate, which
10 would be the Abo, anticipate that would produce.

11 Q Is this ownership the same for the south
12 half of Section 30? Does it vary from the southeast to the
13 southwest quarter?

14 A No, it's all continuous under the south
15 half of 30.

16 Q Do you have a recommendation to the Exa-
17 miner with regards to the overhead charges to be assessed
18 against the non-consenting parties?

19 A Our standard charges in the area, we're
20 now operating other wells in the Abo formation, the drilling
21 rate is \$1500. The monthly producing well rate is \$220.

22 Q Could you identify a particular well in
23 the area to which those charges are being assessed?

24 A Yes. We're producing the McClellan No. 1
25 Tolmac in the Section 36 of 9 South, 25 East; the No. 1 "JJ"

1 Federal, Section 31, 9 South, 26 East.

2 Q What are the approximate dates of those
3 agreements pursuant to which those overhead charges are
4 being assessed?

5 A Approximately four months.

6 Q In your opinion, then, the \$1500 and the
7 \$220 commercial charges are reasonable and consistent with
8 those charges for Abo wells in the area?

9 A Yes.

10 Q Would you identify for us Exhibit Number
11 Eight?

12 MR. KELLAHIN: If the Examiner please,
13 Exhibit Number Eight simply is the certified return receipts
14 indicating that Mr. Jennings and Blanco Corporation have
15 receipted for the application and the notices involved in
16 this hearing.

17 Q Mr. McClellan, were Exhibits One through
18 Seven prepared by you or compiled under your direction and
19 supervision?

20 A Yes, they were.

21 Q And in your opinion will approval of this
22 application be in the best interests of conservation, the
23 prevention of waste, and the protection of correlative rights?

24 A Yes.

25 MR. KELLAHIN: That concludes my examin-

SALLY W. BOYD, C.S.R.

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Phone (505) 455-7409

1 ation and I move the introduction of Exhibits One through
2 Eight.

3 MR. STAMETS: These exhibits will be ad-
4 mitted.

5
6 CROSS EXAMINATION

7 BY MR. STAMETS:

8 Q Mr. McClellan, at a depth from 1200 feet
9 to 4500 feet, is that all the Abo formation or other forma-
10 tions above the Abo which are included in that?

11 A Other formations. The 1200 feet, basi-
12 cally, the San Andres, which is produced --

13 Q Is that the top of the San Andres?

14 A No, that's down in the San Andres.
15 That, see, from the surface to 1200 feet is leased to an-
16 other party.

17 Q I see. So this would include then some
18 of the San Andres and some of the Yeso.

19 A Yes, the basal -- basal part of the San
20 Andres.

21 Q And it's your intent to include all of
22 the Abo formation.

23 A It is my intent to include the Abo.

24 MR. STAMETS: Any other questions of
25 the witness? He may be excused.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7469

1 Anything further in this case?

2 The case will be taken under advisement.

3 MP. PADILLA: Mr. Examiner, I have a
4 letter that I would like to read into the record as a state-
5 ment from Mr. Jennings, if I may.

6 MR. STAMETS: Could you just give us the
7 sense of the statement and we'll have the reporter put the
8 entire letter in the record?

9 MR. PADILLA: Well, basically it's an
10 objection to the forced pooling. Mr. Jennings, as has been
11 testified is one of the non-consenting interest owners in
12 this case.

13 MR. STAMETS: Okay, thank you.

14
15 (In accordance with direction of
16 the Examiner the letter of Mr.
17 James T. Jennings is attached here-
18 to with the original transcript of
19 the hearing.)
20

21 (Hearing concluded.)
22
23
24
25

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 435-7409

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion 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.

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Santa Fe, New Mexico 87501
Phone (505) 455-7409

I do hereby certify that the foregoing is
a complete and correct transcript of the proceedings in
the case of 5-21 6872
heard by me on 5-21 1960.

Richard L. Hamt Examiner
Oil Conservation Division

JAMES T. JENNINGS
SIM B. CHRISTY IV
DEAN G. CONSTANTINE

LAW OFFICES OF
JENNINGS & CHRISTY
1012 SECURITY NATIONAL BANK BUILDING
P. O. BOX 1180
ROSWELL, NEW MEXICO 88201

TELEPHONE 622-8432
AREA CODE 505

May 20, 1980

Oil Conservation Division
Post Office Box 288
Santa Fe, New Mexico 87501

Re: Case 6897 - Application of McClellan Oil Corporation
for two compulsory poolings - Chaves County, New Mexico.

Gentlemen:

Personally, and on behalf of the Blanco Corporation, I would like to make the following objections to the above Application by letter as it is not possible for a representative of the Blanco Corporation or me to be present at the hearing tomorrow.

1. The Application does not locate the proposed well, and from the information available it appears that the well is to be drilled in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 30, and we have no information concerning the proposed location of the second well. Likewise, we have no A.F.E. or other information concerning this well.

2. The proposed well is designated as a "wildcat gas well" projected to a formation above the Wolfcamp, and as such shall be located on a drilling tract consisting of 160 surface acres pursuant to the provisions of Rule 104Bla. Section 70-2-17(c) pertains only to two or more separately owned tracts embraced within a spacing or proration unit or royalty interest or undivided interest separately owned under any such spacing or proration unit and certainly does not contemplate the forced pooling of multiple spacing units. The applicant has failed to point out any urgent need to force pool more than one unit and should not be allowed to pool multiple units at the same hearing or based upon the same testimony. Good oil field practice would demand that one well be drilled and adequately tested before commencing the second well, certainly in the absence of some extenuating circumstances which are not described in the application.

3. That the Blanco Company and the undersigned own an undivided 1/6 interest in the minerals under the tract in question and granting of the order requested would impair the correlative rights of said parties.

JENNINGS & CHRISTY

Oil Conservation Division
May 20, 1980
Page Two

That the Blanco Company and James T. Jennings have offered and renew the offer to:

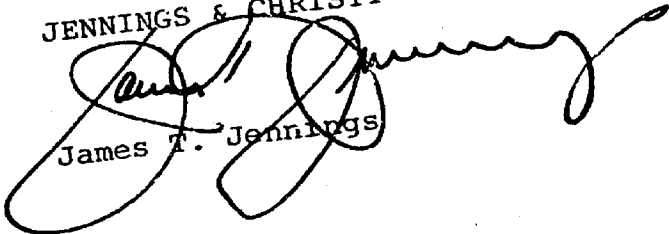
(a) Lease the acreage to McClellan Oil Corporation for a term sufficient to allow McClellan sufficient time to obtain a rig and commence drilling operations, which lease will cover the rights down to the base of the deepest producing formation of the proration unit dedicated to the producing well located thereon with no bonus, the lease to provide for a 1/4 royalty and to be on a Producer's 88 (Producer's Revised New Mexico Form 342, 1965) lease, or

(b) To enter into a Farmout Agreement with McClellan Oil Corporation covering the rights to the base of the deepest producing horizon providing for the usual 1/8 royalty and additional royalty of 1/16 with the right to convert the 1/16 additional royalty to 1/2 of the working interest on payout.

Blanco Company and the undersigned hereby request that the above and foregoing objections be duly considered by the Examiner at the Hearing and in any order entered herein, and further that the risk factor allowed be only the minimum and that the spacing be limited in accordance with the rules of this Commission and the Statutes of the State of New Mexico.

Respectfully submitted,

JENNINGS & CHRISTY


James T. Jennings

JTJ/dds

cc: Blanco Company
Mr. W. Thomas Kellahin - hand delivered

SALLY W. BOYD, C.S.R.

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

Page 1

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

EXAMINER HEARING

IN THE MATTER OF:

Application of McClellan Oil Cor-
poration for two compulsory
poolings, Chaves County, New
Mexico.

CASE
6897

BEFORE: Richard L. Stanets

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
Santa Fe, New Mexico 87501

I N D E X

JACK L. McCLELLAN

Direct Examination by Mr. Kellahin 3

Cross Examination by Mr. Stamets 14

E X H I B I T S

Applicant Exhibit One, Letter 4

Applicant Exhibit Two, Letter 7

Applicant Exhibit Three, Lease 8

Applicant Exhibit Four, AFE 8

Applicant Exhibit Five, Flat 10

Applicant Exhibit Six, Tabulation 11

Applicant Exhibit Seven, AFE 9

Applicant Exhibit Eight, Receipts 13

SALLY W. BOYD, C.S.R.

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Phone (505) 455-7409

1 MR. STAMETS: We'll call next Case 6897.

2 MR. PADILLA: Application of McClellan
3 Oil Corporation for two compulsory poolings, Chaves County,
4 New Mexico.

5 MR. KELLAHIN: Tom Kellahin of Santa Fe,
6 appearing on behalf of the applicant and I have one witness.

7
8 (Witness sworn.)

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

13
14 DIRECT EXAMINATION

15 BY MR. KELLAHIN:

16 Q Would you please state your name and oc-
17 cupation?

18 A My name is Jack L. McClellan, owner of
19 McClellan Oil Corporation and petroleum geologist.

20 Q Mr. McClellan, have you testified as a
21 geologist before the New Mexico Oil Conservation Division
22 on previous occasions?

23 A Yes, I have.

24 Q And have your qualifications as an expert
25 witness been accepted and made a matter of record?

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Page _____

1 A Yes, they have.

2 MR. KELLAHAN: We tender Mr. McClellan as
3 an expert geologist.

4 MR. STAMETS: The witness is considered
5 qualified.

6 Q Mr. McClellan, would you turn first of all
7 to what we've marked as page five or Exhibit Five of the
8 packet of exhibits and look at the plat and orient the Exa-
9 miner to the location of the acreage for which you seek a
10 compulsory pooling order?

11 A The acreage consists of the south half of
12 Section 30, Township 6 South, Range 26 East, Chaves County,
13 New Mexico.

14 Q What is the interval, vertical interval,
15 involved in the forced pooling application?

16 A 1700 feet below the surface to an approx-
17 imate depth of 45 - 4600 feet, the base of the Abo.

18 MR. KELLAHAN: If the Examiner please,
19 the application was filed in the alternative. It sought
20 permission to drill the well in the south half and to com-
21 pulsory pool that acreage. The spacing in that areage is
22 160 acres. Mr. McClellan believes that there is potential,
23 that, although despite the risk involved in the well, if he
24 encounters a substantial Abo producer there would be a desire
25 on his part to dedicate 320 acres to the well.

1 In the alternative we have sought approval
2 of 160-acre spacing, which is consistent with statewide
3 spacing, and that if the first well on the proration unit
4 is only able to drain 160 acres, then we would like this
5 order to have also pooled the other half of the south half
6 of 30, which would have been the southeast quarter of the
7 southwest quarter for the second well.

8 That explains our position. We want the
9 ability to control the south half for either the drilling of
10 two wells or for the dedication of the entire south half to
11 the one well.

12 MR. STAMETS: How long a period of time
13 after completion of the first well do you feel would be --
14 would be appropriate to either begin the second well or gain
15 approval of 320-acre spacing?

16 A Well, at the present time there is a
17 pipeline being -- going to be laid approximately as shown
18 on Exhibit Five.

19 I would think that it would entail some
20 production for a period of six months or so before we could
21 really ascertain the potential of the production from the
22 Abo zone in that well.

23 MR. STAMETS: How soon do you anticipate
24 completion of this pipeline in the area?

25 A Probably another four -- four months.

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1 MR. STAMETS: So there'd be no opportunity
2 to produce either of the wells.

3 A No.

4 MR. STAMETS: No matter how many you
5 drilled in there for a few months.

6 A Right.

7 MR. STAMETS: So at the maximum, a period
8 of twelve months from the date of the hearing should be suf-
9 ficient time to allow you to either drill the second well
10 or to get the 320-acre spacing approved?

11 A Yes, I think a year should be sufficient.

12 MR. STAMETS: The flexibility is there to
13 allow us to grant twelve months for completion of these
14 wells, and of course during that period of time you can come
15 in and get your 320 spacing, which should go ahead and take
16 care of any problems you might have relative to production.

17 A Uh-huh.

18 MR. KELLAHIN: As an additional comment,
19 Mr. Examiner, the only parties that have not agreed to parti-
20 cipate in the well in the entire south half of this section
21 are Mr. James Jennings and Blanco Company, both of which re-
22 ceived copies of the original application, which did indi-
23 cate the application in the alternative, so that they under-
24 stand that their entire interest in the south half of this
25 section is subject to order of the Commission.

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1 MR. STAMETS: One other question along
2 these lines. You intend to begin the first well immediately?

3 A Yes. Our lease, the lease that we have
4 leased, has a term of -- as shown on Exhibit Six, all expire,
5 the earliest expiring one would be August the 22nd, so our
6 intention is to commence the well prior to that August 22nd.

7 MR. STAMETS: And the commencement of the
8 first well is sufficient to hold all of your interest in the
9 south half of the section?

10 A Yes, sir.

11 MR. STAMETS: Okay. All right, we'll --
12 I believe we can -- I believe we can proceed to do what you
13 want, even though it may not exactly say what you want.

14 MR. KELLANIN: All right, sir.

15 Q Would you refer, Mr. McClellan, to Exhibit
16 Number One and identify that for us?

17 A Exhibit Number One is the letter that was
18 written to the Blanco Company and an exact letter was written
19 to the James T. Jennings, asking that they either make a
20 lease to me at the -- under the same conditions that we'd
21 leased the other mineral owners in this lease, or that they
22 join in the drilling of a test well.

23 Q Exhibit Number Two is a copy of the letter
24 to Mr. Jennings?

25 A Yes, it is.

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1 Q All right, and enclosed with that letter
2 did you provide Mr. Jennings and Blanco Company a proposed
3 AFE?

4 A Yes, I did.

5 Q What is indicated by Exhibit Number Three?

6 A Exhibit Three was an oil and gas lease
7 furnished to them initially, asking that they lease under
8 the same conditions that we were leasing at that time the
9 other owners.

10 Q This is a sample of the lease executed
11 by all the other interests, working interest owners in the
12 south half of the section?

13 A Yes, it is.

14 Q Except for Mr. Jennings and the Blanco
15 Company?

16 A Yes.

17 Q Would you identify for us Exhibit Number
18 Four?

19 A Exhibit Number Four was an AFE presented
20 to Mr. Jennings and Blanco Company, and I requested that
21 they join in the drilling of the test well, as to their
22 interest.

23 Q You proposed that McClellan Oil Corpor-
24 ation will be designated the operator of the force pooled
25 acreage?

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1 A Yes.

2 Q And what was your original estimate of
3 costs involved in drilling this well, as indicated on Exhibit
4 Four?

5 A The cost of a dry hole was \$137,000; of
6 a completed flowing gas well, \$230,000.

7 Q Have those estimates been supplemented to
8 a current price as of this week or so?

9 A Yes, they have.

10 Q All right, let's go to that exhibit now,
11 if you don't mind, Mr. McClellan. I believe it's Exhibit
12 Number Seven.

13 A Exhibit Number Seven was prepared May the
14 20th reflecting basically a change in the drilling costs in
15 that area, indicating that the price had risen on the
16 drilling, that a dry hole would at the present time cost
17 \$154,700; completed flowing gas well, \$247,400.

18 Q Okay. The second AFE, Exhibit Number
19 Seven, shows an increased potential cost of some \$17,400,
20 and that cost is represented in what items, cost of actual
21 drilling?

22 A The footage contract for drilling the
23 well is the principal increase.

24 Q Okay. In your opinion does Exhibit Num-
25 ber Seven represent a reasonable and accurate estimate of

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Santa Fe, New Mexico 87501
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1 the costs involved in drilling an Abo test in this area?

2 A Yes, it does.

3 Q All right, sir, would you go to Exhibit
4 Number Five, which is the plat, and do you have an opinion
5 with regards to the risk involved in drilling this Abo test?

6 A Yes. I have examined logs depicted --
7 most of the logs depicted on the line drawn from A to A'.
8 I had examined all of those and it's evident that these Abo
9 sands within the Abo formation are not continuous. They are
10 very difficult to determine which ones you'll encounter, or
11 if you'll encounter any of them.

12 Examination particularly of the Yates
13 Red Rock over in Section 28, 16, 5, which resulted in a dry
14 hole, which did not have any of the sands present. There
15 have been no Abo wells drilled east of our proposed location
16 within many miles.

17 Q This exhibit identifies all the Abo wells
18 in the area?

19 A To my knowledge, that have been reported.

20 Q Okay. Describe for us the type of well
21 involved in this Yates well in Section 36.

22 A It was a well that was completed out of
23 one zone from 3815 to 25. It had one sand present, and I
24 believe the absolute open flow potentialled 1,200,000.

25 Q How does that potential compare to a

SALLY W. BOYD, C.S.R.

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Phone (505) 455-7409

1 typical Abo well?

2 A Well, it is a typical Abo well, but the
3 wells to the north had, for instance, the McClellan "MB" in
4 Section 31 has about 62 feet of pay; about 6 zones of sands
5 development. So with respect to those, it's -- it's much
6 lesser productivity-wise than the wells to the north.

7 Q All right. Do you have an opinion of the
8 percentage risk involved in drilling the proposed well?

9 A Well, that's a difficult question, and it
10 would be an opinion. I think if you had, oh, probably one
11 chance in four, that it would be productive, commercially
12 productive.

13 Q The Commission provides by statute that
14 the statutory maximum to be allowed to an operator for a risk
15 factor to be charged against the non-consenting working in-
16 terests, a risk factor of 200 percent, which would be the
17 cost -- their proportionate share of the cost plus 200 per-
18 cent. That is the statutory maximum.

19 In terms of the statutory maximum, Mr.
20 McClellan, where would you place the risk involved in
21 drilling this well?

22 A At the maximum, 200 percent.

23 Q Would you identify Exhibit Number Six for
24 us and describe that -- what that is?

25 A Exhibit Six is a breakdown of the -- all

SALLY W. BOYD, C.S.R.

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1 typical Abo well?

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6 lesser productivity-wise than the wells to the north.

7 Q All right. Do you have an opinion of the
8 percentage risk involved in drilling the proposed well?

9 A Well, that's a difficult question, and it
10 would be an opinion. I think if you had, oh, probably one
11 chance in four, that it would be productive, commercially
12 productive.

13 Q The Commission provides by statute that
14 the statutory maximum to be allowed to an operator for a risk
15 factor to be charged against the non-consenting working in-
16 terests, a risk factor of 200 percent, which would be the
17 cost -- their proportionate share of the cost plus 200 per-
18 cent. That is the statutory maximum.

19 In terms of the statutory maximum, Mr.
20 McClellan, where would you place the risk involved in
21 drilling this well?

22 A At the maximum, 200 percent.

23 Q Would you identify Exhibit Number Six for
24 us and describe that -- what that is?

25 A Exhibit Six is a breakdown of the -- all

1 the mineral owners within this lease, indicating that I have
2 all of them under lease, showing the date of the lease, date
3 of expiration, and the royalty retained, with the exception
4 of the Blanco Company and James T. Jennings.

5 My total lease under this south half of
6 Section 30 is 84.08 percent.

7 Also it depicts the name and address of
8 the two non-consenting parties, James T. Jennings, the Blanco
9 Company, and also the one formation that we anticipate, which
10 would be the Abo, anticipate that would produce.

11 Q Is this ownership the same for the south
12 half of Section 30? Does it vary from the southeast to the
13 southwest quarter?

14 A No, it's all continuous under the south
15 half of 30.

16 Q Do you have a recommendation to the Exa-
17 miner with regards to the overhead charges to be assessed
18 against the non-consenting parties?

19 A Our standard charges in the area, we're
20 now operating other wells in the Abo formation, the drilling
21 rate is \$1500. The monthly producing well rate is \$220.

22 Q Could you identify a particular well in
23 the area to which those charges are being assessed?

24 A Yes. We're producing the McClellan No. 1
25 Tolmac in the Section 36 of 9 South, 25 East; the No. 1 "JJ"

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Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 Federal, Section 31, 9 South, 26 East.

2 Q What are the approximate dates of those
3 agreements pursuant to which those overhead charges are
4 being assessed?

5 A Approximately four months.

6 Q In your opinion, then, the \$1500 and the
7 \$220 commercial charges are reasonable and consistent with
8 those charges for Abo wells in the area?

9 A Yes.

10 Q Would you identify for us Exhibit Number
11 Eight?

12 MR. KELLAHIN: If the Examiner please,
13 Exhibit Number Eight simply is the certified return receipts
14 indicating that Mr. Jennings and Blanco Corporation have
15 receipted for the application and the notices involved in
16 this hearing.

17 Q Mr. McClellan, were Exhibits One through
18 Seven prepared by you or compiled under your direction and
19 supervision?

20 A Yes, they were.

21 Q And in your opinion will approval of this
22 application be in the best interests of conservation, the
23 prevention of waste, and the protection of correlative rights?

24 A Yes.

25 MR. KELLAHIN: That concludes my examin-

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Phone (505) 455-7409

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1 ation and I move the introduction of Exhibits One through
2 Eight.

3 MR. STAMETS: These exhibits will be ad-
4 mitted.

5
6 CROSS EXAMINATION

7 BY MR. STAMETS:

8 Q Mr. McClellan, at a depth from 1200 feet
9 to 4500 feet, is that all the Abo formation or other forma-
10 tions above the Abo which are included in that?

11 A Other formations. The 1200 feet, basi-
12 cally, the San Andres, which is produced --

13 Q Is that the top of the San Andres?

14 A No, that's down in the San Andres.

15 That, see, from the surface to 1200 feet is leased to an-
16 other party.

17 Q I see. So this would include then some
18 of the San Andres and some of the Yeso.

19 A Yes, the basal -- basal part of the San
20 Andres.

21 Q And it's your intent to include all of
22 the Abo formation.

23 A It is my intent to include the Abo.

24 MR. STAMETS: Any other questions of
25 the witness? He may be excused.

1 Anything further in this case?

2 The case will be taken under advisement.

3 MR. PADILLA: Mr. Examiner, I have a
4 letter that I would like to read into the record as a state-
5 ment from Mr. Jennings, if I may.

6 MR. STAMETS: Could you just give us the
7 sense of the statement and we'll have the reporter put the
8 entire letter in the record?

9 MR. PADILLA: Well, basically it's an
10 objection to the forced pooling. Mr. Jennings, as has been
11 testified is one of the non-consenting interest owners in
12 this case.

13 MR. STAMETS: Okay, thank you.

14
15 (In accordance with direction of
16 the Examiner the letter of Mr.
17 James T. Jennings is attached here-
18 to with the original transcript of
19 the hearing.)

20
21 (Hearing concluded.)
22
23
24
25

SALLY W. BOYD, C.S.R.

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Phone (505) 455-7409

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.P., DO HEREBY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion 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.

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Santa Fe, New Mexico 87501
Phone (505) 455-7409

I do hereby certify that the foregoing is
a correct and true transcript of the hearing in
the case of No.
heard by me on 19 .

 , Examiner
Oil Conservation Division

Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

KELLAHIN and KELLAHIN
Attorneys at Law
500 Don Gaspar Avenue
Post Office Box 1769
Santa Fe, New Mexico 87501

Telephone 982-4285
Area Code 505

April 22, 1980

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

EXHIBIT NO. 8

CASE NO. _____

Submitted by _____

Hearing Date _____

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

re: Compulsory Pooling Case

Dear Joe:

Please set the enclosed application for hearing on
May 21, 1980 before the Division's Examiner.

Very truly yours,

W. Thomas Kellahin

encl.

cc: Jack McClellan
James Jennings ---CERTIFIED MAIL (Return Receipt Requested)
Blanco Company ---CERTIFIED MAIL (Return Receipt Requested)
WTK:mmr

COPY

P11 7129045
RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO	
James T. Jennings	
P.O. Box 1180	
P.O. STATE AND ZIP CODE	
Roswell, NM 88201	
POSTAGE	
CERTIFIED FEE	\$
SPECIAL DELIVERY	\$
RESTRICTED DELIVERY	\$
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY	\$
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	\$
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	\$
TOTAL POSTAGE AND FEES	\$ 1.53
POSTMARK OR DATE	

PS Form 3800, Apr. 1976

P11 7129044
RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO	
Blanco Company	
P.O. Box 1150	
P.O. STATE AND ZIP CODE	
Roswell, NM 88201	
POSTAGE	
CERTIFIED FEE	\$
SPECIAL DELIVERY	\$
RESTRICTED DELIVERY	\$
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY	\$
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	\$
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	\$
TOTAL POSTAGE AND FEES	\$ 1.53
POSTMARK OR DATE	

PS Form 3800, Apr. 1976

1. The following service is requested (check one):	
<input checked="" type="checkbox"/>	RESTRICTED DELIVERY
<input type="checkbox"/>	RESTRICTED DELIVERY
<input type="checkbox"/>	RESTRICTED DELIVERY
Show to whom, date and address of delivery.	
Show to whom, date, and address of delivery.	
(CONSULT POSTMASTER FOR FEES)	
2. ARTICLE ADDRESS TO:	
James T. Jennings	
P. O. Box 1180	
Roswell, NM 88201	
3. ARTICLE DESCRIPTION:	
REGISTERED NO.	7129045
CERTIFIED NO.	
INSURED NO.	
4. I have received the article described above.	
SIGNATURE (Addressed agent)	
DATE OF DELIVERY	
5. ADDRESS (Complete only if required)	
6. UNABLE TO DELIVER BECAUSE:	
7. RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL	

PS Form 3811, Jan 1975

1. The following service is requested (check one):	
<input checked="" type="checkbox"/>	RESTRICTED DELIVERY
<input type="checkbox"/>	RESTRICTED DELIVERY
<input type="checkbox"/>	RESTRICTED DELIVERY
Show to whom, date and address of delivery.	
Show to whom, date, and address of delivery.	
(CONSULT POSTMASTER FOR FEES)	
2. ARTICLE ADDRESS TO:	
James T. Jennings	
P. O. Box 1150	
Roswell, NM 88201	
3. ARTICLE DESCRIPTION:	
REGISTERED NO.	7129044
CERTIFIED NO.	
INSURED NO.	
4. I have received the article described above.	
SIGNATURE (Addressed agent)	
DATE OF DELIVERY	
5. ADDRESS (Complete only if required)	
6. UNABLE TO DELIVER BECAUSE:	
7. RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL	

PS Form 3811, Jan. 1975

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)

☒ Show to whom and date delivered.....

☐ Show to whom, date and address of delivery.....

☐ RESTRICTED DELIVERY

Show to whom and date delivered.....

☐ RESTRICTED DELIVERY

Show to whom, date, and address of delivery.....

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:

Blanco Company
P. O. Box 1150
Roswell, NM 88201

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	7129044	

(Always obtain signature of addressee or agent)

I have received the article described above.

SIGNATURE ☐ Addressee ☐ Authorized agent

DATE OF DELIVERY APR 11 1980

ADDRESS (Complete only if requested)

UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

★ GPO : 1975-288-548

PS Form 3811, Jan. 1975

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)

☒ Show to whom and date delivered.....

☐ Show to whom, date and address of delivery.....

☐ RESTRICTED DELIVERY

Show to whom and date delivered.....

☐ RESTRICTED DELIVERY

Show to whom, date, and address of delivery.....

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:

James T. Jennings
P. O. Box 1180
Roswell, NM 88201

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	7129045	

(Always obtain signature of addressee or agent)

I have received the article described above.

SIGNATURE ☐ Addressee ☐ Authorized agent

DATE OF DELIVERY APR 11 1980

ADDRESS (Complete only if requested)

UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

★ GPO : 1975-288-548

PS Form 3800, Apr. 1976

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED — NOT FOR INTERNATIONAL MAIL

(See Reverse)

SENT TO

Blanco Company
P. O. Box 1150
Roswell, NM 88201

POSTAGE

CERTIFIED FEE

SPECIAL DELIVERY

RESTRICTED DELIVERY

DATE DELIVERED

SHOW TO WHOM AND ADDRESS OF DELIVERY

SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY

SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY

RESTRICTED DELIVERY

CONSULT POSTMASTER FOR FEES

OPTIONAL SERVICES

RETURN RECEIPT SERVICE

TOTAL POSTAGE AND FEES

POSTMARK OR DATE

1.53

STICK POSTAGE STAMPS TO ARTICLE TO COVER FIRST CLASS POSTAGE.
CERTIFIED MAIL FEE, AND CHARGES FOR ANY SELECTED OPTIONAL SERVICES. (see front)

1. If you want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, leaving the receipt attached, and present the article at a post office service window or hand it to your rural carrier. (no extra charge)
2. If you do not want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, date, detach and retain the receipt, and mail the article.
3. If you want a return receipt, write the certified-mail number and your name and address on a return receipt card, Form 3811, and attach it to the front of the article by means of the gummed ends if space permits. Otherwise, affix to back of article. Endorse front of article RETURN RECEIPT REQUESTED adjacent to the number.
4. If you want delivery restricted to the addressee, or to an authorized agent of the addressee, endorse RESTRICTED DELIVERY on the front of the article.
5. Enter fees for the services requested in the appropriate spaces on the front of this receipt. If return receipt is requested, check the applicable blocks in Item 1 of Form 3811.
6. Save this receipt and present it if you make inquiry.

GPO : 1979 O - 289-363

STICK POSTAGE STAMPS TO ARTICLE TO COVER FIRST CLASS POSTAGE.
CERTIFIED MAIL FEE, AND CHARGES FOR ANY SELECTED OPTIONAL SERVICES. (see front)

1. If you want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, leaving the receipt attached, and present the article at a post office service window or hand it to your rural carrier. (no extra charge)
2. If you do not want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, date, detach and retain the receipt, and mail the article.
3. If you want a return receipt, write the certified-mail number and your name and address on a return receipt card, Form 3811, and attach it to the front of the article by means of the gummed ends if space permits. Otherwise, affix to back of article. Endorse front of article RETURN RECEIPT REQUESTED adjacent to the number.
4. If you want delivery restricted to the addressee, or to an authorized agent of the addressee, endorse RESTRICTED DELIVERY on the front of the article.
5. Enter fees for the services requested in the appropriate spaces on the front of this receipt. If return receipt is requested, check the applicable blocks in Item 1 of Form 3811.
6. Save this receipt and present it if you make inquiry.

GPO : 1979 O - 289-363

UNITED STATES POSTAL SERVICE

OFFICIAL BUSINESS

SENDER INSTRUCTIONS

Print your name, address, and ZIP Code in the space below.

- Complete Items 1, 2, and 3 on the reverse.
- Attach to front of article if space permits, otherwise affix to back of article.
- Endorse article "Return Receipt Requested" adjacent to number.

PENALTY FOR PRIVATE
USE TO AVOID PAYMENT
OF POSTAGE: \$300



RETURN
TO



W. Thomas Kellahin
Kellahin & Kellahin
(Name of Sender)

P. O. Box 1769

(Street or P.O. Box)

Santa Fe, NM 87501
(City, State, and ZIP Code)

UNITED STATES POSTAL SERVICE

OFFICIAL BUSINESS

SENDER INSTRUCTIONS

Print your name, address, and ZIP Code in the space below.

- Complete Items 1, 2, and 3 on the reverse.
- Attach to front of article if space permits, otherwise affix to back of article.
- Endorse article "Return Receipt Requested" adjacent to number.

PENALTY FOR PRIVATE
USE TO AVOID PAYMENT
OF POSTAGE: \$300



RETURN
TO



W. Thomas Kellahin
Kellahin & Kellahin
(Name of Sender)

P. O. Box 1769

(Street or P.O. Box)

Santa Fe, NM 87501
(City, State, and ZIP Code)

KELLAHIN and KELLAHIN

Attorneys at Law

500 Don Gaspar Avenue

Post Office Box 1769

Santa Fe, New Mexico 87501

Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

Telephone 982-4285
Area Code 505

April 24, 1980

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

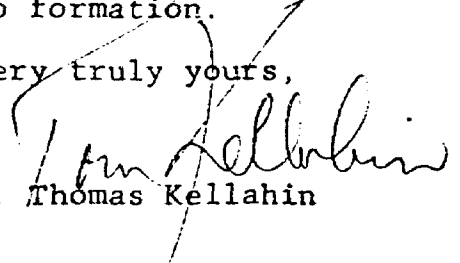
re: McClellan Oil Corporation

Dear Joe:

On April 22, 1980, we filed an application on behalf of McClellan Oil Corporation force pooling the S/2 of Section 30, T6S, R26E, N.M.P.M.

Please amend the application to provide for forced pooling of the mineral interest from 1200 feet below the surface to the base of the Abo formation.

Very truly yours,


W. Thomas Kellahin

WTK:mmr

cc: Mr. Jack McClellan
Blanco Company
James T. Jennings

COPY

3

McCLELLAN OIL CORPORATION

FORCED POOLING

CASE # 6897

3 JMC

McClellan Oil Corporation

CASE # 6897

EXHIBIT "A"

March 27, 1980

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION	
McClellan	EXHIBIT NO. <u>1</u>
CASE NO.	<u>6897</u>
Submitted by	_____
Hearing Date	<u>21 May 80</u>

The Blanco Company
Post Office Box 1150
Roswell, New Mexico 88201

Re: S $\frac{1}{2}$ Sec. 30-T6S-R26E,
Chaves County, N. M.

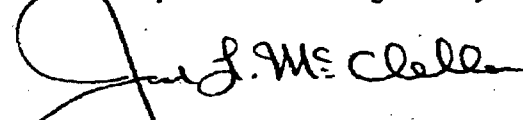
Gentlemen:

8
You were recently furnished a Lease on your 1/12 (8.33%) interest in the captioned acreage whereby you were to retain a 3/16 royalty interest for a 6 months Lease, no bonus consideration. I have, at the present time, obtained 77.08% of these interests on the same basis as the Lease provided you.

You had indicated in an earlier conversation that you would probably agree to such a lease or would join in the drilling of the proposed test as shown on the attached land plat. An AFE is also attached indicating your estimated costs of participation.

I would appreciate your earliest decision as to a farmout or participating interest in order that we may proceed with plans to drill the proposed Abo test.

Best personal regards,


Jack L. McClellan
President

/enclosures



McClellan Oil Corporation

March 27, 1980

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

EXHIBIT NO. 2

CASE NO. _____

Submitted by _____

Hearing Date _____

Mr. James T. Jennings
Post Office Box 1180
Roswell, New Mexico 88201

Re: S $\frac{1}{2}$ Sec. 30-T6S-R26E,
Chaves County, N. M.

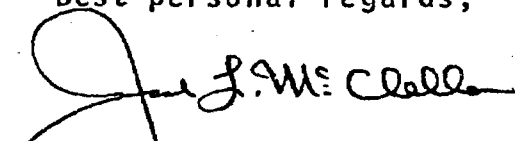
Dear Jim:

You were recently furnished a Lease on your 1/12 (8.33%) interest in the captioned acreage whereby you were to retain a 3/16 royalty interest for a 6 months Lease, no bonus consideration. I have, at the present time, obtained 77.08% of these interests on the same basis as the Lease provided you.

You had indicated in an earlier conversation that you would probably agree to such a lease or would join in the drilling of the proposed test as shown on the attached land plat. An AFE is also attached indicating your estimated costs of participation.

I would appreciate your earliest decision as to a farmout or participating interest in order that we may proceed with plans to drill the proposed Abo test.

Best personal regards,


Jack D. McClellan
President

/enclosures

OIL & GAS LEASE

Printed and for sale by Holt R. Gorbough Press, Roswell, N. M.

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

80
EXHIBIT NO. 3

CASE NO. _____

Submitted by _____

Hearing Date _____

(Post Office Address)
DRAWER 730, ROSWELL, NEW MEXICO 8

THIS AGREEMENT made this 20th day of March
THE BLANCO COMPANY, a corporation,

McCLELLAN OIL CORPORATION

herein called lessor (whether one or more) and

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided a of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the

following described land in Chaves County, New Mexico, to-wit:

TOWNSHIP 6 SOUTH, RANGE 26 EAST, N. M. P. M.

Section 30: S $\frac{1}{2}$

limited to those depths in excess of 1200' below the surface.

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 320 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Six (6) Months from this date (called "primary term"), and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 3/16 of that produced and saved from said land, same to be delivered at the well or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other products therefrom, the market value at the mouth of the well of 3/16 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 3/16 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate

as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of \$ 320.00 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment

or tender may be made to the lessor or to the credit of the lessor in the _____ Bank

at _____ which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository change is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard production unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such unit may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production therefrom should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or (if it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

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

10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, 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 to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee 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.

Executed the day and year first above written.

ATTEST:

Secretary

THE BLANCO COMPANY

BY:

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

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

My Commission expires _____, 19____ Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

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

My Commission expires _____, 19____ Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

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

My Commission expires _____, 19____ Notary Public

STATE OF _____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

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

My Commission expires _____, 19____ Notary Public

No. _____	
OIL AND GAS LEASE NEW MEXICO	
FROM	TO
Date _____, 19____	
Section _____, Township _____, Range _____	
No. of Acres _____	
County, New Mexico	
Term _____	
STATE OF NEW MEXICO	
COUNTY OF _____	
I hereby certify that this instrument was filed for record on the _____ day of _____, A. D. 19____, at _____ o'clock _____ m., and was duly recorded in Book _____ at Page _____ of the Records of said County.	
By _____ Deputy.	County Clerk.

STATE OF NEW MEXICO

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of Chaves

The foregoing instrument was acknowledged before me this _____ day of March, 19 80
by _____ President
of The Blanco Company a _____ corporation
on behalf of said corporation.

My Commission Expires: _____ Notary Public

STATE OF _____

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

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

My Commission Expires: _____ Notary Public

OIL & GAS LEASE

THIS AGREEMENT made this 20th day of March, 1980, between
JAMES T. JENNINGS and FRANCES JENNINGS, his wife,

of Roswell, New Mexico 8001,
 (Post Office Address)

herein called lessor (whether one or more) and **McCLELLAN OIL CORPORATION, DRAWER 730, ROSWELL, NEW MEXICO 88501**

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the

following described land in Chaves County, New Mexico, to-wit:

TOWNSHIP 6 SOUTH, RANGE 26 EAST, N. M. P. M.

Section 30: S $\frac{1}{2}$

limited to those depths in excess of 1200' below the surface.

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 320 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Six (6) Months from this date (called "primary term"), and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 3/16 of that produced and saved from said land, same to be delivered at the well or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of 3/16 of the gas so sold or used, provided that on gas sold at the well the royalty shall be 3/16 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate

as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of \$ 320.00 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment

or tender may be made to the lessor or to the credit of the lessor in the Bank

at _____, which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard production unit fixed by law or by the New Mexico Oil Conservation Commission, or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or (if it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

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

10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, 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 to the lessor, or by placing 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.

Executed the day and year first above written.

Frances Jennings

James T. Jennings

STATE OF NEW MEXICO,

County of Chaves

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this day of March
19 80 by JAMES T. JENNINGS and FRANCES JENNINGS, his wife.

My Commission expires , 19 Notary Public

STATE OF NEW MEXICO,

County of

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

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

My Commission expires , 19 Notary Public

STATE OF NEW MEXICO,

County of

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

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

My Commission expires , 19 Notary Public

STATE OF

County of

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

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

My Commission expires , 19 Notary Public

No. <u> </u>	
OIL AND GAS LEASE	
NEW MEXICO	
FROM	TO
Date <u> </u> , 19 <u> </u>	
Section <u> </u> , Township <u> </u> , Range <u> </u>	
No. of Acres <u> </u>	
County, New Mexico	
Term <u> </u>	
STATE OF NEW MEXICO	
COUNTY OF <u> </u>	
I hereby certify that this instrument was filed for	
record on the <u> </u> day of <u> </u> ,	
A. D. 19 <u> </u> , at <u> </u> o'clock <u> </u> m., and	
it was duly recorded in Book <u> </u> at Page <u> </u>	
of the Records of said County.	
By <u> </u>	County Clerk.
<u> </u>	Deputy.

STATE OF NEW MEXICO

County of

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

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

My Commission Expires: Notary Public

STATE OF

County of

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

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

My Commission Expires: Notary Public



To: _____	Lease: <u>Johnson</u> No. <u>Fee</u>
Purpose: <u>Drill New Well</u>	Field: <u>Wildcat</u>
Objective Depth <u>4300</u> Formation <u>Abo</u>	County: <u>Chaves</u>
Date: <u>March 26, 1980</u> AFE No. <u>1</u>	State: <u>New Mexico</u>
Anticipated Commencement Date <u>August 1, 1980</u>	Location: <u>660' FSL & 660' FWL</u> Well No. <u>1</u>
Type Well: <u>Gas</u> Spacing <u>320</u>	Section <u>30</u> Township <u>6-S</u> Range <u>26-E</u>

Item	Amount	
	Dry Hole	Producer
Casing (Size, Amt., Price) _____	\$ _____	\$ _____
Surf. _____		
Inter. 8-5/8"-1300-\$9.45	12,300	12,300
Prod. 4 1/2-4300-\$4.32		18,600
Tubing (Size, Amt., Price) 2-3/8"-4300'-\$2.75		11,900
Rods (Size, Amt., Price) _____		
Down Hole Pump _____		
Type: _____ Size: _____		
Float & Other Equipment _____		
Surface _____		
Intermediate _____	350	350
Production _____		500
Pumping Unit _____		
Engine _____		
Elec. Motor & Panel _____		
Flowlines & Connections _____	350	1,000
Storage Tanks, Stairs, Wlks. _____		
No. _____ Size _____		
Separator: _____ Size: _____		2,500
Heater Treater: _____ Size: _____		
Wellhead Equipment _____		6,000
Valves & Fittings _____		2,000
Packers <u>In contingencies</u>		
Meters _____		
Electrical Systems _____		
Injection Equipment _____		
Lease Acquisition _____		
SUB TOTAL TANGIBLES	\$ 13,000	\$ 55,000

TOTAL

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

EXHIBIT NO. 4

CASE NO. _____

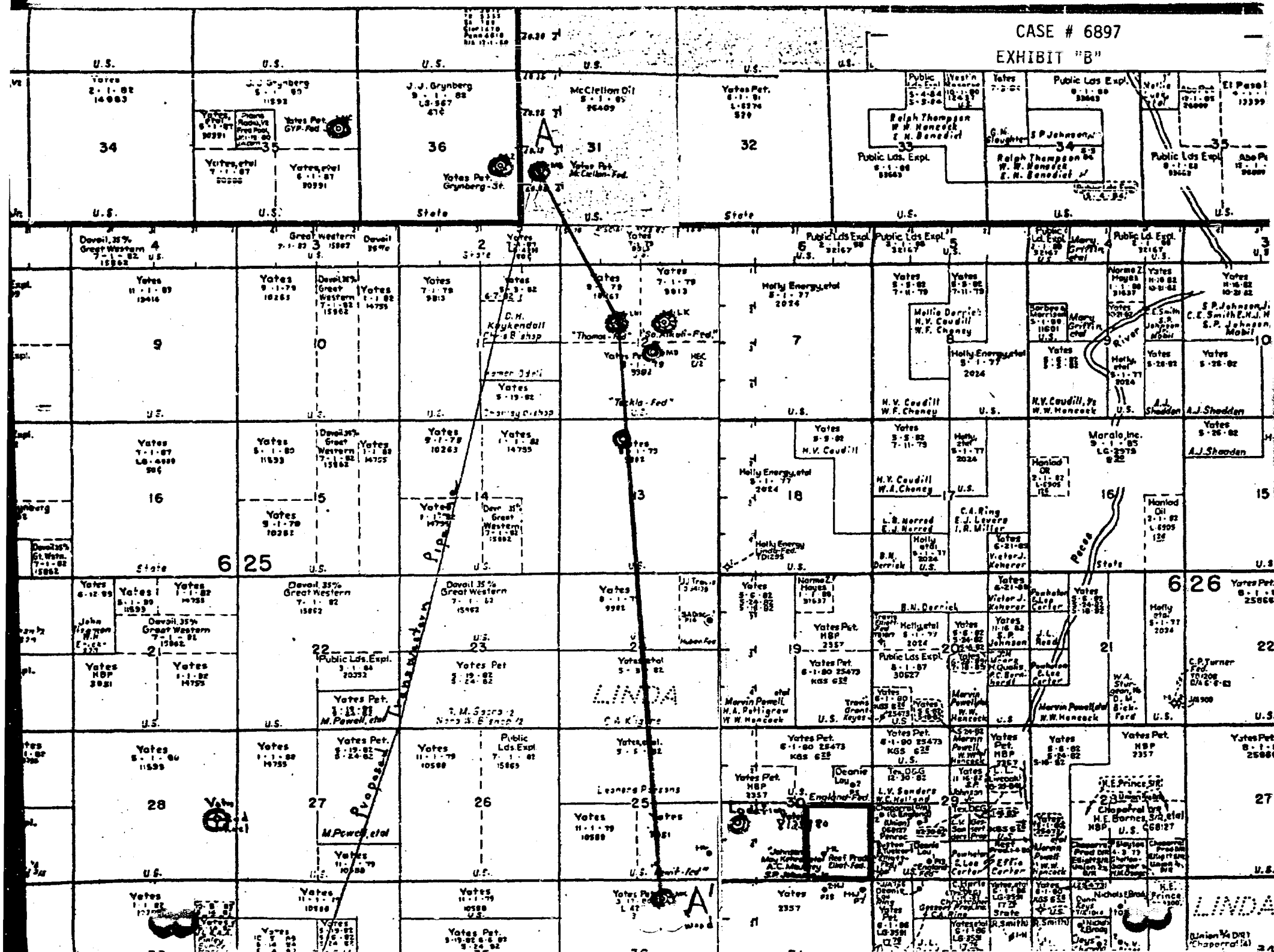
Submitted by _____

Hearing Date _____

CC

CC

CASE # 6897
EXHIBIT "B"



Case # 6897

Exhibit "C"

S/2 Section 30, Township 6 South, Range 26 East, N.M.P.M.
Limited to these depths in excess of 1200' below the surface
Chaves County, New Mexico

ALL FEE LEASES

Lease Owner	Interest	Status of Lease	Date of Lease	Date of Lease Expiration	Royalty Retained
Johnson Properties	.25	Leased to MOC	March 14, 1980	Sept. 14, 1980	.1875
May Kehrler (Victor J. Kehrler, Jr.)	.125	" "	Feb. 25, 1980	Aug. 25, 1980	.1875
Geneva B. Gardner	.0833	" "	March 7, 1980	Sept. 7, 1980	.1875
Neicia Mounsey	.25	" "	Feb. 22, 1980	Aug. 22, 1980	.1875
Cloyd A. rong	.0625	" "	March 12, 1980	Sept. 12, 1980	.1875
Marion or Milton Engelbrecht	.0625	" "	March 14, 1980	Sept. 14, 1980	.1875
The Blanco Company	.08334	Unleased	} Undivided under S/2 Sec 30		
James T. Jennings	.08333	Unleased			
	1.000	Leased to MOC	.8408		

Owners Not Agreeing To Join

James T. Jennings
P.O. Box 1180
Roswell, N.M. 88201

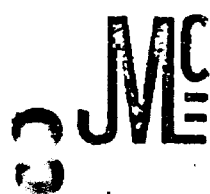
Fee Lease

The Blanco Company
P.O. Box 1150
Roswell, N.M. 88201

Fee Lease

Formations Anticipated to Produce
Included In this Case

Abo



McClellan Oil Corporation

Suite 1000 Security Bank Building

Box 848

Roswell, New Mexico 88201

Case # 6897

Exhibit "D"

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

EXHIBIT NO. 7

CASE NO. _____

Submitted by _____

Hearing Date _____

Authority For Expenditure

To: _____ Lease: Johnson No. Fee

Purpose: Drill New Well Field: Wildcat

Objective Depth 4300 Formation Abo County: Chaves

Date: May 20, 1980 AFENo. 1 State: New Mexico

Anticipated Commencement Date August 1, 1980 Location: 1980' FSL & 660' FWL Well No. 1

Type Well: Gas Spacing 160 Section 30 Township 6-S Range 26-E

INTANGIBLES

Item	Amount	
	Dry Hole	Producer
Surveying	\$ 500	\$ 500
Build Location & Roads	7,000	7,000
Drilling <u>4300</u> ft. @ \$ <u>17.00</u>	73,000	73,000
Day Work <u>2</u> days @ \$ <u>3500</u>	3,500	5,200
Completion <u>10</u> days @ \$ <u>650</u>		6,500
Muds & Chemicals	10,000	10,000
Electric logging	13,000	13,000
Drill Stem Tests No: _____		
Acid <u>1500</u> Gals.		3,000
Fracturing <u>17,500</u> Gals. <u>20,000</u> lbs.		15,000
Perforating & Logging		3,500
Coring _____ ft.		
Geol. & Geophy. Expense		
Well Supervision		
Administrative Overhead		
Engr. & Geol. Services		
Cement Services		
Surface _____ sx		
Intern. <u>350</u> sx		
Prod. <u>300</u> sx		
Plugging—Clean-up		
Surface Damage		
Contract Labor		
Trucking		
Equipment R		
Water		
Environ		
Legal		

TANGIBLES

Item	Amount	
	Dry Hole	Producer
Casing (Size, Amt., Price)	\$	\$
Surf.		
Interm. <u>8-5/8"-1300-\$9.45</u>	12,300	12,300
Prod. <u>4 1/2"-4300-\$4.32</u>		18,600
Tubing (Size, Amt., Price)		
<u>2-3/8"-4300'-\$2.75</u>		11,900
Rods (Size, Amt., Price)		
Down Hole Pump		
Type: _____ Size: _____		
Float & Other Equipment		
Surface		



McClellan Oil Corporation

Suite 1000 Security Bank Building

Box 848

Roswell, New Mexico 88201

Case # 6897

Exhibit "D"

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

EXHIBIT NO. 7

Authority For Expenditure

To: _____ Lease: Johnson No. Fee

Purpose: Drill New Well Field: Wildcat

Objective Depth 4300 Formation Abn County: Chaves

Date: May 20, 1980 AFE No. 1 State: New Mexico

Anticipated Commencement Date August 1, 1980 Location: 1980' FSL & 660' FWL Well No. 1

Type Well: Gas Spacing 160 Section 30 Township 6-S Range 26-E

INTANGIBLES

Item	Amount	
	Dry Hole	Producer
Surveying	\$ 500	\$ 500
Build Location & Roads	7,000	7,000
Drilling <u>4300</u> ft. @ \$ <u>17.00</u>	73,000	73,000
Day Work <u>2</u> days @ \$ <u>3500</u>	3,500	5,200
Completion <u>10</u> days @ \$ <u>650</u>		6,500
Muds & Chemicals	10,000	10,000
Electric logging	13,000	13,000
Drill Stem Tests No: _____		
Acid <u>1500</u> Gals		3,000
Fracturing <u>17,500</u> Gals <u>20,000</u> lbs.		15,000
Perforating & Logging		3,500
Coring _____ ft.		
Geol. & Geophy. Expense		
Well Supervision		
Administrative Overhead	3,000	3,000
Engr. & Geol. Services	2,500	3,500
Cement Services		
Surface _____ sx		
Interm. <u>350</u> sx	3,500	3,500
Prod. <u>300</u> sx		3,500
Plugging—Clean-up	5,000	2,000
Surface Damage	1,000	1,000
Contract Labor	500	1,500
Trucking	500	1,500
Equipment Rental		7,000
Water	8,000	10,000
Environmental Impact		
Legal Fees		
Contingencies	4,000	9,000
Taxes _____ %	6,750	10,250
SUBTOTAL INTANGIBLES	\$141,700	\$192,400

TANGIBLES

Item	Amount	
	Dry Hole	Producer
Casing (Size, Amt., Price)	\$	\$
Surf.		
Interm. <u>8-5/8"-1300-</u> \$9.45	12,300	12,300
Prod. <u>4 1/2"-4300-</u> \$4.32		18,600
Tubing (Size, Amt., Price)		
<u>2-3/8"-4300'-</u> \$2.75		11,900
Rods (Size, Amt., Price)		
Down Hole Pump		
Type: _____ Size: _____		
Float & Other Equipment		
Surface		
Intermediate	350	350
Production		500
Pumping Unit		
Engine		
Elec. Motor & Panel		
Flowlines & Connections	350	1,000
Storage Tanks, Stairs, Wlks.		
No. _____ Size _____		
Separator: Size: _____		2,500
Heater Treater: Size: _____		
Wellhead Equipment		6,000
Valves & Fittings		2,000
Packers <u>In contingencies</u>		
Meters		
Electrical Systems		
Injection Equipment		
Lease Acquisition		
SUB TOTAL TANGIBLES	\$ 13,000	\$ 55,000

TOTAL ESTIMATED DRY HOLE COST \$ 154,700

TOTAL ESTIMATED COST OF PRODUCING WELL

Gas or Flowing \$ 247,400

Pumping \$ _____

Approved by _____ Date _____

Operator

Approved and Accepted by _____ Date _____

Non-Operator

TOTAL

Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

KELLAHIN and KELLAHIN
Attorneys at Law
500 Don Gaspar Avenue
Post Office Box 1769
Santa Fe, New Mexico 87501

Telephone 982-4285
Area Code 505

April 22, 1980

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

re: Compulsory Pooling Case

Dear Joe:

Please set the enclosed application for hearing on
May 21, 1980 before the Division's Examiner.

Very truly yours,

W. Thomas Kellahin

encl.

cc: Jack McClellan
James Jennings ---CERTIFIED MAIL (Return Receipt Requested)
Blanco Company ---CERTIFIED MAIL (Return Receipt Requested)
WTK:mmr

COPY

P11 7129045

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO	
James T. Jennings	
P.O. Box 1180	
Roswell, NM 88201	
POSTAGE	
CERTIFIED FEE	\$
SPECIAL DELIVERY	\$
RESTRICTED DELIVERY	\$
SHOW TO WHOM AND DATE DELIVERED	\$
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY	\$
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	\$
TOTAL POSTAGE AND FEES	\$ 1.53
POSTMARK OR DATE	

PS Form 3800, Apr. 1976

P11 7129044

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO	
Blanco Company	
P.O. Box 1150	
Roswell, NM 88201	
POSTAGE	
CERTIFIED FEE	\$
SPECIAL DELIVERY	\$
RESTRICTED DELIVERY	\$
SHOW TO WHOM AND DATE DELIVERED	\$
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY	\$
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	\$
TOTAL POSTAGE AND FEES	\$ 1.53
POSTMARK OR DATE	

PS Form 3800, Apr. 1976

1. The following service is requested (check one):	
<input checked="" type="checkbox"/> RESTRICTED DELIVERY	Show to whom, date and address of delivery.
<input type="checkbox"/> RESTRICTED DELIVERY	Show to whom, date and address of delivery.
<input type="checkbox"/> RESTRICTED DELIVERY	Show to whom, date and address of delivery.
2. ARTICLE ADDRESSED TO:	
James T. Jennings	
P.O. Box 1180	
Roswell, NM 88201	
3. ARTICLE DESCRIPTION:	REGISTERED NO. CERTIFIED NO. RETURNED NO.
	7129045
4. I have received the article described above.	
SIGNATURE (Always obtain signature of addressee or agent)	
DATE OF DELIVERY	
5. ADDRESS (Complete only if requested)	
6. UNABLE TO DELIVER BECAUSE:	
7. POSTMARK	

PS Form 3811, Jan. 1976

1. The following service is requested (check one):	
<input checked="" type="checkbox"/> RESTRICTED DELIVERY	Show to whom, date and address of delivery.
<input type="checkbox"/> RESTRICTED DELIVERY	Show to whom, date and address of delivery.
<input type="checkbox"/> RESTRICTED DELIVERY	Show to whom, date and address of delivery.
2. ARTICLE ADDRESSED TO:	
Blanco Company	
P.O. Box 1150	
Roswell, NM 88201	
3. ARTICLE DESCRIPTION:	REGISTERED NO. CERTIFIED NO. RETURNED NO.
	7129044
4. I have received the article described above.	
SIGNATURE (Always obtain signature of addressee or agent)	
DATE OF DELIVERY	
5. ADDRESS (Complete only if requested)	
6. UNABLE TO DELIVER BECAUSE:	
7. POSTMARK	

McClure

SENT TO		STREET AND ZIP CODE		P.O. STATE AND ZIP CODE		POSTAGE		CERTIFIED FEE		SPECIAL DELIVERY		RESTRICTED DELIVERY		DATE DELIVERED		SHOW TO WHOM AND ADDRESS OF DELIVERY		RETURN RECEIPT SERVICE		CONSULT POSTMASTER FOR FEES		TOTAL POSTAGE AND FEES		POSTMARK ON DATE	
Blanco Company		P.O. Box 1150		Roswell, NM 88201		1.53																			

RECEIPT FOR CERTIFIED MAIL
 NO INSURANCE COVERAGE PROVIDED
 NOT FOR INTERNATIONAL MAIL
 (See Reverse)

P11 7129044

PS Form 3811, Jan. 1978

SENDER: Complete Items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
☒ Show to whom and date delivered.
☐ Show to whom, date and address of delivery.
☐ RESTRICTED DELIVERY
 Show to whom and date delivered.
☐ RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery.

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
 James T. Jennings
 P. O. Box 1180
 Roswell, NM 88201

3. ARTICLE DESCRIPTION:
 REGISTERED NO. CERTIFIED NO. INSURED NO.
 7129045

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE ☐ Addressee ☐ Authorized agent

DATE OF DELIVERY

4. ADDRESS (Complete only if requested)

5. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

McClennan

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

PS Form 3811, Jan. 1978

SENDER: Complete Items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
☒ Show to whom and date delivered.
☐ Show to whom, date and address of delivery.
☐ RESTRICTED DELIVERY
 Show to whom and date delivered.
☐ RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery.

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
 Blanco Company
 P. O. Box 1150
 Roswell, NM 88201

3. ARTICLE DESCRIPTION:
 REGISTERED NO. CERTIFIED NO. INSURED NO.
 7129044

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE ☐ Addressee ☐ Authorized agent

DATE OF DELIVERY

4. ADDRESS (Complete only if requested)

5. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

★ GPO : 1978-288-248

McClennan

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

STICK POSTAGE STAMPS TO ARTICLE TO COVER FIRST CLASS POSTAGE.
CERTIFIED MAIL FEE, AND CHARGES FOR ANY SELECTED OPTIONAL SERVICES. (see front)

1. If you want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, leaving the receipt attached, and present the article at a post office service window or hand it to your rural carrier. (no extra charge)
2. If you do not want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, date, detach and retain the receipt, and mail the article.
3. If you want a return receipt, write the certified-mail number and your name and address on a return receipt card, Form 3811, and attach it to the front of the article by means of the gummed ends if space permits. Otherwise, affix to back of article. Endorse front of article **RETURN RECEIPT REQUESTED** adjacent to the number.
4. If you want delivery restricted to the addressee, or to an authorized agent of the addressee, endorse **RESTRICTED DELIVERY** on the front of the article.
5. Enter fees for the services requested in the appropriate spaces on the front of this receipt. If return receipt is requested, check the applicable blocks in Item 1 of Form 3811.
6. Save this receipt and present it if you make inquiry.

• GPO : 1979 O - 289-363

STICK POSTAGE STAMPS TO ARTICLE TO COVER FIRST CLASS POSTAGE.
CERTIFIED MAIL FEE, AND CHARGES FOR ANY SELECTED OPTIONAL SERVICES. (see front)

1. If you want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, leaving the receipt attached, and present the article at a post office service window or hand it to your rural carrier. (no extra charge)
2. If you do not want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, date, detach and retain the receipt, and mail the article.
3. If you want a return receipt, write the certified-mail number and your name and address on a return receipt card, Form 3811, and attach it to the front of the article by means of the gummed ends if space permits. Otherwise, affix to back of article. Endorse front of article **RETURN RECEIPT REQUESTED** adjacent to the number.
4. If you want delivery restricted to the addressee, or to an authorized agent of the addressee, endorse **RESTRICTED DELIVERY** on the front of the article.
5. Enter fees for the services requested in the appropriate spaces on the front of this receipt. If return receipt is requested, check the applicable blocks in Item 1 of Form 3811.
6. Save this receipt and present it if you make inquiry.

• GPO : 1979 O - 289-363

UNITED STATES POSTAL SERVICE
OFFICIAL BUSINESS

SENDER INSTRUCTIONS

- Print your name, address, and ZIP Code in the space below.
- Complete items 1, 2, and 3 on the reverse.
 - Attach to front of article if space permits, otherwise affix to back of article.
 - Endorse article "Return Receipt Requested" adjacent to number.

PENALTY FOR PRIVATE
USE TO AVOID PAYMENT
OF POSTAGE \$300



RETURN
TO



W. Thomas Kellahin
Kellahin & Kellahin
(Name of Sender)

P. O. Box 1769
(Street or P.O. Box)

Santa Fe, NM 87501
(City, State, and ZIP Code)

UNITED STATES POSTAL SERVICE
OFFICIAL BUSINESS

SENDER INSTRUCTIONS

- Print your name, address, and ZIP Code in the space below.
- Complete items 1, 2, and 3 on the reverse.
 - Attach to front of article if space permits, otherwise affix to back of article.
 - Endorse article "Return Receipt Requested" adjacent to number.

PENALTY FOR PRIVATE
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W. Thomas Kellahin
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P. O. Box 1769
(Street or P.O. Box)

Santa Fe, NM 87501
(City, State, and ZIP Code)

KELLAHIN and KELLAHIN

Attorneys at Law

500 Don Gaspar Avenue
Post Office Box 1769

Santa Fe, New Mexico 87501

Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

Telephone 982-4285
Area Code 505

April 24, 1980

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

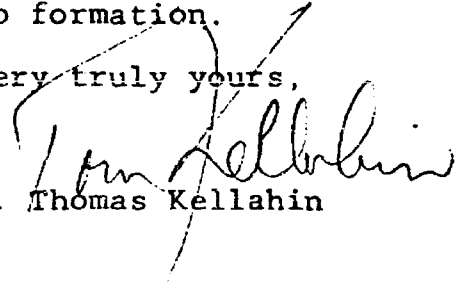
re: McClellan Oil Corporation

Dear Joe:

On April 22, 1980, we filed an application on behalf of McClellan Oil Corporation force pooling the S/2 of Section 30, T6S, R26E, N.M.P.M.

Please amend the application to provide for forced pooling of the mineral interest from 1200 feet below the surface to the base of the Abo formation.

Very truly yours,


W. Thomas Kellahin

WTK:mmr

cc: Mr. Jack McClellan
Blanco Company
James T. Jennings

COPY

McCLELLAN OIL CORPORATION

FORCED POOLING

CASE # 6897



McClellan Oil Corporation

CASE # 6897

EXHIBIT "A"

March 27, 1980

The Blanco Company
Post Office Box 1150
Roswell, New Mexico 88201

Re: S $\frac{1}{2}$ Sec. 30-T6S-R26E,
Chaves County, N. M.

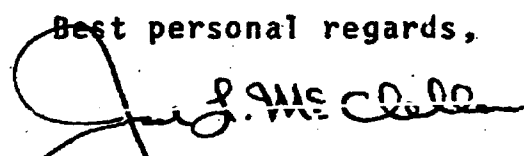
Gentlemen:

You were recently furnished a Lease on your 1/12 (8.33%) interest in the captioned acreage whereby you were to retain a 3/16 royalty interest for a 6 months Lease, no bonus consideration. I have, at the present time, obtained 77.08% of these interests on the same basis as the Lease provided you.

You had indicated in an earlier conversation that you would probably agree to such a lease or would join in the drilling of the proposed test as shown on the attached land plat. An AFE is also attached indicating your estimated costs of participation.

I would appreciate your earliest decision as to a farmout or participating interest in order that we may proceed with plans to drill the proposed Abo test.

Best personal regards,



Jack J. McClellan
President

/enclosures



McClellan Oil Corporation

March 27, 1980

Mr. James T. Jennings
Post Office Box 1180
Roswell, New Mexico 88201

Re: S $\frac{1}{2}$ Sec. 30-T6S-R26E,
Chaves County, N. M.

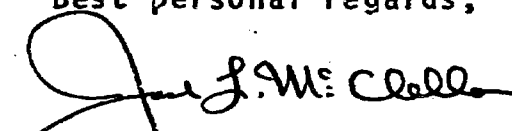
Dear Jim:

You were recently furnished a Lease on your 1/12 (8.33%) interest in the captioned acreage whereby you were to retain a 3/16 royalty interest for a 6 months Lease, no bonus consideration. I have, at the present time, obtained 77.08% of these interests on the same basis as the Lease provided you.

You had indicated in an earlier conversation that you would probably agree to such a lease or would join in the drilling of the proposed test as shown on the attached land plat. An AFE is also attached indicating your estimated costs of participation.

I would appreciate your earliest decision as to a farmout or participating interest in order that we may proceed with plans to drill the proposed Abo test.

Best personal regards,


Jack H. McClellan
President

/enclosures

OIL & GAS LEASE

THIS AGREEMENT made this 20th day of March
THE BLANCO COMPANY, a corporation,

19 80, between

of Roswell, New Mexico 820
 (Post Office Address)

herein called lessor (whether one or more) and McCLELLAN OIL CORPORATION, DRAWER 730, ROSWELL, NEW MEXICO 8
 1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided a
 of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting,
 drilling, and operating for and producing oil and gas, injecting gas, water, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building
 tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the

following described land in Chaves County, New Mexico, to-wit:

TOWNSHIP 6 SOUTH, RANGE 26 EAST, N. M. P. M.

Section 30: S4

limited to those depths in excess of 1200' below the surface.

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 320 acres, whether it actually
 comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Six (6) Months from this date (called "primary term"), and
 as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 3/16 of that produced and saved from said land,
 same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gas-
 eous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other products therefrom, the market value at
 the mouth of the well of 3/16 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 3/16 of the amount realized from
 such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled
 therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days
 after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals
 provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or
 tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities.
 Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be
 paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner
 hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate
320.00

as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of \$ 320.00 which
 shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders,
 annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment

or tender may be made to the lessor or to the credit of the lessor in the Bank

at which bank, or any successor thereof, shall
 continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank,
 or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable
 instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender
 of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying
 date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in
 whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a
 proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by
 certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof
 with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard pro-
 duction unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus
 a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to
 time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all pur-
 poses, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land
 covered by this lease included in any such unit that portion of the total production from the land described in this lease. There shall be allocated to the land
 or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the
 unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals
 from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease.
 Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is sit-
 uated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the
 production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days
 thereafter and diligently prosecutes the same, or (if it be within the primary term) commences or resumes the payment or tender of rentals or commences
 operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said
 dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations
 for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60
 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junky the hole or well and after diligent efforts in good
 faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same
 with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long
 thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty
 shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and
 fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated
 lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's con-
 sent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling
 thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators,
 successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however
 accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any pur-
 pose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies
 thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or
 tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with
 evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the
 rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental
 payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such
 assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment
 of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this
 lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this
 paragraph shall also include shut-in royalty.

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

10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other
 lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing
 hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any
 part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental,
 and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the
 interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as
 lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, 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, succe-
 ssors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated;
 thereupon lessee 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.

Executed this day and year first above written.

ATTEST:

THE BLANCO COMPANY

BY:

Secretary

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

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

My Commission expires _____, 19____ Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

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

My Commission expires _____, 19____ Notary Public

STATE OF NEW MEXICO,

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

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

My Commission expires _____, 19____ Notary Public

STATE OF _____

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

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

My Commission expires _____, 19____ Notary Public

No. _____	
OIL AND GAS LEASE NEW MEXICO	
FROM	TO
Date _____, 19____	
Section _____, Township _____, Range _____	
No. of Acres _____	
County, New Mexico	
Term _____	
STATE OF NEW MEXICO	
COUNTY OF _____	
I hereby certify that this instrument was filed for record on the _____ day of _____, A. D., 19____, at _____ o'clock _____ m., and was duly recorded in Book _____ at Page _____ of the Records of said County.	
By _____ Deputy.	County Clerk.

STATE OF NEW MEXICO

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of Chaves

The foregoing instrument was acknowledged before me this _____ day of March, 19 80
by _____ President

of The Blanco Company a _____ corporation
on behalf of said corporation.

My Commission Expires: _____ Notary Public

STATE OF _____

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

County of _____

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

of _____ a _____ corporation
on behalf of said corporation.

My Commission Expires: _____ Notary Public

OIL & GAS LEASE

THIS AGREEMENT made this 20th day of March, 1980, between
JAMES T. JENNINGS and FRANCES JENNINGS, his wife,

of Roswell, New Mexico 201,
 (Post Office Address)

herein called lessor (whether one or more) and **MCCLELLAN OIL CORPORATION, DRAWER 730, ROSWELL, NEW MEXICO 88501**

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the

following described land in Chaves County, New Mexico, to-wit:

TOWNSHIP 6 SOUTH, RANGE 26 EAST, N. M. P. M.

Section 30: S4

limited to those depths in excess of 1200' below the surface.

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 320 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Six (6) Months from this date (called "primary term"), and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

3. The royalty to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 3/16 of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of 3/16 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 3/16 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate

as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of \$ 320.00 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment

or tender may be made to the lessor or to the credit of the lessor in the _____ Bank

at _____, which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard production unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same or (if it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to drill and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

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

10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, 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 to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee 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.

Executed the day and year first above written.

Frances Jennings

James T. Jennings

STATE OF NEW MEXICO,

County of Chaves

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this day of March
19 80 by JAMES T. JENNINGS and FRANCES JENNINGS, his wife.

My Commission expires , 19 Notary Public

STATE OF NEW MEXICO,

County of

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

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

My Commission expires , 19 Notary Public

STATE OF NEW MEXICO,

County of

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

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

My Commission expires , 19 Notary Public

STATE OF

County of

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short For

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

My Commission expires , 19 Notary Public

No. <u> </u>	
OIL AND GAS LEASE	
NEW MEXICO	
FROM	TO
Date <u> </u> , 19 <u> </u>	
Section <u> </u> , Township <u> </u> , Range <u> </u>	
No. of Acres <u> </u>	
County, New Mexico	
Term <u> </u>	
STATE OF NEW MEXICO	
COUNTY OF <u> </u>	
I hereby certify that this instrument was filed for	
record on the <u> </u> day of <u> </u>	
A. D., 19 <u> </u> , at <u> </u> o'clock <u> </u> m., and	
was duly recorded in Book <u> </u> at Page <u> </u>	
of the Records of said County.	
County Clerk.	By <u> </u> Deputy.

STATE OF NEW MEXICO

County of

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

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

My Commission Expires: Notary Public

STATE OF

County of

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

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

My Commission Expires: Notary Public



To: _____	Lease: <u>Johnson</u> No. <u>Fee</u>
Purpose: <u>Drill New Well</u>	Field: <u>Wildcat</u>
Objective Depth <u>4300</u> Formation <u>Abq</u>	County: <u>Chaves</u>
Date: <u>March 26, 1980</u> AFE No. <u>1</u>	State: <u>New Mexico</u>
Anticipated Commencement Date <u>August 1, 1980</u>	Location: <u>660' FSL & 660' FWL</u> Well No. <u>1</u>
Type Well: <u>Gas</u> Spacing <u>320</u>	Section <u>30</u> Township <u>6-S</u> Range <u>26-E</u>

Item	Amount	
	Dry Hole	Producer
Casing (Size, Amt., Price) _____	\$ _____	\$ _____
Surf. _____		
Interm. 8-5/8" - 1300 - \$9.45	12,300	12,300
Prod. 4 1/2 - 4300 - \$4.32		18,600
Tubing (Size, Amt., Price) _____		
2-3/8" - 4300' - \$2.75		11,900
Rods (Size, Amt., Price) _____		
Down Hole Pump _____		
Type: _____ Size: _____		
Float & Other Equipment _____		
Surface _____		
Intermediate _____	350	350
Production _____		500
Pumping Unit _____		
Engine _____		
Elec. Motor & Panel _____		
Flowlines & Connections _____	350	1,000
Storage Tanks, Stairs, Wlks. _____		
No. _____ Size _____		
Separator: _____ Size: _____		2,500
Heater Treater: _____ Size: _____		
Wellhead Equipment _____		6,000
Valves & Fittings _____		2,000
Packers <u>In contingencies</u>		
Meters _____		
Electrical Systems _____		
Injection Equipment _____		
Lease Acquisition _____		
SUB TOTAL TANGIBLES	\$ 13,000	\$ 55,000

EXHIBIT "B"

[illegible]

Case # 6897

Exhibit "C"

S/2 Section 30, Township 6 South, Range 26 East, N.M.P.M.
Limited to these depths in excess of 1200' below the surface
Chaves County, New Mexico

ALL FEE LEASES

Lease Owner	Interest	Status of Lease	Date of Lease	Date of Lease Expiration	Royalty Retained
Johnson Properties	.25	Leased to MOC	March 14, 1980	Sept. 14, 1980	.1875
May Kehrler (Victor J. Kehrler, Jr.)	.125	" "	Feb. 25, 1980	Aug. 25, 1980	.1875
Geneva B. Gardner	.0833	" "	March 7, 1980	Sept. 7, 1980	.1875
Neicia Mounsey	.25	" "	Feb. 22, 1980	Aug. 22, 1980	.1875
Cloyd A. rong	.0625	" "	March 12, 1980	Sept. 12, 1980	.1875
Marion or Milton Engelbrecht	.0625	" "	March 14, 1980	Sept. 14, 1980	.1875
The Blanco Company	.08334	Unleased			
James T. Jennings	.08333	Unleased			
	1.000	Leased to MOC			.8408

Owners Not Agreeing To Join

James T. Jennings
P.O. Box 1130
Roswell, N.M. 88201

Fee Lease

The Blanco Company
P.O. Box 1150
Roswell, N.M. 88201

Fee Lease

Formations Anticipated to Produce
Included In this Case

Abo



McClellan Oil Corporation

Suite 1000 Security Bank Building

Box 848

Roswell, New Mexico 88201

Case # 6897

Exhibit "D"

Authority For Expenditure

To: _____ Lease: Johnson No. Fee

Purpose: Drill New Well Field: Wildcat

Objective Depth 4300 Formation Abn County: Chaves

Date: May 20, 1980 AFE No. 1 State: New Mexico

Anticipated Commencement Date August 1, 1980 Location: 1980' FSL & 660' FWL Well No. 1

Type Well: Gas Spacing 160 Section 30 Township 6-S Range 26-E

INTANGIBLES

Item	Amount	
	Dry Hole	Producer
Surveying	\$ 500	\$ 500
Build Location & Roads	7,000	7,000
Drilling 4300 ft. @ \$ 17.00	73,000	73,000
Day Work 2 days @ \$ 3500	3,500	5,200
Completion 10 days @ \$ 650		6,500
Muds & Chemicals	10,000	10,000
Electric logging	13,000	13,000
Drill Stem Tests No: _____		
Acid 1500 Gals		3,000
Fracturing 17,500 Gals. 20,000 lbs.		15,000
Perforating & Logging		3,500
Coring _____ ft.		
Geol. & Geophy. Expense		
Well Supervision		
Administrative Overhead		
Engr. & Geol. Services		
Cement Services		
Surface _____ sx		
Interm. 350 _____ sx		
Prod. 300 _____ sx		
Plugging—Clean-up		
Surface Damage		
Contract Labor		
Trucking		
Equipment		
Water		
Enviro		
Le		

TANGIBLES

Item	Amount	
	Dry Hole	Producer
Casing (Size, Amt., Price)	\$	\$
Surf.		
Interm. 8-5/8"-1300-\$9.45	12,300	12,300
Prod. 4 1/2"-4300-\$4.32		18,600
Tubing (Size, Amt., Price)		
2-3/8"-4300'-\$2.75		11,900
Rods (Size, Amt., Price)		
Down Hole Pump		
Type: _____ Size: _____		
Float & Other Equipment		
Surface		
Intermediate	350	350

McCLELLAN OIL CORPORATION

FORCED POOLING

CASE # 6897



McClellan Oil Corporation

CASE # 6897

EXHIBIT "A"

March 27, 1980

The Blanco Company
Post Office Box 1150
Roswell, New Mexico 88201

Re: S $\frac{1}{2}$ Sec. 30-T6S-R26E,
Chaves County, N. M.

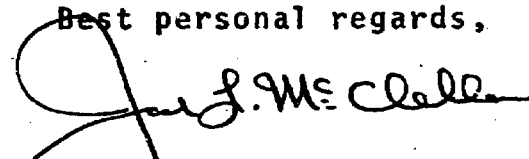
Gentlemen:

You were recently furnished a Lease on your 1/12 (8.33%) interest in the captioned acreage whereby you were to retain a 3/16 royalty interest for a 6 months Lease, no bonus consideration. I have, at the present time, obtained 77.08% of these interests on the same basis as the Lease provided you.

You had indicated in an earlier conversation that you would probably agree to such a lease or would join in the drilling of the proposed test as shown on the attached land plat. An AFE is also attached indicating your estimated costs of participation.

I would appreciate your earliest decision as to a farmout or participating interest in order that we may proceed with plans to drill the proposed Abo test.

Best personal regards,



Jack J. McClellan
President

/enclosures



McClellan Oil Corporation

March 27, 1980

Mr. James T. Jennings
Post Office Box 1180
Roswell, New Mexico 88201

Re: S $\frac{1}{2}$ Sec. 30-T6S-R26E,
Chaves County, N. M.

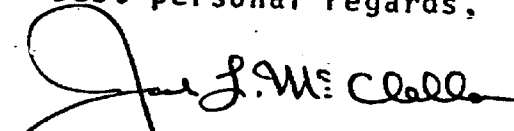
Dear Jim:

You were recently furnished a Lease on your 1/12 (8.33%) interest in the captioned acreage whereby you were to retain a 3/16 royalty interest for a 6 months Lease, no bonus consideration. I have, at the present time, obtained 77.08% of these interests on the same basis as the Lease provided you.

You had indicated in an earlier conversation that you would probably agree to such a lease or would join in the drilling of the proposed test as shown on the attached land plat. An AFE is also attached indicating your estimated costs of participation.

I would appreciate your earliest decision as to a farmout or participating interest in order that we may proceed with plans to drill the proposed Abo test.

Best personal regards,


Jack D. McClellan
President

/enclosures

OIL & GAS LEASE

THIS AGREEMENT made this 20th day of March 1980, between
THE BLANCO COMPANY, a corporation,

of Roswell, New Mexico 820
 (Post Office Address)

herein called lessor (whether one or more) and

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided a part of the agreement of the lease herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the

following described land in Chaves County, New Mexico, to-wit:

TOWNSHIP 6 SOUTH, RANGE 26 EAST, N. M. P. M.

Section 30: S4

limited to those depths in excess of 1200' below the surface.

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 320 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Six (6) Months from this date (called "primary term"), and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 3/16 of that produced and saved from said land, same to be delivered at the well or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other products therefrom, the market value at the mouth of the well of 3/16 of the gas so sold or used, provided that on gas sold at the well the royalty shall be 3/16 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used, and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate 320.00

as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of \$ 320.00 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment

or tender may be made to the lessor or to the credit of the lessor in the Bank

at which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard production unit fixed by law or by like New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or at the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production therefrom should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or (if it be within the primary term) commences or resumes the payment or tender of rentals or tenders operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

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

10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in, on or under part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, 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 to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee 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.

Executed the day and year first above written.

ATTEST:

Secretary

THE BLANCO COMPANY

BY:

OIL & GAS LEASE

THIS AGREEMENT made this 20th day of March 19 80, between
JAMES T. JENNINGS and FRANCES JENNINGS, his wife,

of Roswell, New Mexico 88201,
 (Post Office Address)

herein called lessor (whether one or more) and **McCLELLAN OIL CORPORATION, DRAWER 730, ROSWELL, NEW MEXICO 88201**

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, and other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the

following described land in Chaves County, New Mexico, to-wit:

TOWNSHIP 6 SOUTH, RANGE 26 EAST, N. M. P. M.

Section 30: S4

limited to those depths in excess of 1200' below the surface.

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 320 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of Six (6) Months from this date (called "primary term"), and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 3/16 of that produced and saved from said land, same to be delivered at the well or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gas-coke substances produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of 3/16 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 3/16 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate

as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of \$ 320.00 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment

or tender may be made to the lessor or to the credit of the lessor in the _____ Bank

at _____ which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessee shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proportion unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or (if it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

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

10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

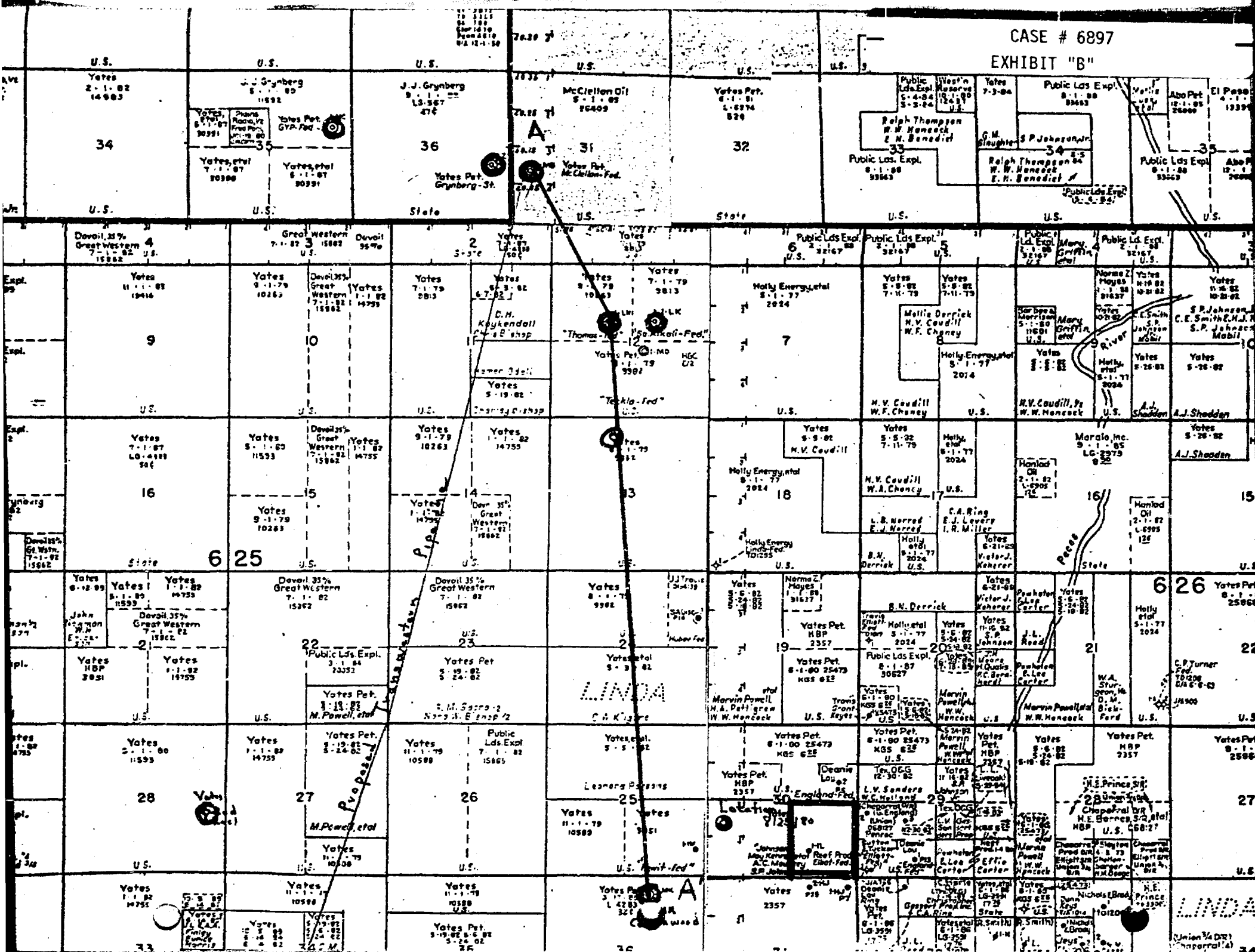
11. Lessee, its successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee 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.

Executed the day and year first above written.

Frances Jennings

James T. Jennings

EXHIBIT "B"



Case # 6897

Exhibit "C"

S/2 Section 30, Township 6 South, Range 26 East, N.M.P.M.
Limited to these depths in excess of 1200' below the surface
Chaves County, New Mexico

ALL FEE LEASES

Lease Owner	Interest	Status of Lease	Date of Lease	Date of Lease Expiration	Royalty Retained
Johnson Properties	.25	Leased to MOC	March 14, 1980	Sept. 14, 1980	.1875
May Kehrler (Victor J. Kehrler, Jr.)	.125	" "	Feb. 25, 1980	Aug. 25, 1980	.1875
Geneva B. Gardner	.0833	" "	March 7, 1980	Sept. 7, 1980	.1875
Neicia Mounsey	.25	" "	Feb. 22, 1980	Aug. 22, 1980	.1875
Cloyd A. rong	.0625	" "	March 12, 1980	Sept. 12, 1980	.1875
Marion or Milton Engelbrecht	.0625	" "	March 14, 1980	Sept. 14, 1980	.1875
The Blanco Company	.08334	Unleased			
James T. Jennings	.08333	Unleased			

1.000 Leased to MOC .8408

Owners Not Agreeing To Join

James T. Jennings
P.O. Box 1180
Roswell, N.M. 88201

Fee Lease

11

Formations Anticipated to Produce
Included In this Case

Abo

The Blanco Company
P.O. Box 1150
Roswell, N.M. 88201

Fee Lease



McClellan Oil Corporation

Suite 1000 Security Bank Building

Box 848

Roswell, New Mexico 88201

Case # 6897

Exhibit "D"

Authority For Expenditure

To: _____ Lease: Johnson No. Fee _____
Purpose: Drill New Well Field: Wildcat
Objective Depth 4300 Formation Abo County: Chaves
Date: May 20, 1980 AFE No. 1 State: New Mexico
Anticipated Commencement Date August 1, 1980 Location: 1980' FSL & 660' FWL Well No. 1
Type Well: Gas Spacing 160 Section 30 Township 6-S Range 26-E

INTANGIBLES

Item	Amount	
	Dry Hole	Producer
Surveying	\$ 500	\$ 500
Build Location & Roads	7,000	7,000
Drilling <u>4300</u> ft. @ \$ <u>17.00</u>	73,000	73,000
Day Work <u>2</u> days @ \$ <u>3500</u>	3,500	5,200
Completion <u>10</u> days @ \$ <u>650</u>		6,500
Muds & Chemicals	10,000	10,000
Electric logging	13,000	13,000
Drill Stem Tests No: _____		
Acid <u>1500</u> Gals		3,000
Fracturing <u>17,500</u> Gals <u>20,000</u> lbs.		15,000
Perforating & Logging		3,500
Coring _____ ft.		
Geol. & Geophy. Expense		
Well Supervision		
Administrative Overhead		
Engr. & Geol. Services		
Cement Services		
Surface _____ sx		
Interm. <u>350</u> sx		
Prod. <u>300</u> sx		
Plugging—Clean-up		
Surface Damage		
Contract Labor		
Trucking		
Equipment R		
Water		
Enviro		
Leg		

TANGIBLES

Item	Amount	
	Dry Hole	Producer
Casing (Size, Amt., Price)	\$	\$
Surf.		
Interm. <u>8-5/8"-1300-\$9.45</u>	12,300	12,300
Prod. <u>4 1/2"-4300-\$4.32</u>		18,600
Tubing (Size, Amt., Price)		
<u>2-3/8"-4300'-\$2.75</u>		11,900
Rods (Size, Amt., Price)		
Down Hole Pump		
Type: _____ Size: _____		
Float & Other Equipment		
Surface		
Intermediate	350	350

Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

KELLAHIN and KELLAHIN
Attorneys at Law
500 Don Gaspar Avenue
Post Office Box 1769
Santa Fe, New Mexico 87501

Telephone 932-4225
Area Code 505

April 22, 1980

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

re: Compulsory Pooling Case

Dear Joe:

Please set the enclosed application for hearing on
May 21, 1980 before the Division's Examiner.

Very truly yours,

W. Thomas Kellahin

encl.

cc: Jack McClellan
James Jennings ---CERTIFIED MAIL (Return Receipt Requested)
Blanco Company ---CERTIFIED MAIL (Return Receipt Requested)
WTK:mmr

COPY

P11 7129045
RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
 NOT FOR INTERNATIONAL MAIL
 (See Reverse)

SENT TO	
James T. Jennings	
P.O. Box 1180	
P.O. STATE AND ZIP CODE	
Roswell, NM 88201	
POSTAGE	\$
CERTIFIED FEE	\$
CONSULT POSTMASTER FOR FEES	
OPTIONAL SERVICES	
SPECIAL DELIVERY	
RESTRICTED DELIVERY	
RETURN RECEIPT SERVICE	
SHOW TO WHOM AND DATE DELIVERED	
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	
TOTAL POSTAGE AND FEES	\$ 1.53
POSTMARK OR DATE	

P11 7129044
RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
 NOT FOR INTERNATIONAL MAIL
 (See Reverse)

SENT TO	
Blanco Company	
P.O. Box 1150	
P.O. STATE AND ZIP CODE	
Roswell, NM 88201	
POSTAGE	\$
CERTIFIED FEE	\$
CONSULT POSTMASTER FOR FEES	
OPTIONAL SERVICES	
SPECIAL DELIVERY	
RESTRICTED DELIVERY	
RETURN RECEIPT SERVICE	
SHOW TO WHOM AND DATE DELIVERED	
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	
TOTAL POSTAGE AND FEES	\$ 1.53
POSTMARK OR DATE	

SENT TO	
Blanco Company	
P.O. Box 1150	
P.O. STATE AND ZIP CODE	
Roswell, NM 88201	
POSTAGE	\$
CERTIFIED FEE	\$
CONSULT POSTMASTER FOR FEES	
OPTIONAL SERVICES	
SPECIAL DELIVERY	
RESTRICTED DELIVERY	
RETURN RECEIPT SERVICE	
SHOW TO WHOM AND DATE DELIVERED	
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	
TOTAL POSTAGE AND FEES	\$ 1.53
POSTMARK OR DATE	

SENT TO	
Blanco Company	
P.O. Box 1150	
P.O. STATE AND ZIP CODE	
Roswell, NM 88201	
POSTAGE	\$
CERTIFIED FEE	\$
CONSULT POSTMASTER FOR FEES	
OPTIONAL SERVICES	
SPECIAL DELIVERY	
RESTRICTED DELIVERY	
RETURN RECEIPT SERVICE	
SHOW TO WHOM AND DATE DELIVERED	
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	
TOTAL POSTAGE AND FEES	\$ 1.53
POSTMARK OR DATE	

PS Form 3811, Jan. 1978

SENDER: Complete Items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
☒ Show to whom and date delivered.....
☐ Show to whom, date and address of delivery.....
☐ RESTRICTED DELIVERY
 Show to whom and date delivered.....
☐ RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery.\$____

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
 Blanco Company
 P. O. Box 1150
 Roswell, NM 88201

3. ARTICLE DESCRIPTION:
 REGISTERED NO. CERTIFIED NO. INSURED NO.
 7129044

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE ☐ Addressee ☐ Authorized agent

DATE OF DELIVERY POSTMARK

ADDRESS (Complete only if requested)

UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

GPO : 1978-288-648

PS Form 3811, Jan. 1978

SENDER: Complete Items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
☒ Show to whom and date delivered.....
☐ Show to whom, date and address of delivery.....
☐ RESTRICTED DELIVERY
 Show to whom and date delivered.....
☐ RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery.\$____

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
 James T. Jennings
 P. O. Box 1180
 Roswell, NM 88201

3. ARTICLE DESCRIPTION:
 REGISTERED NO. CERTIFIED NO. INSURED NO.
 7129045

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE ☐ Addressee ☐ Authorized agent

DATE OF DELIVERY POSTMARK

ADDRESS (Complete only if requested)

UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

GPO : 1978-288-648

PS Form 3800, Apr. 1976

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED -
 NOT FOR INTERNATIONAL MAIL

(See Reverse)

SENT TO
 Blanco Company
 P. O. Box 1150
 Roswell, NM 88201

POSTAGE
 1.53

CERTIFIED FEE

SPECIAL DELIVERY

RESTRICTED DELIVERY

DATE DELIVERED

SHOW TO WHOM AND ADDRESS OF DELIVERY

SHOW TO WHOM AND DATE DELIVERED

RESTRICTED DELIVERY

SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY

RESTRICTED DELIVERY

TOTAL POSTAGE AND FEES

POSTMARK ON DATE

STICK POSTAGE STAMPS TO ARTICLE TO COVER FIRST CLASS POSTAGE.
CERTIFIED MAIL FEE, AND CHARGES FOR ANY SELECTED OPTIONAL SERVICES. (see front)

1. If you want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, leaving the receipt attached, and present the article at a post office service window or hand it to your rural carrier. (no extra charge)
2. If you do not want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, date, detach and retain the receipt, and mail the article.
3. If you want a return receipt, write the certified mail number and your name and address on a return receipt card, Form 3811, and attach it to the front of the article by means of the gummed ends if space permits. Otherwise, affix to back of article. Endorse front of article RETURN RECEIPT REQUESTED adjacent to the number.
4. If you want delivery restricted to the addressee, or to an authorized agent of the addressee, endorse RESTRICTED DELIVERY on the front of the article.
5. Enter fees for the services requested in the appropriate spaces on the front of this receipt. If return receipt is requested, check the applicable blocks in Item 1 of Form 3811.
6. Save this receipt and present it if you make inquiry.

GPO : 1979 O - 289-363

STICK POSTAGE STAMPS TO ARTICLE TO COVER FIRST CLASS POSTAGE.
CERTIFIED MAIL FEE, AND CHARGES FOR ANY SELECTED OPTIONAL SERVICES. (see front)

1. If you want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, leaving the receipt attached, and present the article at a post office service window or hand it to your rural carrier. (no extra charge)
2. If you do not want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, date, detach and retain the receipt, and mail the article.
3. If you want a return receipt, write the certified mail number and your name and address on a return receipt card, Form 3811, and attach it to the front of the article by means of the gummed ends if space permits. Otherwise, affix to back of article. Endorse front of article RETURN RECEIPT REQUESTED adjacent to the number.
4. If you want delivery restricted to the addressee, or to an authorized agent of the addressee, endorse RESTRICTED DELIVERY on the front of the article.
5. Enter fees for the services requested in the appropriate spaces on the front of this receipt. If return receipt is requested, check the applicable blocks in Item 1 of Form 3811.
6. Save this receipt and present it if you make inquiry.

GPO : 1979 O - 289-363

UNITED STATES POSTAL SERVICE
OFFICIAL BUSINESS

SENDER INSTRUCTIONS

Print your name, address, and ZIP Code in the space below.

- Complete items 1, 2, and 3 on the reverse.
- Attach to front of article if space permits, otherwise affix to back of article.
- Endorse article "Return Receipt Requested" adjacent to number.

PENALTY FOR PRIVATE
USE TO AVOID PAYMENT
OF POSTAGE \$300



RETURN
TO

W. Thomas Kellahin
Kellahin & Kellahin

(Name of Sender)

P. O. Box 1769

(Street or P.O. Box)

Santa Fe, NM 87501

(City, State, and ZIP Code)

UNITED STATES POSTAL SERVICE
OFFICIAL BUSINESS

SENDER INSTRUCTIONS

Print your name, address, and ZIP Code in the space below.

- Complete items 1, 2, and 3 on the reverse.
- Attach to front of article if space permits, otherwise affix to back of article.
- Endorse article "Return Receipt Requested" adjacent to number.

PENALTY FOR PRIVATE
USE TO AVOID PAYMENT
OF POSTAGE \$300



RETURN
TO

W. Thomas Kellahin
Kellahin & Kellahin

(Name of Sender)

P. O. Box 1769

(Street or P.O. Box)

Santa Fe, NM 87501

(City, State, and ZIP Code)

Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

KELLAHIN and KELLAHIN
Attorneys at Law
500 Don Gaspar Avenue
Post Office Box 1769
Santa Fe, New Mexico 87501

Telephone 982-4285
Area Code 505

April 24, 1980

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

re: McClellan Oil Corporation

Dear Joe:

On April 22, 1980, we filed an application on behalf of McClellan Oil Corporation force pooling the S/2 of Section 30, T6S, R26E, N.M.P.M.

Please amend the application to provide for forced pooling of the mineral interest from 1200 feet below the surface to the base of the Abo formation.

Very truly yours,


W. Thomas Kellahin

WTK:mlr
cc: Mr. Jack McClellan
Blanco Company
James T. Jennings

COPY

LAW OFFICES OF
JENNINGS & CHRISTY
1012 SECURITY NATIONAL BANK BUILDING
P. O. BOX 1180
ROSWELL, NEW MEXICO 88201

Oil Conservation Division
Post Office Box 288
Santa Fe, New Mexico 87501

DELIVER TO: ERNEST PADILLA or
RICHARD L. STAMETS

JAMES T. JENNINGS
SIM B. CHRISTY IV
DEAN G. CONSTANTINE

LAW OFFICES OF
JENNINGS & CHRISTY
1012 SECURITY NATIONAL BANK BUILDING
P. O. BOX 1180
ROSWELL, NEW MEXICO 88201

TELEPHONE 622-8432
AREA CODE 505

May 20, 1980

Oil Conservation Division
Post Office Box 268
Santa Fe, New Mexico 87501

Re: Case 6897 - Application of McClellan Oil Corporation
for two compulsory poolings - Chaves County, New Mexico.

Gentlemen:

Personally, and on behalf of the Blanco Corporation, I would like to make the following objections to the above Application by letter as it is not possible for a representative of the Blanco Corporation or me to be present at the hearing tomorrow.

1. The Application does not locate the proposed well, and from the information available it appears that the well is to be drilled in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 30, and we have no information concerning the proposed location of the second well. Likewise, we have no A.F.E. or other information concerning this well.

2. The proposed well is designated as a "wildcat gas well" projected to a formation above the Wolfcamp, and as such shall be located on a drilling tract consisting of 160 surface acres pursuant to the provisions of Rule 104Bla. Section 70-2-17(c) pertains only to two or more separately owned tracts embraced within a spacing or proration unit or royalty interest or undivided interest separately owned under any such spacing or proration unit and certainly does not contemplate the forced pooling of multiple spacing units. The applicant has failed to point out any urgent need to force pool more than one unit and should not be allowed to pool multiple units at the same hearing or based upon the same testimony. Good oil field practice would demand that one well be drilled and adequately tested before commencing the second well, certainly in the absence of some extenuating circumstances which are not described in the application.

3. That the Blanco Company and the undersigned own an undivided 1/6 interest in the minerals under the tract in question and granting of the order requested would impair the correlative rights of said parties.

JENNINGS & CHRISTY

Oil Conservation Division
May 20, 1980
Page Two

That the Blanco Company and James T. Jennings have offered and renew the offer to:

(a) Lease the acreage to McClellan Oil Corporation for a term sufficient to allow McClellan sufficient time to obtain a rig and commence drilling operations, which lease will cover the rights down to the base of the deepest producing formation of the proration unit dedicated to the producing well located thereon with no bonus, the lease to provide for a 1/4 royalty and to be on a Producer's 88 (Producer's Revised New Mexico Form 342, 1965) lease, or

(b) To enter into a Farmout Agreement with McClellan Oil Corporation covering the rights to the base of the deepest producing horizon providing for the usual 1/8 royalty and additional royalty of 1/16 with the right to convert the 1/16 additional royalty to 1/2 of the working interest on payout.

Blanco Company and the undersigned hereby request that the above and foregoing objections be duly considered by the Examiner at the Hearing and in any order entered herein, and further that the risk factor allowed be only the minimum and that the spacing be limited in accordance with the rules of this Commission and the Statutes of the State of New Mexico.

Respectfully submitted,

JENNINGS & CHRISTY


James T. Jennings

JTJ/dds

cc: Blanco Company
Mr. W. Thomas Kellahin - hand delivered

Docket No. 14-80

Dockets Nos. 16-80 and 17-80 are tentatively set for June 4 and 25, 1980. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - TUESDAY - MAY 20, 1980

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

CASE 6715: (DE NOVO)

Application of Texaco Inc. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Loomis Fed. Well No. 1 to be drilled 1600 feet from the North line and 660 feet from the West line of Section 5, Township 21 South, Range 32 East, South Salt Lake-Morrow Gas Pool, the N/2 of said Section 5 to be dedicated to the well.

Upon application of Texaco Inc. and Bass Enterprises Production Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

Docket No. 15-80

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 21, 1980

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

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for June, 1980, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas for June, 1980, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 6891: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Midwest Refining Company and all other interested parties to appear and show cause why the State Well No. 1 located in Unit A of Section 16, Township 33 South, Range 14 West, Hidalgo County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6859: (Continued from April 9, 1980, Examiner Hearing)

Application of R & G Drilling Company for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 1890 feet from the North line and 1830 feet from the East line of Section 28, Township 28 North, Range 11 West, Kutz-Fruitland Pool, the NE/4 of said Section 28 to be dedicated to the well.

CASE 6886: (Continued from May 7, 1980, Examiner Hearing)

Application of Aminoil USA, Inc. for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the S/2 of Section 10, Township 24 South, Range 28 East, to be dedicated to a well to be drilled at an unorthodox location 2080 feet from the South line and 1773 feet from the East line of said Section 10. 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 6884: (Continued from May 7, 1980, Examiner Hearing)

Application of Supron Energy Corporation for compulsory pooling and a dual completion, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde and Dakota formations underlying the N/2 of Section 4, Township 30 North, Range 11 West, to be dedicated to a proposed dual completion 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 6892:** Application of Merrion & Bayless for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the South Blanco-Pictured Cliffs Pool underlying the SW/4 of Section 27, Township 24 North, Range 2 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 6878:** (Readvertised)
Application of Stevens Oil Company for a non-standard gas proration unit and unorthodox location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard gas proration unit comprising the N/2 SW/4 and S/2 NW/4 of Section 25, Township 8 South, Range 28 East, Twin Lakes-San Andres Associated Pool, to be dedicated to its O'Brien "F" Well No. 4 at an unorthodox location 1650 feet from the South line and 2310 feet from the West line of said Section 25.
- CASE 6893:** Application of Stevens Oil Company to amend Order No. R-5353, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks a revision of the special rules for the Twin Lakes-San Andres Associated Pool as promulgated by Order No. R-5353 to provide that each well, oil or gas, shall be located no nearer than 330 feet to any quarter-quarter section line, except that any well drilled in a known gas productive area shall be located within 150 feet of the center of the quarter-quarter section.
- CASE 6894:** Application of Sun Oil Company for an unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Jennings-Federal "B" Well No. 1, a Yates test to be drilled 2440 feet from the South line and 2290 feet from the West line of Section 15, Township 19 South, Range 32 East, Lusk Field, the NE/4 SW/4 to be dedicated to the well.
- CASE 6895:** Application of Sun Gas Company for an NCPA determination, Lea County, New Mexico. Applicant, in the above-styled cause, seeks findings that the drilling of its J. A. Akens Well No. 10 located in Unit N of Section 3, Township 21 South, Range 36 East, was necessary to effectively and efficiently drain that portion of an existing proration unit which could not be drained by the existing well.
- CASE 6896:** Application of John E. Schalk for a non-standard gas proration unit and an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard Blanco Mesaverde gas proration unit comprising the NE/4 of Section 8, Township 25 North, Range 3 West, to be dedicated to his Gulf Well No. 2 to be drilled at an unorthodox location 1925 feet from the North line and 790 feet from the East line of said Section 8.
- CASE 6897:** Application of McClellan Oil Corporation for two compulsory poolings, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from 1200 feet below the surface to the base of the Abo formation underlying the SW/4 and the SE/4 of Section 30, Township 6 South, Range 26 East, each to be dedicated to a proposed gas 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 6898:** Application of Conoco Inc. for an unorthodox gas well location and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Meyer B-28 Well No. 4 to be drilled 560 feet from the North line and 1980 feet from the West line of Section 28, Township 20 South, Range 37 East, Eumont Gas Pool, to be simultaneously dedicated with its Meyer B-28 Well No. 1 in Unit G to the NE/4 and E/2 NW/4 of said Section 28.
- CASE 6899:** Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Morrow test well to be drilled 660 feet from the South and East lines of Section 9, Township 17 South, Range 26 East, the E/2 of said Section 9 to be dedicated to the well.
- CASE 6900:** Application of Yates Petroleum Corporation for a non-standard oil proration unit, unorthodox well location, and downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an 80-acre non-standard oil proration unit comprising the N/2 SE/4 of Section 22, Township 16 South, Range 33 East, Kemnitz Field, to be dedicated to its Sombrero "MS" State Well No. 1 at an unorthodox location 1650 feet from the South and East lines of said Section 22. Applicant also seeks approval for the downhole commingling of Wolfcamp and Cisco production in the wellbore of said well.

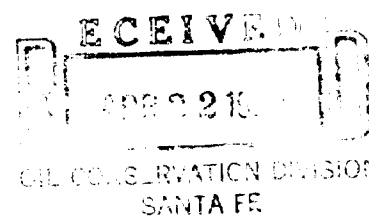
- CASE 6901: Application of Harvey E. Yates Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp thru Mississippian formations underlying the E/2 of Section 19, Township 14 South, Range 36 East, to be 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 6902: Application of Harvey E. Yates Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Young Deep Unit Well No. 1 located in Unit D of Section 10, Township 18 South, Range 32 East, to produce gas from the Morrow formation and oil from the Bone Springs formation thru parallel strings of tubing.
- CASE 6903: Application of Harvey E. Yates Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Pennsylvanian-Mississippian test well to be drilled 660 feet from the South line and 990 feet from the East line of Section 33, Township 13 South, Range 36 East, the S/2 of said Section 33 to be dedicated to the well.
- CASE 6904: Application of Harvey E. Yates Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the McDonald Unit Area, comprising 1,440 acres, more or less, of fee lands in Townships 13 and 14 South, Range 36 East.
- CASE 6905: Application of Harvey E. Yates Company for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Buffalo Lake Unit Area, comprising 2,560 acres, more or less, of Federal, State, and fee lands in Township 15 South, Range 27 East.

Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

KELLAHIN and KELLAHIN
Attorneys at Law
500 Don Gaspar Avenue
Post Office Box 1769
Santa Fe, New Mexico 87501

Telephone 982-4285
Area Code 505

April 22, 1980



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

Case 6897

re: Compulsory Pooling Case

Dear Joe:

Please set the enclosed application for hearing on
May 21, 1980 before the Division's Examiner.

Very truly yours,

W. Thomas Kellahin
W. Thomas Kellahin

encl.

cc: Jack McClellan
James Jennings---CERTIFIED MAIL (Return Receipt Requested)
Blanco Company---CERTIFIED MAIL (Return Receipt Requested)

WTK:mmr

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF McCLELLAN OIL CORPORATION
FOR COMPULSORY POOLING, CHAVES
COUNTY, NEW MEXICO.

APPLICATION

Case 6897

COMES NOW McCLELLAN OIL CORPORATION and applies to the New Mexico Energy and Minerals Department, Oil Conservation Division, for a compulsory pooling order pooling the mineral interest from the surface to the base of the Abo formation in the S/2 of Section 30, T6S, R26E, N.M.P.M., Chaves County, New Mexico and in support thereof would show the Division:

1. Applicant is the owner of the right to drill and develop the S/2 of Section 30, T6S, R26E, N.M.P.M., Chaves County, New Mexico and proposes to drill a well to be located at a standard location in the S/2 of said section to test the Abo formation.

2. Applicant proposes to dedicate the entire S/2 of said section to the subject well pending approval of the Division of 320 acre spacing for the Abo formation. In the alternative, in the event well spacing for the Abo formation shall continue on 160 acre spacing, applicant proposes to force pooling the S/2 of said

Section for the drilling of two Abo wells with the SW/4 dedicated to one well and the SE/4 dedicated to the other well.

3. Applicant has obtained the right to all mineral interests underlying the S/2 of said section for the purposes of drilling the proposed well with the exception of the following:

(a) James T. Jennings
P. O. Box 1180
Roswell, New Mexico 88201

8.333%

(b) Blanco Company
P. O. Box 1150
Roswell, New Mexico 88201

8.333%

Said interests are fee interests and the above fraction represents the nonconsenting interest ownership as to the entire S/2 of said section. *Also ?*

3. In order to form a standard unit for ~~Dakota~~ production, to prevent waste, and to protect correlative rights, the above lands and mineral interests should be pooled.

WHEREFORE, Applicant prays that this matter be set for hearing before the Division's duly appointed Examiner, and that after notice and hearing as required by law the Division enter its order pooling the above described acreage, together with a provision for applicant to recover its costs of drilling, together with provision for a risk factor for the risk assumed in drilling, completing and equipping the proposed well, for his costs of supervision, and for such other and further relief as may be proper.

Respectfully submitted,

MCCLELLAN OIL CORPORATION

By *W. T. Kellahin*

W. Thomas Kellahin

Kellahin & Kellahin

P. O. Box 1769

Santa Fe, New Mexico 87501

(505) 982-4285

ATTORNEYS FOR APPLICANT

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF McCLELLAN OIL CORPORATION
FOR COMPULSORY POOLING, CHAVES
COUNTY, NEW MEXICO.

APPLICATION

RECEIVED
JUN 22 1961
OIL CONSERVATION DIVISION
SANTA FE
Case 6897

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1. Applicant is the owner of the right to drill and develop the S/2 of Section 30, T6S, R26E, N.M.P.M., Chaves County, New Mexico and proposes to drill a well to be located at a standard location in the S/2 of said section to test the Abo formation.
2. Applicant proposes to dedicate the entire S/2 of said section to the subject well pending approval of the Division of 320 acre spacing for the Abo formation. In the alternative, in the event well spacing for the Abo formation shall continue on 160 acre spacing, applicant proposes to force pooling the S/2 of said Section for the drilling of two Abo wells with the SW/4 dedicated to one well and the SE/4 dedicated to the other well.
3. Applicant has obtained the right to all mineral interests underlying the S/2 of said section for the purposes of drilling the proposed well with the exception of the following:

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Roswell, New Mexico 88201

8.333%

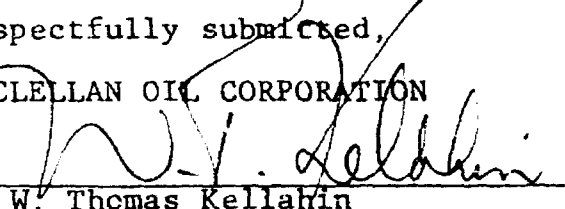
Said interests are fee interests and the above fraction represents the nonconsenting interest ownership as to the entire S/2 of said section.

3. In order to form a standard unit for Dakota production, to prevent waste, and to protect correlative rights, the above lands and mineral interests should be pooled.

WHEREFORE, Applicant prays that this matter be set for hearing before the Division's duly appointed Examiner, and that after notice and hearing as required by law the Division enter its order pooling the above described acreage, together with a provision for applicant to recover its costs of drilling, together with provision for a risk factor for the risk assumed in drilling, completing and equipping the proposed well, for his costs of supervision, and for such other and further relief as may be proper.

Respectfully submitted,

McCLELLAN OIL CORPORATION

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

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF McCLELLAN OIL CORPORATION
FOR COMPULSORY POOLING, CHAVES
COUNTY, NEW MEXICO.

APPLICATION

Case 6897

COMES NOW McCLELLAN OIL CORPORATION and applies to the New Mexico Energy and Minerals Department, Oil Conservation Division, for a compulsory pooling order pooling the mineral interest from the surface to the base of the Abo formation in the S/2 of Section 30, T6S, R26E, N.M.P.M., Chaves County, New Mexico and in support thereof would show the Division:

1. Applicant is the owner of the right to drill and develop the S/2 of Section 30, T6S, R26E, N.M.P.M., Chaves County, New Mexico and proposes to drill a well to be located at a standard location in the S/2 of said section to test the Abo formation.

2. Applicant proposes to dedicate the entire S/2 of said section to the subject well pending approval of the Division of 320 acre spacing for the Abo formation. In the alternative, in the event well spacing for the Abo formation shall continue on 160 acre spacing, applicant proposes to force pooling the S/2 of said Section for the drilling of two Abo wells with the SW/4 dedicated to one well and the SE/4 dedicated to the other well.

3. Applicant has obtained the right to all mineral interests underlying the S/2 of said section for the purposes of drilling the proposed well with the exception of the following:

- (a) James T. Jennings
P. O. Box 1180
Roswell, New Mexico 88201 8.333%

(b) Blanco Company
P. O. Box 1150
Roswell, New Mexico 88201

8.333%

Said interests are fee interests and the above fraction represents the nonconsenting interest ownership as to the entire S/2 of said section.

3. In order to form a standard unit for Dakota production, to prevent waste, and to protect correlative rights, the above lands and mineral interests should be pooled.

WHEREFORE, Applicant prays that this matter be set for hearing before the Division's duly appointed Examiner, and that after notice and hearing as required by law the Division enter its order pooling the above described acreage, together with a provision for applicant to recover its costs of drilling, together with provision for a risk factor for the risk assumed in drilling, completing and equipping the proposed well, for his costs of supervision, and for such other and further relief as may be proper.

Respectfully submitted,

McCLELLAN OIL CORPORATION

By 

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

Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

KELLAHIN and KELLAHIN

Attorneys at Law

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Post Office Box 769
Santa Fe, New Mexico 87501

Telephone 962-4285
Area Code 505

RECEIVED
OIL CONSERVATION DIVISION
APR 24 1980
SANTA FE

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

re: McClellan Oil Corporation

Dear Joe:

On April 22, 1980, we filed an application on behalf of McClellan Oil Corporation for pooling the S/2 of Section 30, T6S, R26E, N.M.P.M.

Please amend the application to provide for forced pooling of the mineral interest from 1200 feet below the surface to the base of the Abo formation.

Very truly yours,


W. Thomas Kellahin

WTK:mmr

cc: Mr. Jack McClellan
Blanco Company
James T. Jennings

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. 6897

Order No. R- 6367

APPLICATION OF McCLELLAN OIL CORPORATION
FOR TWO COMPULSORY POOLINGS, CHAVES
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on May 21
19 80, at Santa Fe, New Mexico, before Examiner Richard L. Stamets

NOW, on this _____ day of May, 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, McClellan Oil Corporation,
seeks an order pooling all mineral interests ~~in the~~ from 1200 feet
below the surface to the base of the Abo formation
underlying the SW/4 and the SE/4
of Section 30, Township 6 South, Range 26 East
NMPM, Chaves County, New
Mexico.

Case No.
Order No. R-

(3) That the applicant has the right to drill and proposes to drill ~~two~~ ^{a gas} wells at standard location ~~thereon~~ ^{on each of the} ~~aforsaid~~ ^{160-acre spacing and 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 unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said units.

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

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

(8) That any non-consenting working interest owner 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 ~~20%~~ percent thereof as a reasonable charge for the risk involved in the drilling of ^{each of said} the wells.

(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 who 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.

amendment,
(14) That upon failure of the operator to drill a well to completion, or abandonment, on the second spacing and proration unit herein pooled ~~by~~ ^{within 12 months after the effective date of this order, Order No. 1 of this order, should be null and void and of no effect whatsoever with respect to the second spacing and proration unit herein pooled by}
or to dedicate such unit to another 1760 well

~~1500~~ ^{at white drilling and \$220.00}
(11) That \$ 1500 ^{per well} per month, while drilling and \$ 220 ^{per well} per month, while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of ^{the first of said} the well, ^{on one of said} ~~which~~ units, ~~dedicated~~ on or before September 15, 1980, the order pooling said units should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, from 1200 feet below the surface to the base of the Abo ~~XXXXXX~~ formation underlying the SW/4 and the SE/4 of Section 30, Township 6 South, Range 26 East, NMPM, Chaves County, New Mexico, are hereby pooled to form ^{two} ~~a~~ standard 160 - acre gas spacing and proration unit, to be dedicated to ^{each} ~~the~~ ^{a gas well} to be drilled ~~at~~ ^{at} standard locations thereon.

~~the first of~~ PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of ^{the first of} said well on or before the 15th day of September, 1980, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the D60- formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of September, 1980, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

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

See under
Provided Further, that should the second of said wells not be drilled to completion, or abandonment, within ~~120 days after commencement~~ 12 months after the ~~60~~ commencement effective date of this order or if the pooled acreage is not otherwise dedicated to an R60 gas well, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded as to such well and unit.

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 ^{each of said} the wells; 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 who has paid his share of estimated costs in advance as provided

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

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

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

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

(9) That \$ 1500⁰⁰ per month while drilling and \$ 220⁰⁰ per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of ~~actual~~ ^{actual} expenditures required for operating ~~such well,~~ ^{said wells,} not in excess of what are reasonable, attributable to each non-consenting working interest.

-6-
Case
Order No.

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

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

(12) That all proceeds from production from ^{either of} the subject well, which are not disbursed for any reason shall immediately be placed in escrow in Chaves 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.

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. 6897
Order No. R-6367

APPLICATION OF McCLELLAN OIL
CORPORATION FOR TWO COMPULSORY
POOLINGS, CHAVES COUNTY, NEW
MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on May 21, 1980,
at Santa Fe, New Mexico, before Examiner Richard L. Stakets.

NOW, on this 5th day of June, 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, McClellan Oil Corporation, seeks
an order pooling all mineral interests from 1200 feet below the
surface to the base of the Abo formation underlying the SW/4
and the SE/4 of Section 30, Township 6 South, Range 26 East,
NMPM, Chaves County, New Mexico.

(3) That the applicant has the right to drill and proposes
to drill a gas well at a standard location on each of the afore-
said 160-acre spacing and proration units.

(4) That there are interest owners in the proposed prora-
tion 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

-2-

Case No. 6897

Order No. R-6367

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

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

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

(8) That any non-consenting working interest owner 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 each of said wells.

(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 who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(11) That \$1500.00 per month per well while drilling and \$220.00 per month per well while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from either 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 upon the failure of the operator of said pooled unit to commence drilling of the first of said wells on one of said units on or before September 15, 1980, the order pooling said units should become null and void and of no effect whatsoever.

(14) That upon failure of the operator to drill a well to completion, or abandonment, on the second spacing and proration unit herein pooled or to dedicate such unit to another Abo well within 12 months after the effective date of this order, Order No. (1) of this order should be null and void and of no effect whatsoever with respect to said second spacing and proration unit.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, from 1200 feet below the surface to the base of the Abo formation underlying the SW/4 and the SE/4 of Section 30, Township 6 South, Range 26 East, NMPM, Chaves County, New Mexico, are hereby pooled to form two standard 160-acre gas spacing and proration units, each to be dedicated to a gas well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said units shall commence the drilling of the first of said wells on or before the 15th day of September, 1980, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Abo formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of September, 1980, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

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

PROVIDED FURTHER, that should the second of said wells not be drilled to completion, or abandonment, within 12 months after the effective date of this order or if the pooled acreage is not otherwise dedicated to an Abo gas well, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded as to such well and unit.

(2) That McClellan Oil Corporation is hereby designated the operator of the subject wells and units.

(3) That after the effective date of this order and within 90 days prior to commencing either 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 shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of each of said wells; 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 who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

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

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

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

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

(9) That \$1500.00 per month while drilling and \$220.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating said wells, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

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

(12) That all proceeds from production from either of the subject wells which are not disbursed for any reason shall immediately be placed in escrow in Chaves 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.

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Case No. 6897
Order No. R-6367

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Joe D. Ramey
JOE D. RAMEY
Director

ed/