



STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION  
2040 S. PACHECO  
SANTA FE, NEW MEXICO 87505  
(505) 827-7131

January 5, 1996

**ARCO Permian**  
**Attn: David K. Newell**  
**P. O. Box 1610**  
**Midland, Texas 79702**

*Administrative Order NSL-3614(SD)*

Dear Mr. Newell:

Reference is made to your application dated December 7, 1995 for an unorthodox Eumont "infill" gas well location in an existing non-standard 200-acre gas spacing and proration unit ("GPU") for said Eumont Gas Pool comprising the SW/4 and SW/4 SE/4 of irregular Section 5, Township 21 South, Range 36 East, NMPM, Lea County, New Mexico. Said GPU was established by Division Administrative Order NSP-1624.

Eumont gas production from said GPU is currently simultaneously dedicated to the State "G" Com Well No. 1 (API No. 30-025-04499), located at a standard gas well location 660 feet from the South line and 1980 feet from the West line (Unit V) of said Section 5 and the State "G" Com Well No. 4 (API No. 30-025-32250), located at a standard gas well location 1920 feet from the South line and 1650 feet from the West line (Unit S) of said Section 5.

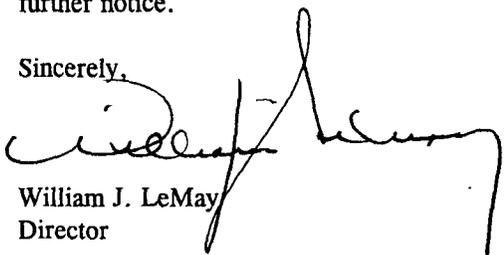
By authority granted me under the provisions of Rule 2(c) of the Special Rules and Regulations for the Eumont Gas Pool, as promulgated by Division Order No. R-8170, as amended, the following described well to be drilled at an unorthodox Eumont gas well location is hereby approved:

*State "G" Com Well No. 5  
990' FSL - 890' FWL (Unit "U") of said Section 5*

Also, you are hereby authorized to simultaneously dedicate Eumont Gas Pool production from the State "G" Com Well No. 5 with the State "G" Com Well Nos. 1 and 4. Furthermore, you are hereby permitted to produce the allowable assigned the subject GPU from all three wells in any proportion.

All provisions of said Division Administrative Orders NSP-1624 shall remain in full force and effect until further notice.

Sincerely,

  
William J. LeMay  
Director

WJL/MES/kv

cc: Oil Conservation Division - Hobbs  
New Mexico State Land Office - Santa Fe  
File: NSP-1624 ✓  
NSP-395

DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

April 17, 1990

EX-108

APR 18 1990

HAND DELIVERED

ARCO Oil and Gas Company  
Post Office Box 1610  
Midland, Texas 79702

Attention: Mr. Eric Seigmund

Re: ARCO - State "G" Com  
S/3 W/2 and S/2 S/3 E/2  
Section 5, T-21-S, R-36-E  
Lea County, New Mexico

Gentlemen:

Reference is made to ARCO's 240-acre State "G" Com non-standard Eumont gas proration unit consisting of the S/3 W/2 and S/2 S/3 E/2 of Section 5, T-21-S, R-36-E, Lea County, New Mexico in which we own a 16.67% working interest by virtue of our recent acquisition of Texaco's (formerly Tidewater's) 50% working interest in the 80-acre State "C" Eumont tract consisting of S/2 S/3 E/2 of Section 5 (State of New Mexico lease B-1673). In addition to our recent acquisition of Texaco's 50% ownership in the 80-acre State "C" lease, we are also in the process of finalizing the acquisition from Koch Exploration Company of its interest in its currently non-producing non-dedicated 80-acre State "A" Eumont tract consisting of the N/2 S/3 E/2 of Section 5, T-21-S, R-36-E (State of New Mexico lease B-2436) which is situated just north of the 80-acre State "C" lease.

As you will recall, the ARCO-operated State "G" Com Eumont gas proration unit is subject to both a Gas Pooling Agreement and an Operating Agreement dated January 25, 1957, both of which respectively unitize and govern the operations between ARCO and ourselves as to the 240-acre communitized proration unit. A review of the Gas Pooling Agreement will reveal that the agreement was entered into between ARCO and Tidewater in order to comply with the spacing regulations established for the Eumont gas pool and to provide, at the time the proration unit was formed, an allowable that was more in keeping with the deliverability of the ARCO-operated State "G" Com No. 1 well. As is clearly stated in paragraph 12 of the applicable Operating Agreement, it was the intent of ARCO and Tidewater to operate the 240-acre State "G" Com proration unit at a producing rate that would always result in the 240-acre proration unit being classified as a non-marginal Eumont gas proration unit, as paragraph 12 specifically states that the "Operator shall use reasonable diligence in operating and maintaining the unit well so as to produce

and develop a maximum quantity of gas subject to the limitations of the applicable gas purchase agreement, and the orders, rules and regulations of any governmental agencies (emphasis added)."

However, as is illustrated by the enclosed allowable and production data corresponding to the ARCO - State "G" Com No. 1 well, with the passage of time, the deliverability of the State "G" Com No. 1 well has declined to the point that the State "G" Com No. 1 well is currently producing at a rate that is substantially below the Eumont Gas Pool allowable being assigned to a 240-acre proration unit. Furthermore, inasmuch as all the other wellbores previously owned by ARCO in the S/3 W/2 and S/2 S/3 E/2 of Section 5 have already been assigned to Chevron's Eunice Monument South Unit waterflood project and being that there is no provision in the subject Operating Agreement to provide for the drilling of additional Eumont wells on the 240-acre proration unit, we hereby give notice to ARCO that we request that the size of the State "G" Com No. 1 proration unit be reduced, thereby bringing the current well deliverability and remaining reserves for the State "G" Com No. 1 well in line with future NMOCD allowables to be assigned to the State "G" Com No. 1 well.

#### Proposal No. 1

To accomplish this request, we therefore propose that ARCO assign to us its net interest in the 40-acre parcel consisting of the SE/4 S/3 E/2 of Section 5 in exchange for us assigning to ARCO our net interest in the 40-acre parcel consisting of the SW/4 S/3 E/2 of Section 5. Such a cross-assignment will enable the size of the State "G" Com proration unit to be reduced to 200 acres by excluding from the present proration unit the 40-acre Eumont tract consisting of the SE/4 S/3 E/2 Section 5. A 40-acre reduction in the size of the State "G" Com proration unit will still leave ARCO with an AF of 1.25 for its State "G" Com No. 1 well and will provide ARCO with an allowable for its State "G" Com No. 1 well that is in excess of the well's deliverability. This proposal will also result in ARCO receiving, at no additional investment cost, Doyle Hartman's portion of the remaining reserves corresponding to the State "G" Com No. 1 well, which computes (on a rate-time basis) to be 128,000 MCF net to Hartman's 16.67% working interest.

#### Proposal No. 2

In the alternative, we propose that ARCO assign to us its 50% net working interest in the 80-acre State "C" Eumont tract consisting of the S/2 S/3 E/2 of Section 5, in which case we will assign to ARCO a 25% of 8/8th overriding royalty corresponding to ARCO's net 40-acre interest in the

ARCO Oil and Gas Company

April 17, 1990

Page 3

subject 80-acre tract or a net 6.25% overriding royalty in a new 160-acre Eumont proration unit that we propose to form consisting of the S/3 E/2 of Section 5 and on which we immediately plan to drill a new infill Eumont well.

Both Proposal No. 1 and Proposal No. 2 will allow the entire S/3 Section 5, T-21-S, R-36-E to more fully participate in any remaining recoverable Eumont Gas Pool reserves and will give ARCO 100% ownership of the newly reformed State "G" Com proration unit. At the same time, either of the two proposals will enable us to more efficiently develop our currently non-producing non-dedicated 80-acre State "A" lease (N/2 S/3 E/2) thereby protecting the correlative rights of the State of New Mexico by preventing the further drainage of the 80-acre State "A" lease by nearby wells.

It is requested that you give your earliest possible attention to the foregoing proposal as it is imperative that we begin drilling our newly proposed infill well within two months in order to have it connected to an available pipeline facility prior to the peak gas marketing season. Inasmuch as time is of the essence, by copy of this letter, we are requesting that our title attorney start drafting the necessary instruments required to subdivide the presently existing 240-acre State "G" Com proration unit, so please let us know as soon as possible which of the two above outlined proposals ARCO favors (Proposal No. 1 or Proposal No. 2) so that we can have the necessary instruments completed in the shortest possible time. Please promptly call the undersigned if you have any questions relative to this matter.

Very truly yours,

DOYLE HARTMAN



Bryan E. Jones  
Landman

BEJ/lr  
Enclosures  
490:ARCO0416

cc ARCO Oil and Gas Company  
Post Office Box 1610  
Midland, Texas 79702  
Attention: Mr. James M. Perkins  
Director, Acquisitions & Divestiture

ARCO Oil and Gas Company  
April 17, 1990  
Page 4

ARCO Oil and Gas Company  
Post Office Box 1610  
Midland, Texas 79702  
Attention: E. A. Casbeer  
Northwest Operations Analyst

ARCO Oil and Gas Company  
Post Office Box 1610  
Midland, Texas 79702  
Attention: A. J. Best  
Engineering Manager

✓ ARCO Oil and Gas Company  
Post Office Box 1610  
Midland, Texas 79702  
Attention: R. S. Prentice  
Engineering

James A. Davidson  
Post Office Box 494  
Midland, Texas 79702

Mr. J. E. Gallegos  
Gallegos Law Firm  
141 East Palace Avenue  
Santa Fe, New Mexico 87501

Mr. John Nelson  
Atwood, Malone, Mann and Turner  
Post Office Drawer 700  
Roswell, New Mexico 88201

EXCERPT FROM OPERATING AGREEMENT  
DATED JANUARY 25, 1957 BETWEEN  
ATLANTIC REFINING COMPANY AND TIDEWATER OIL COMPANY

10.

Each party hereto will account to and pay to the owners thereof, rentals, royalty, overriding royalty or payments from production due under the terms of its lease or leases upon the production allocated to the respective tract or tracts of such party.

11.

Each of the parties hereto shall have access to the premises at all reasonable times to inspect and observe any operations thereon and shall have access at reasonable times to information pertaining to the development or operations thereof.

12.

Operator shall use reasonable diligence in operating and maintaining the unit well so as to produce and develop a maximum quantity of gas subject to the limitations of the applicable gas purchase agreement, and the orders, rules and regulations of any governmental agencies. The cessation in whole or in part of any such production for the purpose of operating, maintaining or reworking of a well deemed advisable by Operator, whether for the production of gas or for the production of other hydrocarbons produced or producible from the same well, shall not be considered as due to a lack of diligence. After a unit well is completed, Operator shall not be required to expend more than a reasonably prudent operator would expend to maintain such unit well as a producing well, and Operator may plug and abandon any unit well if a reasonably prudent operator would do so under similar circumstances; provided, however, that Operator may at its discretion upon the abandonment of any unit well utilize another well owned by it within the unit area as the unit well subject to the terms and conditions of this agreement.

13.

In the event Operator is rendered unable wholly or in part by force majeure applying to its operations to carry out its obligations under this contract, it is agreed that Operator's obligations so affected shall be suspended during the continuance of such inability and such cause shall, so far as possible, be remedied with all reasonable dispatch. The term "force majeure" as employed herein shall mean acts of God, strikes, lockouts or blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of rules and peoples, including difficulty in obtaining pipe or other material or other difficulty in carrying out the drilling program herein set out because of government edict or regulation, civil disturbances, explosions, breakage or accident to machinery or lines of pipe and any other cause, whether of the kind herein enumerated or otherwise not within the control of the party claiming suspension, all of which by the exercise of due diligence such party is unable to foresee or overcome; provided, however, that the settlement of strikes or lockouts shall be entirely within

ARCO Oil and Gas Company 

Central District  
Post Office Box 1610  
Midland, Texas 79702  
Telephone 915 688 5200



DIVISION

191 JAN 28 1991

January 28, 1991

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

Attn: Mike Stogner

Re: Application for Reduction in Size  
240 Acre ARCO/State "G" #1 Gas Proration Unit  
SW and S/2 SE Secion 5-t21s-r36e  
Lea County, New Mexico  
(AR 15497) (30-025-000031-000,-000053-000,-000058-000)

Gentlemen:

Atlantic Richfield Company ("ARCO") hereby requests approval of this application to reduce the existing 240 acre Non-Standard Eumont Gas Proration Unit, currently dedicated to the ARCO/State "G" #1 well located 660' FSL and 1980' FWL of the captioned section, to a 200 acre Non-Standard Gas Proration Unit ("NSGPU") consisting of the SW and SW SE Section 5.

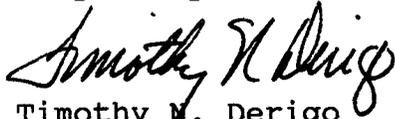
This application is made as the result of Doyle Hartmans Case #9949 (attached to Hartmans 6/4/90 letter) concerning Hartmans request for approval of a 280 acre NSGPU dedicated to the Hartman/State "A" Com. #4 and an additional infill well. As a result thereof, ARCO and Hartman have cross assigned interests in the Eumont Gas Pool ("EGP") underlying S/2 SE Section 5, such that ARCO owns the entire interest in the EGP under the SW SE and Hartman owns the entire interest in the EGP under the SE SE (see copy of attached Contract and Operating Agreement effective 7/1/90, and letters dated 6/21/90, 6/11/90, 6/4/90, and 4/17/90 leading up thereto).

Approval of this application will result in a new, smaller State "G" NSGPU with ARCO as the sole interest owner. ARCO believes that approval of this request is in the interests of conservation, will protect correlative rights, and will allow for a more complete recovery of EGP gas from the S/2 SE Section 5.

A land plat showing offset leasehold and NMOCD form C-102 are enclosed. ARCO has also notified the offset operators of this

application by certified mail. If you need any further information please contact Joe Fitzgerald at the letterhead address or at (915) 688-5524.

Very Truly Yours



Timothy M. Derigo  
Senior Landman

td

cc: Offset Operators via  
Certified Mail  
See Attachment

**OFFSET OPERATORS**

**ARCO/STATE "G" #1 GAS PRORATION UNIT**

Texaco Inc.  
PO Box 3109  
Midland, TX 79702

Doyle Hartman  
PO Box 10426  
Midland, TX 79702

Chevron U.S.A., Inc,  
PO Box 1150  
Midland, TX 79702

Koch Industries  
PO Box 2256  
Wichita, KS 67201

Amerada Hess Corporation  
PO Box 2040  
Tulsa, OK 74102

CONTRACT AND OPERATING AGREEMENT

THIS CONTRACT AND OPERATING AGREEMENT (AGREEMENT) is made effective as of the 1st day of July, 1990, by and between **ATLANTIC RICHFIELD COMPANY**, a Delaware corporation, (sucessor to Atlantic Richfield Company, a Pennsylvania corporation, by merger on May 7, 1985) hereinafter sometimes referred to as "ARCO" or "Owner", whose mailing address is P. O. Box 1610, Midland, Texas 79702, and DOYLE HARTMAN, an individual, whose mailing address is 500 North Main, P. O. Box 10426, Midland, Texas 79702, hereinafter sometimes referred to as "Hartman";

**W I T N E S S E T H:**

WHEREAS, ARCO is owner of record title and operating rights in and to a certain oil and gas lease covering land situated in Lea County, New Mexico, as follows, to wit:

Dated:	January 30, 1933
Serial No.:	B-1673
Lessor:	State of New Mexico
Original Lessee:	Atlantic Oil Producing Co.
Land:	Township 21 South, Range 36 East, N.M.P.M. Section 5: S/2 SE/4

WHEREAS certain depths within the above referenced lease are subject to the Eumont Gas Pool, defined by Order of the New Mexico Oil Conservation Division, No. R-1670, May 20, 1960. The said Eumont Gas Pool is further described in said Order as that interval commencing at the top of the Yates formation and extending down to and including the base of the Queen formation, which Eumont Gas Pool underlying the above referenced lease is hereinafter sometimes referred to as the "Operating Area"; and

WHEREAS, ARCO and Hartman desire to partition their operating rights in the Operating Area such that ARCO will own the entire divided interest in the SW/4 SE/4 Section 5, unencumbered by any legal or equitable claims of Hartman, and such that Hartman will own the entire divided interest in the SE/4 SE/4 of Section 5, unencumbered by any legal or equitable claims of ARCO; and

WHEREAS, it is the desire of ARCO and Hartman that ARCO retain and reserve all of its remaining right, title and interest in the depths and formations in Lease No. B-1673, as it pertains to the SE/4 SE/4 of Section 5 in depths above and below the Operating Area; and

WHEREAS, it is the desire of ARCO and Hartman that Hartman retain and reserve all of its remaining right, title and interest, if any, in the depths and formations in Lease No. B-1673, as it pertains to the SW/4 SE/4 of Section 5 in depths above and below the Operating Area; and

WHEREAS it is the desire of ARCO and Hartman that Hartman disclaim and relinquish to ARCO any right, title and interest in and to the State "G" Gas Well, including all personal property, fixtures and attachments related thereto and all production which may be obtained from said well.

WHEREAS, the interest of ARCO and Hartman covering the State "G" Gas well, located in the SE/4 SW/4 Section 5 and the unit encompassing the SW/4 and the S/2 SE/4 of Section 5 are subject to that certain Operating Agreement, and that certain Communitization Agreement, both dated January 25, 1957; and

WHEREAS, ARCO and Hartman desire to terminate the above referenced Operating Agreement and Communitization Agreement, insofar as they relate to the Operating Area;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration and the mutual covenants hereof, the parties assign and agree as follows:

I.

RIGHTS ASSIGNED AND RESERVED: Subject to the terms and conditions set out herein, ARCO and Hartman hereby partition the operating rights and other interests in the Operating Area and each assigns to the other all of its operating rights in and to a divided portion of the Operating Area as follows:

- A. ARCO does hereby transfer, assign and convey unto Hartman, his successors and assigns, all of ARCO's operating rights insofar as they cover the Operating Area underlying the SE/4 SE/4 of Section 5, Township 21 South, Range 36 East, N.M.P.M.,

together with all its right, title and interest in the portion of the Eumont Gas Pool thereunder. ARCO expressly reserves all other interests in the Eumont Gas Pool and all other oil and gas rights in Lease No. B-1673, except in those depths underlying the surface acreage described in this subparagraph.

- B. Hartman does hereby transfer, assign and convey unto ARCO, it successors and assigns all of Hartman's operating rights, and all other interests of any kind or character insofar as they cover the Operating Area underlying the SW/4 SE/4 of Section 5, Township 21 South, Range 36 East, N.M.P.M. together with all his right, title and interest in the portion of the Eumont Gas Pool thereunder. Hartman expressly reserves all other interests in the Eumont Gas Pool and all other oil and gas rights he may own, if any, in lease B-1673, except in those depths underlying the surface acreage described in this subparagraph.

The term Operator, as used hereinafter, shall apply to either ARCO or Harman, depending on the area, either SW/4 SE/4 or SE/4 SE/4 of Section 5, as appropriate. The Operator of each respective area (whether ARCO or Hartman) shall be entitled to exercise a like interest in all rights and privileges granted to the Lessee under the terms of said oil and gas lease. Additionally, a like interest in all of the production from the Operating Area shall be owned by each respective Operator subject to the payment by each respective Operator of royalties reserved in said lease to the Lessor, proportionate to the interest assigned herein.

## II.

AGREEMENTS TERMINATED: ARCO and Hartman do hereby terminate the Operating Agreement and Communitization Agreement, described above, insofar and only insofar, as the Operating Agreement and Communitization Agreement affect the relationship and interests by and between ARCO and Hartman in the Operating Area.

## III.

ASSUMPTION OF LEASE OBLIGATIONS: Excepting for the payment of rentals elsewhere provided for herein, each respective Operator assumes all obligations, duties and

covenants hereafter accruing, imposed upon the Lessee by said oil and gas lease and any intermediate assignment thereof insofar as they pertain to the Operating Area and agrees to comply with the terms thereof and all applicable rules and regulations. Operator agrees to indemnify and to hold Owner harmless from all claims, loss and liability occasioned by or growing out of Operator's exploration and development of the premises covered hereby.

IV.

DISCLAIMER AND RELINQUISHMENT: Hartman does hereby disclaim and relinquish to ARCO any right, title and interest in and to the State "G" Gas Well, including all personal property, fixtures and attachments related thereto and all production which may be obtained from said well.

V.

WARRANTY: This assignment is made without warranty of title, either express or implied. This assignment is subject to all encumbrances of record as of July 1, 1990.

VI.

NOTICES AND RIGHTS OF OPERATOR: Owner shall not relinquish or surrender said leases as to said land, nor shall Owner do or perform any act or thing which might cause said lease to be forfeited as to said lands, without the consent in writing of Operator. It is understood and agreed, however, that Owner shall not be liable for its failure to perform Owner's covenants under this Article V unless such shall result from the gross negligence or willful misconduct of Owner. Owner shall promptly furnish to Operator copies of all notices or other communications received from the Commissioner of Public Lands or his representative pertaining to said oil and gas lease. Owner does hereby give and grant to Operator full power and authority to do and perform every act and thing, not otherwise expressly provided for herein, necessary or required to be done or performed by Owner in connection with said lease insofar as the same covers and affects the Operating Area.

VII.

SURRENDER: This agreement may be terminated by Operator by thirty (30) days advance written notice forwarded to Owner

at any time when Operator is not in default in the performance of any obligation hereunder, provided that any such termination shall not relieve Operator of any obligations theretofore accruing. In the event that Owner shall desire to surrender or relinquish said lease insofar as it covers any interest retained by Owner in the land above described herein, or any part thereof, Owner shall execute and deliver to Operator a proper record assignment of said lease insofar as it covers the said land, or such portion thereof as Owner may desire to surrender or relinquish. It is understood and agreed, however, that Owner shall not be liable for any failure to deliver an assignment at aforesaid unless such shall result from the gross negligence or willful misconduct of Owner. Operator agrees to accept such assignment and to immediately file the same with the Commissioner of Public Lands, and also to furnish Owner with an approved, recorded copy within thirty (30) days of Operator's receipt thereof.

This agreement shall bind and inure to the benefit of the parties hereto, their respective heirs, successors and assigns, and the covenants hereof shall constitute covenants running with the land and the leasehold premises.

#### VIII.

RENTALS: ARCO and Hartman shall pay all rentals which may become due and payable under the terms of said oil and gas lease hereinabove described with respect to the land covered hereby, and Hartman shall reimburse ARCO for 50% of all such rentals paid and attributable to the net leasehold acreage in the Operating Area owned by ARCO and Hartman at the time of any such payment; provided, however, that ARCO shall not be liable for inadvertent failure to pay such rentals.

IX.

OTHER INSTRUMENTS: ARCO and Hartman do hereby agree to execute any and all forms, required by any governmental agency, to effectuate this Agreement.

IN WITNESS WHEREOF, this Contract and Agreement is executed as of the day and year first above written.

ATLANTIC RICHFIELD COMPANY

BY: *T.L. Holland*

\_\_\_\_\_  
Attorney-in-Fact

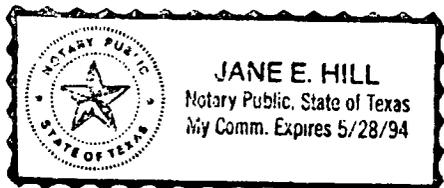
*Doyle Hartman*  
Doyle Hartman

*1-10-91  
Doyle  
9/7*

OPERATOR

STATE OF TEXAS       §  
                                  §  
COUNTY OF MIDLAND   §

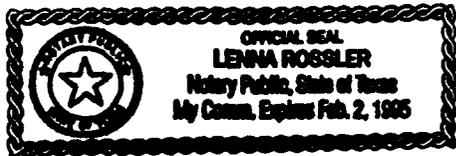
This instrument was acknowledge before me this 5<sup>th</sup> day of November, 1990 by T.L. HOLLAND as attorney-in-fact on behalf of Atlantic Richfield Company.



*Jane E. Hill*  
Notary Public in and for  
the State of Texas  
My Commission Expires:  
\_\_\_\_\_

STATE OF TEXAS       §  
                                  §  
COUNTY OF MIDLAND   §

This instrument was acknowledged before me this 22<sup>nd</sup> day of ~~November~~, 1990 by Doyle Hartman, Operator.  
January, 1991



*Lenina Rossler*  
Notary Public in and for  
the State of Texas  
My Commission Expires:  
\_\_\_\_\_

Submit to Appropriate  
District Office  
State Lease - 4 copies  
Fee Lease - 3 copies

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised 1-1-89

**OIL CONSERVATION DIVISION**  
P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

**DISTRICT I**  
P.O. Box 1980, Hobbs, NM 88240

**DISTRICT II**  
P.O. Drawer DD, Artesia, NM 88210

**DISTRICT III**  
1000 Rio Brazos Rd., Aztec, NM 87410

**WELL LOCATION AND ACREAGE DEDICATION PLAT**  
All Distances must be from the outer boundaries of the section

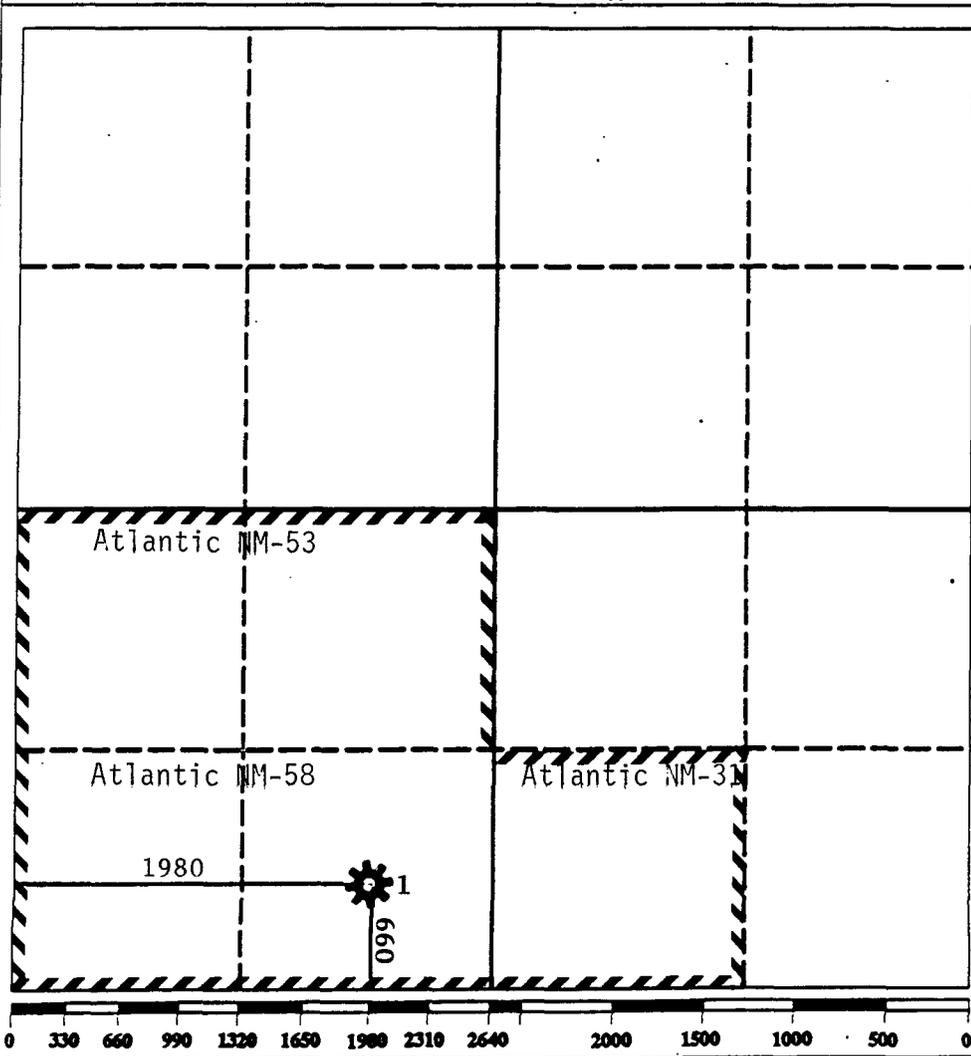
Operator ARCO Oil and Gas Company			Lease State G		Well No. 1
Unit Letter V	Section 5	Township T21S	Range R36E	County NMNM	Lea
Actual Footage Location of Well: 660 feet from the South line and 1980 feet from the West line					
Ground level Elev. 3578	Producing Formation Eumont Gas		Pool Eumont Gas		Dedicated Acreage: 200 Acres

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

Yes     No    If answer is "yes" type of consolidation \_\_\_\_\_

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) \_\_\_\_\_

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



**OPERATOR CERTIFICATION**

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

*Evelyn Gilson*  
Signature

Evelyn Gilson  
Printed Name

Engr. Tech.  
Position

ARCO Oil and Gas Company  
Company

October 10, 1990  
Date

---

**SURVEYOR CERTIFICATION**

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

\_\_\_\_\_  
Date Surveyed

\_\_\_\_\_  
Signature & Seal of Professional Surveyor

\_\_\_\_\_  
Certificate No.

DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

June 4, 1990

DIVISION

JUN 6 1990

FEDERAL EXPRESS

Chevron USA, Inc.  
1923 North Dal Paso  
Hobbs, New Mexico 88240  
Attention: Mr. R. C. Anderson

Re: Proposed Infill Well  
Hartman-Texaco State "A" Lease  
NE/4 Section 8, T-21-S, R-36-E  
Lea County, New Mexico

Gentlemen:

Reference is made to our letters to Chevron of March 9, 1990 and April 18 1990 (copies enclosed) wherein we proposed to infill drill the Hartman-operated Texaco-State "A" lease consisting of the NE/4 Section 8, T-21-S, R-36-E, Lea County, New Mexico.

Reference is also made to Chevron's application (Case 9949) currently docketed for an examiners' hearing before the New Mexico Oil Conservation Division wherein Chevron has requested permission to re-configure two existing Eumont Gas Pool proration units (H. T. Orcutt "NCT-A" and Graham State "NCT-E") and to consolidate the two proration units into a single 400-acre non-standard Eumont proration unit consisting of Lots 11 through 14 of Section 5 and Lots 15 and 16 and the SE/4 of Section 6, T-21-S, R-36-E.

Further reference is made to our letter to Chevron of November 14, 1989 (copy enclosed) relative to Chevron's H. T. Orcutt "NCT-A" No. 1 well and the 160-acre Eumont proration unit to which it is dedicated. In our letter of November 14, 1989, we placed Chevron on notice that we were in the process of acquiring from Koch Exploration Company their presently non-producing non-dedicated 80-acre State "A" Eumont lease (B-2456) consisting of the N/2 SE/4 of Section 5, T-21-S, R-36-E which is a diagonal southeast offset to Chevron's-H. T. Orcutt "NCT-A" No. 1 Eumont well. Our letter of November 14, 1989 also informed Chevron of our concern about the possible loss of Eunice Monument South injection water from Chevron's Eunice Monument South Unit (EMSU) No. 225 well into the Eumont Gas Pool interval and also of our concern about drainage of our Eumont gas reserves by offsetting Eumont gas wells. With the exception of a 2 1/2% working interest, we have completed our acquisition of the 80-acre tract consisting of N/2 SE/4 of Section 5 and, as you already know, we also own a 50% working interest in the 80-acre tract consisting of the S/2 SE/4 Section 5 as well as a 50% interest in the Texaco-State "A" lease consisting of the NE/4 Section 8.

Chevron USA, Inc.

June 4, 1990

Page 2

Chevron's current application (Case 9949) before the NMOCD clearly indicates that Chevron (because of current low allowables and low gas prices) presently believes that it is difficult to economically justify the redrilling of a 160-acre Eumont proration unit (A.F.=1.0). Moreover, Chevron's inactions to date concerning our pending proposals corresponding to the Hartman-operated State "A" lease lead us to believe that Chevron sees no contradiction between actively pursuing development of properties that itself operates while at the same time failing to voluntarily cooperate with the development of leases not operated by Chevron.

In light of Chevron's application (Case 9949) to reform two nearby Eumont proration units into a 400-acre Eumont proration unit, and also due to the allowable and pricing constraints discussed above, we now propose to amend the proration unit corresponding to our Texaco State "A" lease to a 320-acre Eumont Gas Pool proration unit consisting of the SE/4 Section 5 and NE/4 Section 8, T-21-S, R-36-E and to simultaneously dedicate our presently existing Texaco-State "A" No. 4 Eumont well (A-8-21S-36E) to the newly proposed 320-acre Eumont proration unit plus drill thereon a new Eumont infill well at a tentative location of 1650' FSL and 845' FEL of Section 5. In the alternative, we propose to form a 280-acre Eumont Gas Pool proration unit consisting of the N/2 SE/4 and SE/4 SE/4 of Section 5 and the NE/4 Section 8, T-21-S, R-36-E and to drill a new Eumont infill well in the NE/4 SE/4 Section 5, T-21-S, R-36-E.

Inasmuch as Chevron is the owner of a 50% working interest in the NE/4 Section 8, you have the right to participate as to a 25% working interest owner in our newly proposed 320-acre Eumont proration unit or to participate with a 28.57% working interest in our alternatively proposed 280-acre Eumont proration unit.

Therefore, by use of the enclosed ballot page and self-addressed stamped envelope, we respectfully request that you immediately advise us as to how Chevron desires to cooperate with our proposed 320-acre Eumont Gas Pool proration unit and the drilling of a new Eumont infill well thereon. Again, your immediate attention to this matter is requested as we intend to file an application for our newly proposed 320-acre proration unit with the NMOCD by Tuesday, June 5, 1990 so that the necessary hearing for our proposed proration unit can be heard in conjunction with the currently scheduled hearing corresponding to your requested 400-acre Eumont proration unit.

Very truly yours,

DOYLE HARTMAN



Bryan E. Jones  
Landman

Chevron USA, Inc.  
June 4, 1990  
Page 3

BEJ/ps  
1862:Chev0604

Enclosures

cc: James A. Davidson  
Post Office Box 494  
Midland, Texas 79702

Chevron USA, Inc.  
Post Office Box 670  
Hobbs, New Mexico 88240  
Attention: Mr. B. C. Cotner

Chevron USA, Inc.  
Post Office Box 1635  
Houston, Texas 77251  
Attention: Mr. Dave Messer

Chevron USA, Inc.  
Post Office Box 1635  
Houston, Texas 77251  
Attention: Mr. Ray Vaden

Chevron USA, Inc.  
Post Office Box 1635  
Houston, Texas 77251  
Attention: Ms. Denise Beckham

Chevron USA, Inc.  
Post Office Box 1635  
Houston, Texas 77251  
Attention: Mr. Sam Martin

Gallegos Law Firm  
141 East Palace Avenue  
Santa Fe, New Mexico 87501  
Attention: Mr. J. E. Gallegos

Atwood, Malone, Mann & Turner  
Post Office Drawer 700  
Roswell, New Mexico 88201  
Attention: Mr. John Nelson

Mr. William P. Aycock  
1207 West Wall  
Midland, Texas 79701

Mr. Daniel S. Nutter  
105 East Alicante  
Sante Fe, New Mexico 87501

Chevron USA, Inc.  
June 4, 1990  
Page 4

Chevron USA, Inc.  
Post Office Box 670  
Hobbs, New Mexico 88240  
Attention: Mr. A. H. Bohling

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION  
OF DOYLE HARTMAN, OIL OPERATOR FOR  
APPROVAL OF REDEDICATION OF ACREAGE,  
NON-STANDARD PRORATION UNITS, SIMULTANEOUS  
DEDICATION AND COMPULSORY POOLING,  
EUMONT GAS POOL, LEA COUNTY, NEW MEXICO.**

RECEIVED  
JUN 5 1990  
OIL CONSERVATION DIVISION

CASE NO. 9949

APPLICATION

Applicant DOYLE HARTMAN, OIL OPERATOR hereby applies to the Oil Conservation Division ("Division") for an order approving the creation of one of two proposed non-standard proration units for the Eumont Gas Pool consisting of 320 acres, or alternatively 280 acres, both of the proposed non-standard proration units to comprise portions of Sections 5 and 8, Township 21 South, Range 36 East, N.M.P.M., Lea County, New Mexico. Pursuant to §70-2-17 N.M.S.A. 1978, applicant also applies to the Division for an order which pools all mineral interests in the Eumont Gas Pool in and under the non-standard proration unit to be created and simultaneously dedicates those interests to an existing well and a proposed new infill well. In addition, applicant seeks the appropriate rededication of lands presently comprising adjacent non-standard Eumont gas proration units within said Sections 5 and 8. In support thereof, applicant would show the Division, as follows:

1. Applicant is a working interest owner in the N/2 SE/4 of Section 5 and the NE/4 of Section 8, Township 21 South, Range 36 East, Lea County, New Mexico and has the right to drill, develop or otherwise produce such tracts.

2. Applicant is also a working interest owner in the S/2 SE/4 of said Section 5 currently embraced within an adjacent 240-acre non-standard Eumont gas proration unit, consisting of the SW/4 and the S/2 SE/4 of said Section 5, which unit is currently dedicated to a marginal well incapable of producing its entire 240-acre Eumont gas allowable, being the ARCO State "G" Well No. 1, located in Unit V of said Section 5.
3. Applicant proposes the creation of a non-standard proration unit for the Eumont Gas Pool comprising 320 acres and consisting of the SE/4 of said Section 5 and the NE/4 of said Section 8, as shown on Exhibit "A" attached hereto.
4. In the alternative, applicant proposes the creation of a non-standard proration unit for the Eumont Gas Pool comprising 280 acres and consisting of the N/2 SE/4 and the SE/4 SE/4 of said Section 5 and the NE/4 of said Section 8, as shown on Exhibit "B" attached hereto.
5. The N/2 SE/4 of said Section 5 is undeveloped and undedicated as to the Eumont Gas Pool and has for many years been and continues to be drained by wells from adjacent Eumont gas proration units. The creation of one of the two non-standard gas proration units proposed herein is necessary to prevent waste, protect correlative rights and permit all owners of mineral interests within the N/2 SE/4 of said Section 5 to obtain their equitable share of the Eumont Gas Pool.

6. Applicant has sought to obtain the voluntary cooperation of all working interest owners in forming a 320-acre, or alternatively a 280-acre, non-standard proration unit for the Eumont Gas Pool in said Sections 5 and 8, and applicant has also sought the voluntary cooperation of the offset operator in the reformation of the adjacent 240-acre non-standard Eumont gas proration unit in said Section 5.
7. Less than all of the working interest owners have voluntarily agreed to cooperate in forming either of the proposed non-standard Eumont gas proration units, and the offset operator has not voluntarily agreed to reform the adjacent 240-acre non-standard Eumont gas proration unit.
8. The pooling of interests within either of the proposed non-standard gas proration units and the reformation of the adjacent 240-acre non-standard Eumont gas proration unit will prevent waste, protect correlative rights and permit all parties to obtain their equitable share of the Eumont Gas Pool underlying such units.
9. Applicant proposes the simultaneous dedication of either of the proposed non-standard Eumont gas proration units to his existing State "A" Com. Well No. 4 (formerly the Texaco State "A" Well No. 4) located in the NE/4 NE/4 (Unit A) of said Section 8 and his new infill well, the State "A" Com. Well No. 5, to be drilled somewhere within the SE/4 of said Section 5.
10. In order to accommodate the creation of the proposed 320-acre non-standard Eumont gas proration unit comprising the SE/4 of said Section 5 and the NE/4 of said Section 8, applicant requests the

adjacent 240-acre non-standard Eumont gas proration unit, consisting of the SW/4 and the S/2 SE/4 of said Section 5, be reconfigured to embrace only the SW/4 of said Section 5.

11. In the alternative, in order to accommodate the creation of the proposed 280-acre non-standard Eumont gas proration unit comprising the N/2 SE/4 and the SE/4 SE/4 of said Section 5 and the NE/4 of said Section 8, applicant requests the adjacent 240-acre non-standard Eumont gas proration unit, consisting of the SW/4 and the S/2 SE/4 of said Section 5, be reconfigured to embrace only the SW/4 and the SW/4 SE/4 of said Section 5.
12. Pursuant to the applicable notice requirements, applicant has notified by certified mail, return receipt requested, all parties listed on Exhibit "C" attached hereto of the filing of this application and the date of the hearing requested below.

WHEREFORE, applicant prays this matter be set for hearing before a duly appointed Examiner of the Division on June 27, 1990, and, after the notice and hearing required by law, the Division enter an order approving the creation of one of the two non-standard proration units proposed herein and the pooling of all working interests therein for the Eumont Gas Pool. Applicant also prays he be designated operator of the non-standard gas proration unit so created and be entitled to recover out of production therefrom his costs of drilling, completing and equipping a new infill well within the unit, plus a 200% risk factor for drilling, completing and equipping such well, an equitable and proper portion of the value of the existing wellbore and associated

equipment of applicant's existing Texaco State "A" Well No. 4, and all costs of supervision and operation of such unit. Applicant further prays the lands comprising the adjacent 240-acre non-standard Eumont gas proration unit be rededicated accordingly. In addition, applicant prays he be granted any and all other relief which the Division deems necessary and equitable.

Respectfully submitted,

GALLEGOS LAW FIRM, P.C.

By *Harry T. Nutter*

J.E. GALLEGOS

HARRY T. NUTTER

141 East Palace Avenue

Santa Fe, New Mexico 87501

(505) 983-6686

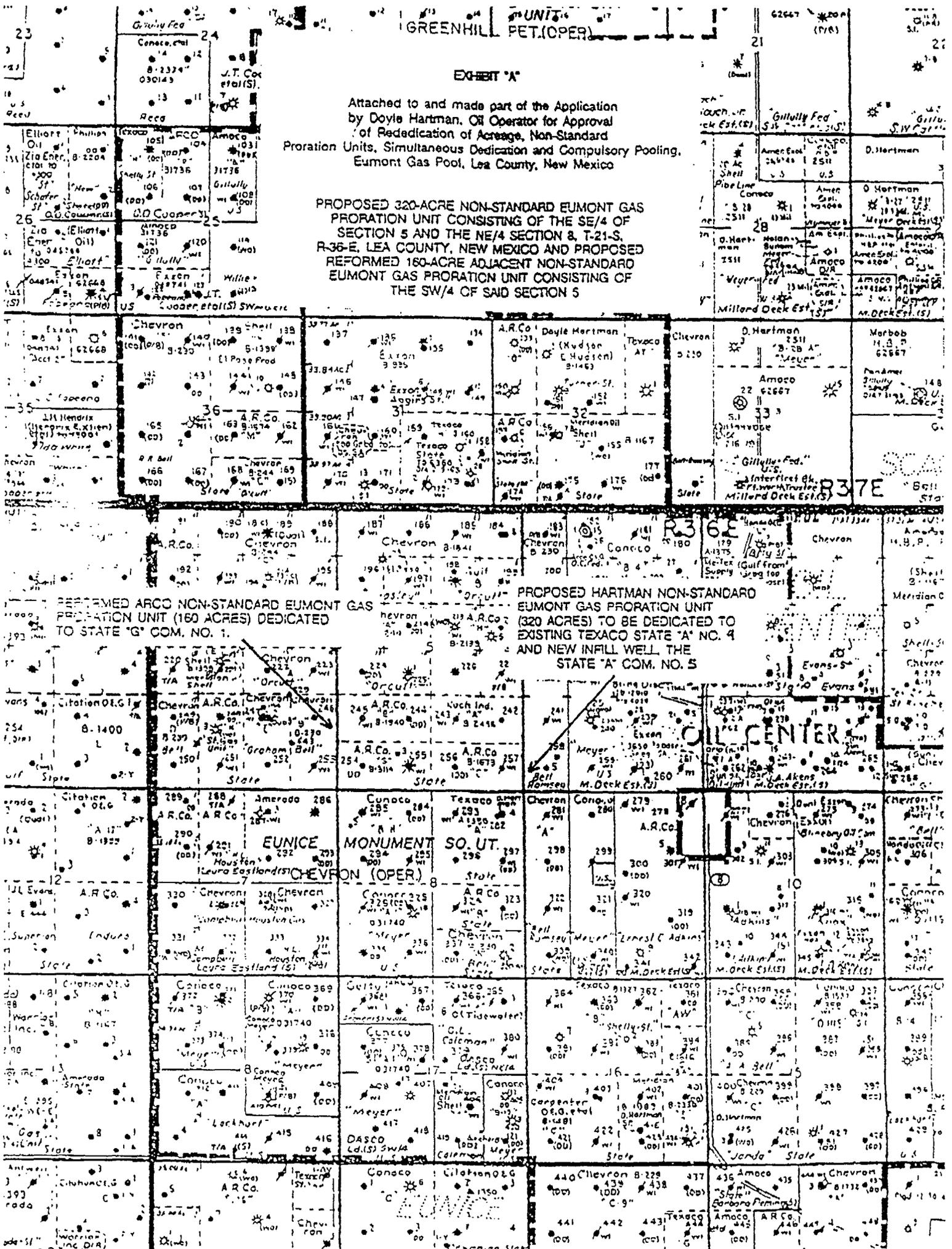
ATTORNEYS FOR DOYLE  
HARTMAN, OIL OPERATOR

UNIT GREENHILL PET.(OPER)

EXHIBIT "A"

Attached to and made part of the Application by Doyle Hartman, Oil Operator for Approval of Rededication of Acreage, Non-Standard Proration Units, Simultaneous Dedication and Compulsory Pooling, Eumont Gas Pool, Lea County, New Mexico

PROPOSED 320-ACRE NON-STANDARD EUMONT GAS PRORATION UNIT CONSISTING OF THE SE/4 OF SECTION 5 AND THE NE/4 SECTION 8, T-21-S, R-36-E, LEA COUNTY, NEW MEXICO AND PROPOSED REFORMED 160-ACRE ADJACENT NON-STANDARD EUMONT GAS PRORATION UNIT CONSISTING OF THE SW/4 OF SAID SECTION 5



PROPOSED ARCO NON-STANDARD EUMONT GAS PRORATION UNIT (160 ACRES) DEDICATED TO STATE "G" COM. NO. 1.

PROPOSED HARTMAN NON-STANDARD EUMONT GAS PRORATION UNIT (320 ACRES) TO BE DEDICATED TO EXISTING TEXACO STATE "A" NO. 4 AND NEW INFILL WELL THE STATE "A" COM. NO. 5

OIL CENTER

EUNICE MONUMENT SO. UT. CHEVRON (OPER)

EUNICE

GREENHILL PET.(OPER)

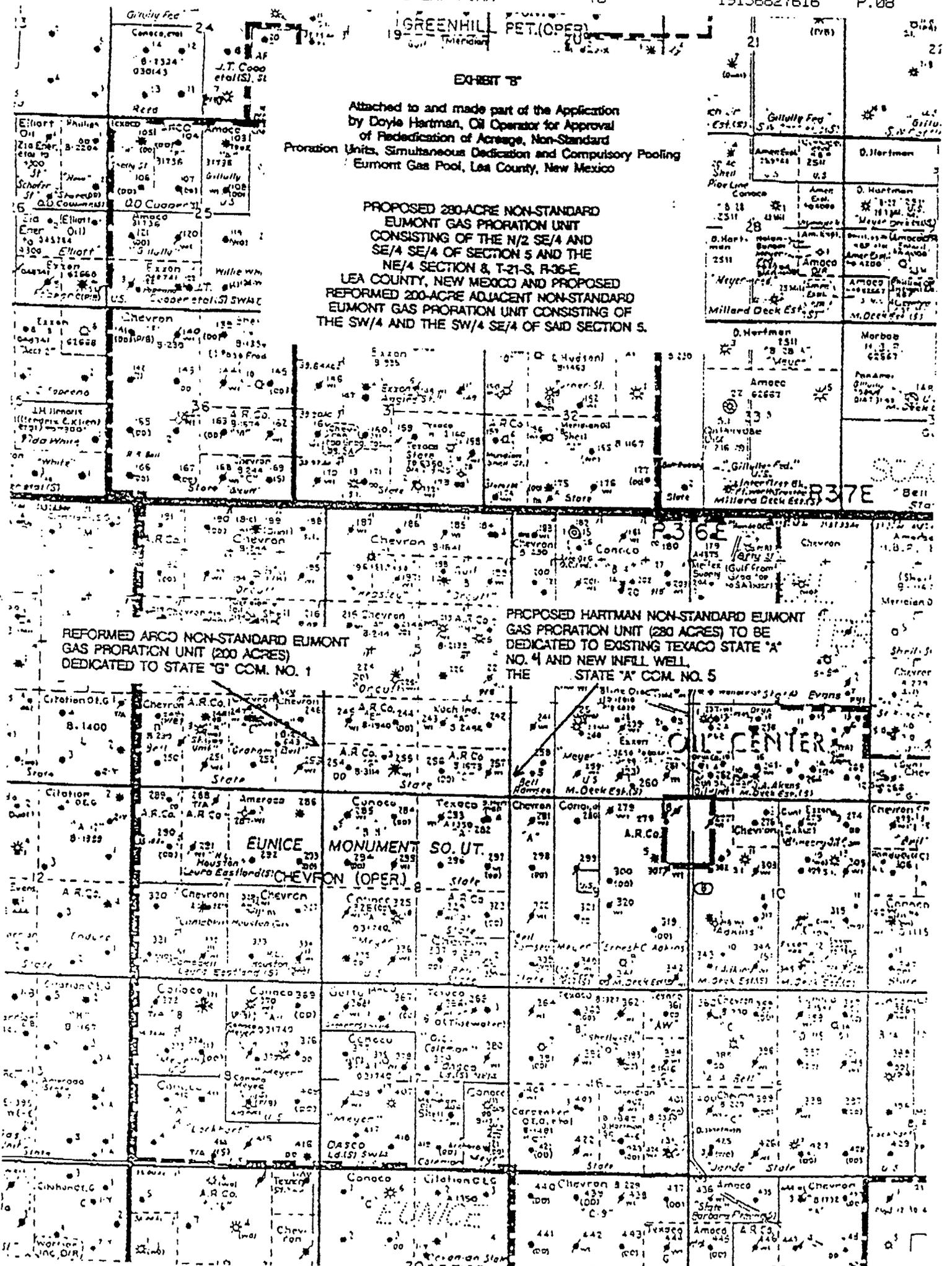
EXHIBIT B

Attached to and made part of the Application by Doyle Hartman, Oil Operator for Approval of Rededication of Acreage, Non-Standard Proration Units, Simultaneous Dedication and Compulsory Pooling Eumont Gas Pool, Lea County, New Mexico

PROPOSED 280-ACRE NON-STANDARD EUMONT GAS PRORATION UNIT CONSISTING OF THE N/2 SE/4 AND SE/4 SE/4 OF SECTION 5 AND THE NE/4 SECTION 8, T-21-S, R-36-E, LEA COUNTY, NEW MEXICO AND PROPOSED REFORMED 200-ACRE ADJACENT NON-STANDARD EUMONT GAS PRORATION UNIT CONSISTING OF THE SW/4 AND THE SW/4 SE/4 OF SAID SECTION 5.

REFORMED ARCO NON-STANDARD EUMONT GAS PRORATION UNIT (200 ACRES) DEDICATED TO STATE "G" COM. NO. 1

PROPOSED HARTMAN NON-STANDARD EUMONT GAS PRORATION UNIT (280 ACRES) TO BE DEDICATED TO EXISTING TEXACO STATE "A" NO. 4 AND NEW INFILL WELL THE STATE "A" COM. NO. 5



R37E

R36E

OIL CENTER

EUNICE MONUMENT SO. UT.

EUNICE

EXHIBIT "C"

Attached to and made part of the Application  
by Doyle Hartman, Oil Operator for Approval  
of Rededication of Acreage, Non-Standard  
Proration Units, Simultaneous Dedication and Compulsory Pooling,  
Eumont Gas Pool, Lea County, New Mexico

OFFSET EUMONT GAS POOL OPERATORS AND PRORATION UNITS TO  
THE PROPOSED 320-ACRE, OR ALTERNATIVELY THE 280-ACRE,  
NON-STANDARD EUMONT GAS PRORATION UNIT, SECTIONS 5 AND 8,  
T21S, R36E, LEA COUNTY, NEW MEXICO

<u>OPERATOR &amp; ADDRESS</u>	<u>LEASE &amp; WELL NAME(S)</u>	<u>GAS WELL LOCATION(S)</u>	<u>UNIT DESCRIPTION</u>	<u>NUMBER OF ACRES</u>	<u>ACREAGE FACTOR</u>
Chevron USA, Inc. P.O. Box 1635 Houston, Texas 77251 Attn: Mr. Ray Vaden	Bell Ramsay NCT A No. 5	U-04-21S-36E	SW/4 SW/4 Sec. 4, W/2 NW/4 Sec. 9, T-21-S, R-36-E	120	0.75
ARCO Oil & Gas Co. P.O. Box 1610 Midland, Texas 79702 Attn: Mr. Doug Johnson	State "G" No. 1	V-05-21S-36E	SW/4 and S/2 SE/4 Sec. 5, T-21-S, R-36- E	240	1.50
Chevron USA, Inc. P.O. Box 1635 Houston, Texas 77251 Attn: Mr. Ray Vaden	H.T. Orcutt NCT A No.1	N-05-21S-36E	Lots 11, 12, 13, and 14 Sec. 5, T-21-S, R- 36-E	160	1.00
ARCO Oil & Gas Co. P.O. Box 1610 Midland, Texas 79702 Attn: Mr. Doug Johnson	State "H" No. 5	I-05-21S-36E	Lots 9, 10, 15 and 16 Sec. 5, T-21-S, R-36- E	160	1.00
Chevron USA, Inc. P.O. box 1635 Houston, Texas 77251 Attn: Mr. Ray Vaden	Bell Ramsay NCT A No. 8	L-04-21S-36E	Lots 12 and 13 and NW/4 SW/4 Sec. 4, T- 21-S, R-36-E	120	0.75
Doyle Hartman Oil Operator 500 N. Main Midland, Texas 79701	Texaco State "A" No. 4	A-08-21S-36E	NE/4 Sec. 8, T-21-S, R-36-E	160	1.00
Conoco, Inc. 10 Desta Drive West Midland, Texas 79705 Attn: Mr. David Wacker	Meyers B No. 8	D-08-21S-36E	NW/4 Sec. 8, T-21-S, R-36-E	160	1.00

JUL-05-1990 12:01 HRUN GILLEGUS LAW FIRM TD 19156827616 P.09

Amerada Hess Corp. P.O. Box 2040 Tulsa, Oklahoma 74102 Attn: Mr. G.E. Miller	H.L. Houston Gas Com. No. 3	B-07-21S-36E	N/2 Sec. 7, T-21-S, R-36-E	320	2.00
Chevron USA, Inc. P.O. Box 1635 Houston, Texas 77251 Attn: Mr. Ray Vaden	Graham State NCT E No. 2	2R-06-21S-36E	Lots 15 and 16 and SE/4 Sec. 6, T-21-S, R-36-E	240	1.50
Conoco, Inc. 10 Desta Drive West Midland, Texas 79705 Attn: Mr. David Wacker	Meyer "A-1" No. 18	K-08-21S-36E	SW/4 Sec. 8, T-21-S, R-36-E	160	1.00
Chevron USA, Inc. P.O. Box 1635 Houston, Texas 77251 Attn: Mr. Ray Vaden	R.R. Bell NCT A Com. No. 2	P-08-21S-36E	SE/4 Sec. 8 and W/2 SW/4 Sec. 9, T-21-S, R-36-E	240	1.50
Chevron USA, Inc. P.O. Box 1635 Houston, Texas 77251 Attn: Mr. Ray Vaden	H.T. Orcutt NCT B No. 1	G-05-21S-36E	Lots 7 and 8 Sec. 5 and Lots 4 and 5 Sec. 4, T-21-S, R-36-E	158.72	1.00
Chevron USA, Inc. P.O. Box 1635 Houston, Texas 77251 Attn: Mr. Ray Vaden	Heasley State No. 7	E-05-21S-36E	Lots 1, 2, 3, 4, 5 and 6 Sec. 5, T21-S, R-36-E	236.76	1.48

**WORKING INTEREST OWNERS TO BE COMPULSORILY POOLED IN  
THE PROPOSED 320-ACRE, OR ALTERNATIVELY  
THE 280-ACRE, NON-STANDARD ELMONT GAS PRORATION UNIT,  
SECTIONS 5 AND 8, T-21-S, R-36-E, LEA COUNTY, NEW MEXICO,  
AND OTHER INTEREST OWNERS WITHIN SAID UNIT**

N/2 SE/4 Section 5 (80 Acres):

<u>WORKING INTEREST</u>	<u>PERCENTAGE OWNERSHIP</u>
Doyle Hartman 500 N. Main Midland, TX 79702	83.1250%
James A. Davidson 2825 W. Shandon Midland, TX 79703	11.8750%
James Ralston Union Center, Ste. 512 150 Main Wichita, KS 67202	2.50000%
Barbara D. Hepworth Agency c/o FNB Trust Oil & Gas Dept. Post Office Box 1 Wichita, KS 67201	1.25000%
FNB-Wichita, Trustee of the William E. Bloss Revocable Trust c/o FNB Trust Oil & Gas Dept. Post Office Box 1 Wichita, KS 67201	1.25000%
	100.00000%

1410882/1919 P. II

OVERRIDING ROYALTY INTEREST

Doyle Hartman (87.5% OF 27.96875%) =	24.47266%
James A. Davidson (12.5% of 27.96875%) =	3.49609%
Tupper Blake, Jr. Post Office Box 152 Inverness, CA 94937	2.34375%
Stephen Chandler Revocable Trust Stephen G. Sims, Trustee 1316 Bright Oklahoma City, OK 73102	4.31250%
Five States Energy Company 1220 One Energy Company 4925 Greenville Avenue Dallas, TX 75206	2.8750% 37.50000%

ROYALTY INTEREST

State of New Mexico c/o Gary Carlson Assistant Commissioner for Mineral Resources Office of the Commissioner of Public Land State Land Office Building 310 Old Santa Fe Trail Santa Fe, New Mexico 87504	12.50000%
--	-----------

S/2 SE/4 Section 5 (80 Acres):WORKING INTEREST

<u>WORKING INTEREST</u>	<u>PERCENTAGE OWNERSHIP</u>
Doyle Hartman	43.75000%
James A. Davidson	6.25000%
ARCO Oil & Gas Co. Post Office Box 1610 Midland, TX 79702 Attn: Mr. Doug Johnson	50.00000% 100.00000%

OVERRIDING ROYALTY INTEREST

Bradley Resources Corp. Post Office Box 292 Wellsville, NY 14895	2.734400%
--	-----------

ROYALTY INTEREST

State of New Mexico c/o Gary Carlson Assistant Commissioner for Mineral Resources Office of the Commissioner of Public Land State Land Office Building 310 Old Santa Fe Trail Santa Fe, New Mexico 87504	12.50000X
--	-----------

NE/4 Section 8 (160 Acres):

<u>WORKING INTEREST</u>	<u>PERCENTAGE OWNERSHIP</u>
Doyle Hartman 500 W. Main Midland, Texas 79702	50.00000X
Chevron USA, Inc. P.O. Box 1635 Houston, Texas 77251 Attn: Mr. Ray Vaden	50.00000X
	100.00000X

ROYALTY INTEREST

State of New Mexico c/o Gary Carlson Assistant Commissioner for Mineral Resources Office of the Commissioner of Public Land State Land Office Building 310 Old Santa Fe Trail Santa Fe, New Mexico 87504	12.50000X
--	-----------

DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

June 11, 1990

RECEIVED

JUN 9 40

RECEIVED

JUN 14 1990

MIDLAND LAND DEPARTMENT

ARCo Oil and Gas Company  
Post Office Box 1610  
Midland, Texas 79702

Attention: Mr. Doug Johnson

Re: ARCo-State "G" Com  
SW/4 & S/2 SE/4 Sec. 5  
T-21-S, R-36-E  
Lea County, New Mexico

Gentlemen:

Pursuant to our telephone conversation of this date relative to our letter of June 6, 1990 to ARCo, enclosed please find our Authorization for Expenditure and Detailed Well Estimate for the drilling, completion and equipping of our proposed State "A" Com No. 5 Eumont infill well to be located in the NE/4 SE/4 Section 5, T-21-S, R-36-E, Lea County, New Mexico. Also enclosed is our AFE for the estimated costs to connect the well to an available pipeline facility.

In the event ARCo elects to join in the drilling of our proposed State "A" Com No. 5 well, it will still be necessary to reform the existing Eumont Gas Pool proration unit for ARCo's State "G" Com No. 1 well.

It will also be necessary to file of record an amended Gas Pooling Agreement for the reformed Eumont Gas Pool proration unit dedicated to ARCo's State "G" Com No. 1 well. We continue to believe that the trade proposed in our letter to ARCo of April 17, 1990 will still provide the best means for both ARCo and Hartman to more efficiently and economically recover any remaining Eumont Gas Pool reserves from the S/2 of Section 5. Please also remember that Proposal No. 1 of our letter of April 17, 1990, will allow ARCo to increase its net recoverable Eumont reserves by 128,000 MCF without any risk or investment and will also facilitate the streamlining of ARCo's internal accounting for the State "G" Com No. 1 well by eliminating Hartman as the only other (non-operating) working interest owner.

Please review the enclosed AFE's and advise the undersigned at your earliest convenience of ARCo's decision regarding the reconfiguration of the State "G" Com Eumont proration unit and the drilling of Hartman's

proposed State "A" Com No. 5 well. Again your early response is requested as our compulsory pooling application regarding the SE/4 Section 5 and NE/4 Section 8 is scheduled for hearing on June 21, 1990.

Very truly yours,

DOYLE HARTMAN



Bryan E. Jones  
Landman

BEJ/ps  
530:Arco611  
Enclosures

cc: ARCO Oil and Gas Company  
Post Office Box 1610  
Midland, Texas 79702  
Attention: E. A. Casbeer  
Northwest Operations Analyst

ARCO Oil and Gas Company  
Post Office Box 1610  
Midland, Texas 79702  
Attention: A. J. Best  
Engineering Manager

ARCO Oil and Gas Company  
Post Office Box 1610  
Midland, Texas 79702  
Attention: R. S. Prentice  
Engineering

ARCO Oil and Gas Company  
Post Office Box 1610  
Midland, Texas 79702  
Attention: Penny Judge

James A. Davidson  
Post Office Box 494  
Midland, Texas 79702

Dr. Craig Van Kirk  
15080 West 77th Drive  
Golden, Colorado 80403

ARCo Oil and Gas Company

June 11, 1990

Page 3

William P. Aycock  
1207 West Wall  
Midland, Texas 79701

Gallegos Law Firm  
141 East Palace Avenue  
Santa Fe, New Mexico 87501  
Attention: Mr. J. E. Gallegos

Gallegos Law Firm  
141 East Palace Avenue  
Santa Fe, New Mexico 87501  
Attention: Mr. Harry Nutter

New Mexico State Land Office  
Post Office Box 1148  
Santa Fe, New Mexico 87504  
Attention: Mr Gary Carlson

New Mexico State Land Office  
Post Office Box 1148  
Santa Fe, New Mexico 87504  
Attention: Mr. Floyd Prando

DOYLE HARTMAN  
OIL OPERATOR  
500 N. MAIN STREET  
MIDLAND, TEXAS

Revised 5-15-82

AUTHORIZATION FOR EXPENDITURE AND DETAIL WELL ESTIMATE

LEASE NAME State "A" Com WELL NO. 5 W.I. 100%

COUNTY Lea STATE New Mexico FIELD Eumont (Gas)

LOCATION: NE/4 SE/4 Section 5, T-21-S, R-36-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost <u>3850</u> Feet @ <u>\$11.00</u> Per Foot	<u>42350</u>	<u>42350</u>
2. Day Work <u>2 days @ \$3500/day</u>		
3. Coring Service _____ Well Surveys <u>OH Logs</u>	<u>7000</u>	<u>7000</u>
4. Bits and Reamers _____	<u>10200</u>	<u>10200</u>
5. Testing _____		
6. Directional Drilling _____		
7. Fuel _____ Water _____	<u>8000</u>	<u>5500</u>
8. Mud <u>4700</u> Mud Logging <u>1800</u>	<u>6500</u>	<u>6500</u>
9. Cementing Service _____ Cement _____ Floats <u>12000</u>	<u>12000</u>	<u>3200</u>
10. Company Labor _____ Contract Labor _____	<u>1500</u>	<u>1500</u>
11. Surface Damages and Right-of-Way _____	<u>2500</u>	<u>2500</u>
12. Digging Pits _____ Filling Pits _____	<u>500</u>	<u>500</u>
13. Pit Lining _____	<u>800</u>	<u>800</u>
14. Roads & Bridges <u>1500</u> Dredging & Grading <u>7500</u>	<u>9000</u>	
15. Acidizing <u>6500</u> Fracturing <u>145000</u> Perforating <u>2000</u>	<u>153500</u>	<u>--</u>
16. Plugging _____		<u>4500</u>
17. Trucking Cost _____	<u>3000</u>	<u>1500</u>
18. Development Superintendence <u>12/7 days @ \$ 500 /day</u>	<u>6000</u>	<u>3500</u>
19. Rental Equipment <u>BOP, frac tanks</u>	<u>5300</u>	<u>1300</u>
20. Swabbing and Testing _____	<u>6500</u>	<u>--</u>
21. Legal and Professional Expenses:		
Product Price Determination <u>NGPA file</u>	<u>750</u>	
Regulatory Hearings <u>State filings</u> <u>other</u> <u>Location Stake</u>	<u>1200</u>	<u>1200</u>
22. Abstracts and Title Opinions _____	<u>7500</u>	<u>7500</u>
23. Geological, Geophysical and Land Support _____	<u>2200</u>	<u>2200</u>
24. Other Costs _____		
25. Contingency @ <u>10</u> % _____	<u>28630</u>	<u>10175</u>
Total Intangibles	<u>314930</u>	<u>111925</u>

WELL EQUIPMENT:	(Used)	(LS)
26. Casing <u>450</u> Ft. of <u>9-5/8"</u> @ <u>12.00</u> Per Ft.		
<u>3850</u> Ft. of <u>7"</u> @ <u>8.50</u> Per Ft.		
_____ Ft. of _____ @ _____ Per Ft.	<u>38125</u>	<u>5400</u>
27. Tubing <u>3800</u> Ft. of <u>2-3/8"</u> @ <u>2.30</u> Per Ft.	<u>8740</u>	
28. Casing Head _____	<u>1350</u>	<u>1350</u>
29. Xmas Tree or Pumping Connections _____	<u>5600</u>	<u>--</u>
30. Pumping Unit _____	<u>15000</u>	
31. Engine/Motor Controller and Power System _____	<u>7800</u>	
32. Sucker Rods _____	<u>4000</u>	
33. Pump _____	<u>1800</u>	
34. Tank Battery _____	<u>3500</u>	
35. Separator or Dehydration Equip. _____	<u>3300</u>	
36. Metering Equipment _____		
37. Flow Lines _____	<u>2100</u>	
38. Guards and Fences _____	<u>800</u>	
39. Other Costs <u>Anchors</u>	<u>600</u>	
40. Contingency @ <u>10</u> % _____	<u>9272</u>	<u>675</u>
Total Tangibles	<u>101987</u>	<u>7425</u>
TOTAL COST OF WELL	<u>416917</u>	<u>119350</u>

Share at \_\_\_\_\_ %

REMARKS: \_\_\_\_\_

**RETAIN THIS COPY  
FOR YOUR FILE**

Originated by Mike Stewart Title Engineer Date 5-22-90

Approved \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

DOYLE HARTMAN  
OIL OPERATOR  
500 N. MAIN STREET  
MIDLAND, TEXAS

Revised 5-15-82

SYSTEM State "A" Gathering	WELL State "A" Com No. 5	WELL NUMBER
LOCATION Section 5, T-21-S, R-36-E, Lea County, New Mexico		
WORK REQUIRED Ditch, lay and bury 6" SDR poly gas gathering line to NNG 10" Line No. 107		

WELL CONNECTION EVALUATION			
I OPERATOR	WELL NAME State "A" Com No. 5		
	LOCATION NE/4 SE/4 Section 5, T-21-S, R-36-E		
	COUNTY Lea, New Mexico		
II SYSTEM	CONNECTION LENGTH 3000'	SIZE LINE REQUIRED 6" SDR polyethylene	ESTIMATED COST OF CONNECTION \$46,305
	ESTIMATED RESERVES	ESTIMATED INITIAL PROD. RATE	PRICE DIFFERENTIAL (CURRENT)
III ECON.	FUTURE NET REVENUE	R.O.I. AT AVERAGE DIFF.	PAYOUT MONTH

INTANGIBLES		QUANTITY	PRICE	CASH COST	MATERIAL ON HAND
ROW & DAMAGES		3000'	\$25/rod	4545	
SURVEY & STAKE ROW					
INSTALLATION COST - PIPE		3000'	\$2.75/ft	8250	
INSTALLATION COST - OTHER	Meters			2300	
LINE INSPECTION SERVICE					
LEGAL SERVICES				150	
CONSULTANT SERVICES					
X-RAY SERVICES					
CATHODIC PROTECTION SERVICE					
MISC. SERVICES & CONTINGENCIES	10%			1525	
SUB-TOTAL INTANGIBLES				16770	
TANGIBLES		QUANTITY	PRICE	CASH COST	MATERIAL ON HAND
LINE PIPE - UNDER 4"					
LINE PIPE - 4" AND OVER		3000'	4.00	12000	
TANKS					
SEPARATION EQUIPMENT					
DRIPS					
METER RUNS & METERS	1-NNG, 1-Check		6500/3650	10150	
PIG LAUNCHER & RECEIVER FAC.					
VALVES - 4" & OVER				2500	
VALVES - UNDER 4"				1000	
FITTINGS - ELLS, TEES, ETC.				1200	
RIVER WEIGHTS					
ROAD CROSSINGS					
CATHODIC EQUIPMENT					
FENCES					
RIVER CROSSINGS					
BUILDINGS & STRUCTURES					
MISC. EQUIPMENT & CONTINGENCIES	10%			2685	
GAS COMPRESSORS					
GAS DEHYDRATION					
SUB-TOTAL TANGIBLES				29535	
TOTALS				46305	

Share at \_\_\_\_\_ %

REMARKS: Connect proposed infill Eumont well to NNG sales facilities on 10" Line No. 107 in NW/4 NE/4 Section 8, T-21-S, R-36-E, Lea County, New Mexico

RETAIN THIS COPY  
FOR YOUR FILE

Originated by Michael Stewart Title Engineer Date 6-4-90  
Approved \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

DOYLE HARTMAN  
OIL OPERATOR  
500 N. MAIN STREET  
MIDLAND, TEXAS

AUTHORIZATION FOR EXPENDITURE AND DETAIL WELL ESTIMATE

LEASE NAME State "A" Com WELL NO. 5 W.I. 100%

COUNTY Lea STATE New Mexico FIELD Eumont (Gas)

LOCATION: NE/4 SE/4 Section 5, T-21-S, R-36-E

DRILLING INTANGIBLES:	PRODUCER	DRY HOLE
1. Drilling Cost <u>3850</u> Feet @ <u>\$11.00</u> Per Foot	42350	42350
2. Day Work <u>2 days @ \$3500/day</u>		
	7000	7000
3. Coring Service _____ Well Surveys <u>OH Logs</u>	10200	10200
4. Bits and Reamers _____		
5. Testing _____		
6. Directional Drilling _____		
7. Fuel _____ Water _____	8000	5500
8. Mud <u>4700</u> Mud Logging <u>1800</u>	6500	6500
9. Cementing Service _____ Cement _____ Floats <u>12000</u>	12000	3200
10. Company Labor _____ Contract Labor _____	1500	1500
11. Surface Damages and Right-of-Way _____	2500	2500
12. Digging Pits _____ Filling Pits _____	500	500
13. Pit Lining _____	800	800
14. Roads & Bridges <u>1500</u> Dredging & Grading <u>7500</u>	9000	
15. Acidizing <u>6500</u> Fracturing <u>14500</u> Perforating <u>2000</u>	153500	--
16. Plugging _____		4500
17. Trucking Cost _____	3000	1500
18. Development Superintendence <u>12/7 days @ \$ 500 /day</u>	6000	3500
19. Rental Equipment <u>BOP, frac tanks</u>	5300	1300
20. Swabbing and Testing _____	6500	---
21. Legal and Professional Expenses: Product Price Determination <u>NGPA file</u>	750	
Regulatory Hearings: <u>State filings</u> <u>other</u> <u>Location Stake</u>	1200	1200
22. Abstracts and Title Opinions _____	7500	7500
23. Geological, Geophysical and Land Support _____	2200	2200
24. Other Costs _____		
25. Contingency @ <u>10</u> % _____	28630	10175
Total Intangibles	314930	111925

WELL EQUIPMENT:	PRODUCER	DRY HOLE
26. Casing <u>450</u> Ft. of <u>9-5/8"</u> @ <u>12.00</u> Per Ft. (Used)		
<u>3850</u> Ft. of <u>7"</u> @ <u>8.50</u> Per Ft. (LS)		
	38125	5400
	8740	
27. Tubing <u>3800</u> Ft. of <u>2-3/8"</u> @ <u>2.30</u> Per Ft.	1350	1350
28. Casing Head _____	5600	--
29. Xmas Tree or Pumping Connections _____	15000	
30. Pumping Unit _____	7800	
31. Engine/Motor Controller and Power System _____	4000	
32. Sucker Rods _____	1800	
33. Pump _____	3500	
34. Tank Battery _____	3300	
35. Separator or Dehydration Equip. _____		
36. Metering Equipment _____	2100	
37. Flow Lines _____	800	
38. Guards and Fences _____	600	
39. Other Costs <u>Anchors</u>		
40. Contingency @ <u>10</u> % _____	9272	675
Total Tangibles	101987	7425
TOTAL COST OF WELL	416917	119350

Share at \_\_\_\_\_ %

REMARKS: \_\_\_\_\_  
**RETURN THIS COPY**  
**TO: DOYLE HARTMAN**  
**BOX 10426**  
**MIDLAND, TX 79702**

Originated by Mike Stewart Title Engineer Date 5-22-90  
 Approved \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

DOYLE HARTMAN  
OIL OPERATOR  
500 N. MAIN STREET  
MIDLAND, TEXAS

Revised 5-15-82

SYSTEM State "A" Gathering	WELL State "A" Com No. 5	WELL NUMBER
LOCATION Section 5, T-21-S, R-36-E, Lea County, New Mexico		
WORK REQUIRED Ditch, lay and bury 6" SDR poly gas gathering line to NNG 10" Line No. 107		

WELL CONNECTION EVALUATION

OPERATOR	WELL NAME State "A" Com No. 5		
	LOCATION NE/4 SE/4 Section 5, T-21-S, R-36-E		
	COUNTY Lea, New Mexico		
SYSTEM	CONNECTION LENGTH 3000'	SIZE LINE REQUIRED 6" SDR polyethylene	ESTIMATED COST OF CONNECTION \$46,305
	ESTIMATED RESERVES	ESTIMATED INITIAL PROD. RATE	PRICE DIFFERENTIAL (CURRENT)
ECON.	FUTURE NET REVENUE	R.O.I. AT AVERAGE DIFF.	PAYOUT MONTH

INTANGIBLES		QUANTITY	PRICE	CASH COST	MATERIAL ON HAND
ROW & DAMAGES		3000'	\$25/rod	4545	
SURVEY & STAKE ROW					
INSTALLATION COST - PIPE		3000'	\$2.75/ft	8250	
INSTALLATION COST - OTHER	Meters			2300	
LINE INSPECTION SERVICE					
LEGAL SERVICES				150	
CONSULTANT SERVICES					
X-RAY SERVICES					
CATHODIC PROTECTION SERVICE					
MISC. SERVICES & CONTINGENCIES	10%			1525	
SUB-TOTAL INTANGIBLES				16770	
TANGIBLES		QUANTITY	PRICE	CASH COST	MATERIAL ON HAND
LINE PIPE - UNDER 4"					
LINE PIPE - 4" AND OVER		3000'	4.00	12000	
TANKS					
SEPARATION EQUIPMENT					
DRIPS					
METER RUNS & METERS 1-NNG, 1-Check			6500/3650	10150	
PIG LAUNCHER & RECEIVER FAC.					
VALVES - 4" & OVER				2500	
VALVES - UNDER 4"				1000	
FITTINGS - ELLS, TEES, ETC.				1200	
RIVER WEIGHTS					
ROAD CROSSINGS					
CATHODIC EQUIPMENT					
FENCES					
RIVER CROSSINGS					
BUILDINGS & STRUCTURES					
MISC. EQUIPMENT & CONTINGENCIES	10%			2685	
GAS COMPRESSORS					
GAS DEHYDRATION					
SUB-TOTAL TANGIBLES				29535	
TOTALS				46305	

Share at \_\_\_\_\_ %

REMARKS: Connect proposed infill Eumont well to NNG sales facilities on 10" Line No. 107 in NW/4 NE/4 Section 8, T-21-S, R-36-E, Lea County, New Mexico

RETURN THIS COPY  
TO: DOYLE HARTMAN  
BOX 10126  
MIDLAND, TX 79702  
Date 6-4-90

Originated by Michael Stewart Title Engineer Date 6-4-90

Approved \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

ARCO Oil and Gas Company →

3000 WEST  
1000 WEST  
1000 WEST  
1000 WEST

PERMISSION

191 JUN 21 1990

June 21, 1990

Doyle Hartman  
500 N. Main  
P.O. Box 10426  
Midland, Texas 79702

Attention: Mr. Bryan E. Jones

Re: ARCO - State "G" Com  
Cross-assignment of Interest  
S/2 SE/4 Sec. 5, T-21-S, R-36-E,  
Lea County, New Mexico  
NM-31, NM-53, NM-58

Gentlemen:

Atlantic Richfield Company (ARCO) has evaluated the proposals Doyle Hartman has made in your letters dated April 17, and June 11, 1990, as well as the options outlined in your Application for Approval of Rededication of Acreage, Non-Standard Proration Units, Simultaneous Dedication and Compulsory Pooling which has been set for hearing on June 27, 1990.

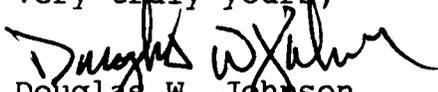
ARCO agrees to Proposal No. 1, as set out in your letter of April 17, 1990, wherein ARCO will assign its 50% leasehold interest within the Eumont Gas Pool in the SE/4 SE/4 of Section 5 in exchange for an assignment of Hartman's 50% leasehold interest within the same interval in the SW/4 SE/4 Section 5. Concurrent with this action, ARCO and Hartman shall terminate that certain Operating Agreement dated January 25, 1957, covering the SW/4, S/2 SE/4 Section 5, and ARCO shall reduce the size of the proration unit for the State "G" Com No. 1 well to 200 acres consisting of the SW/4, SW/4 SE/4 Section 5.

Doyle Hartman agrees to voluntarily amend the above-described Application in accordance with this agreement, and shall not seek an order approving creation of any proration unit which includes the SW/4, SW/4 SE/4 Section 5, or any part thereof.

Doyle Hartman  
June 21, 1990

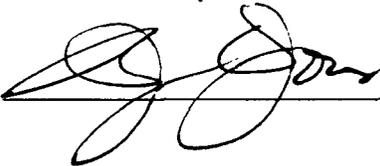
The effective date for the assignments and termination of the existing contract shall be July 1, 1990. Execution of these instruments is contingent on verification of title. If these terms and conditions are acceptable to you, please execute and return one copy of this letter.

Very truly yours,

  
Douglas W. Johnson  
Area Landman

AGREED TO AND ACCEPTED THIS 22<sup>nd</sup> DAY OF JUNE, 1990.

DOYLE HARTMAN, OIL OPERATOR

BY:  \_\_\_\_\_

DWJ/dj



STATE OF NEW MEXICO  
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 9949  
Order No. R-9329

APPLICATION OF CHEVRON U.S.A.  
INC. FOR A NON-STANDARD GAS  
PRORATION UNIT, UNORTHODOX GAS  
WELL LOCATIONS, AND SIMULTANEOUS  
DEDICATION, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 30 and June 28, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 24th day of October, 1990, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) The applicant, Chevron U.S.A. Inc (Chevron), seeks approval for a non-standard 400-acre gas spacing and proration unit comprising Lots 11 through 14 of Section 5 and Lots 15 and 16 and the SE/4 of Section 6, all in Township 21 South, Range 36 East, NMPM, Eumont Gas Pool, Lea County, New Mexico, said unit to be simultaneously dedicated to a well to be drilled at an unorthodox gas well location 1175 feet from the South line and 1375 feet from the East line (Unit W) of said Section 6, to its Orcutt (NCT-A) Well No. 1 properly located 4600 feet from the North line and 1980 feet from

the West line (Unit N) of said Section 5 (which is unorthodox for this proration unit) and to its Graham State (NCT-E) Well No. 2 located at an unorthodox location 1980 feet from the South and East lines (Unit R) of said Section 6.

(3) Subsequent to the hearing, the Division determined that the advertisement for this case incorrectly described the location of the above-described Orcutt (NCT-A) Well No. 1, and that the actual location is 4600 feet from the North line and 1983 feet from the West line of said Section 5. The Division further determined that notice to offset operators contained the correct well location and that since the error in the description is insignificant (3 feet), re-advertisement of this case is not necessary.

(4) The evidence and Division records indicate that the proposed non-standard gas proration unit currently consists of two previously approved non-standard gas proration units currently owned and operated by Chevron and comprising the following described acreage:

- a) A 240-acre unit comprising Lots 15 and 16 and the SE/4 of said Section 6, approved by Division Order No. NSP-145, dated June 8, 1955, and currently dedicated to said Graham State (NCT-E) Well No. 2 and;
- b) A 160-acre unit comprising Lots 11 through 14 of said Section 5, approved or "grandfathered" in by Division Order No. R-520, dated August 12, 1954, and currently dedicated to said Orcutt (NCT-A) Well No. 1.

(5) According to evidence and testimony, the above-described Graham State (NCT-E) Well No. 2 and the Orcutt (NCT-A) Well No. 1 are both currently producing from the Queen and Penrose intervals of the Eumont Gas Pool, and both are currently classified as marginal gas wells within said pool.

(6) The applicant's geologic evidence indicates that there is potential for gas production from the Yates formation (also included in the Eumont Gas Pool) underlying its acreage in said Section 6.

(7) The applicant seeks authority to drill an additional well in said Section 6 in order to recover the gas reserves within the Yates formation, and also to protect said acreage from offset Yates drainage which may be presently occurring.

(8) Testimony by the applicant indicates that the two above-described existing wells are not suitable for recompletion to the Yates formation.

(9) The proposed well location, which is unorthodox with respect to the interior quarter-quarter section lines, and does not encroach on the outer boundary of the proposed proration unit, is necessitated by geologic considerations.

(10) According to further evidence and testimony by the applicant, the average gas allowable for a 160-acre gas proration unit (1.0 acreage factor) within the Eumont Gas Pool during 1989 was approximately 290 MCFG per day.

(11) The Graham State (NCT-E) Well No. 2 is currently capable of producing approximately 66% of the average gas allowable assigned to its 240-acre proration unit.

(12) The applicant's evidence and testimony further indicates that the remaining gas allowable, approximately 34% or 147 MCFG per day is insufficient to economically justify the drilling of the proposed well on the existing 240-acre gas proration unit.

(13) The effect of forming the proposed 400-acre non-standard gas proration unit will be a significant increase in the amount of gas available for production from the proposed well, which in turn economically justifies its drilling.

(14) According to Division records, each of the offset Eumont gas proration units is capable of marginal gas production only, and therefore, the formation of the proposed 400-acre non-standard gas proration unit should not violate any offset operator's correlative rights.

CASE NO. 9949  
Order No. R-9329  
Page -4-

(15) The two existing wells and a well at the proposed location should efficiently and economically drain and develop the proposed proration unit.

(16) Doyle Hartman, an offset operator to the proposed non-standard gas proration unit, appeared at the hearing but did not actively oppose the application.

(17) No other offset operator and/or interest owner appeared at the hearing in opposition to the application.

(18) Approval of the application will enable the applicant to economically recover the remaining gas reserves underlying the proposed proration unit, thereby preventing waste, and will not violate correlative rights.

(19) Division Order No. NSP-145 should be superseded by this order.

IT IS THEREFORE ORDERED THAT:

(1) A non-standard 400-acre gas spacing and proration unit comprising Lots 11 through 14 of Section 5 and Lots 15 and 16 and the SE/4 of Section 6, all in Township 21 South, Range 36 East, NMPM, Eumont Gas Pool, Lea County, New Mexico, is hereby established and simultaneously dedicated to a well to be drilled at an unorthodox gas well location 1175 feet from the South line and 1375 feet from the East line (Unit W) of said Section 6, to the existing Orcutt (NCT-A) Well No. 1, located at an unorthodox location 4600 feet from the North line and 1983 feet from the West line (Unit N) of said Section 5, and to the existing Graham State (NCT-E) Well No. 2 located at an unorthodox location 1980 feet from the South and East lines (Unit R) of said Section 6.

(2) For purposes of assigning gas allowable, the subject proration unit shall be assigned an acreage factor of 2.5 in the Eumont Gas Pool.

(3) The gas allowable assigned to the above-described proration unit may be produced from the three wells described above in any proportion.

CASE NO. 9949  
Order No. R-9329  
Page -5-

(4) Division Order No. NSP-145 is hereby superseded by this order.

(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY  
Director

S E A L

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

October 9, 1937

C  
O  
P  
Y  
  
The Atlantic Refining Company  
P. O. Box 871  
Midland, Texas

Attention: Mr. R. E. Howard

Administrative Order NSP-395

Gentlemen:

Reference is made to your application for approval of a 240-acre non-standard gas proration unit in the Eumont Gas Pool consisting of the following acreage:

Township 21 South, Range 36 East  
Section 5: S/2 SE/4 and SW/4

It is understood that this unit is to be ascribed to your State "G" Well No. 1, located 660 feet from the South line and 1900 feet from the West line of said Section 5.

By authority granted me under provisions of Rule 5, Section (b) of the Special Rules and Regulations for the Eumont Gas Pool, as set forth in Order B-520, you are hereby authorized to operate the above described acreage as a non-standard gas proration unit, with allowable to be assigned thereto in accordance with Rule 8 of the pool rules, based upon the unit size of 240 acres.

NSP-38, ascribing the SW/4 of Section 5 to the subject well is hereby cancelled.

Very truly yours,

A. L. PORTER, Jr.  
Secretary-Director

DSH:cmg

cc: Oil Conservation Commission - Hobbs  
New Mexico Oil & Gas Engineering Committee, Hobbs  
El Paso Natural Gas - Jal  
El Paso Natural Gas - El Paso  
New Mexico State Land Office - (Mrs. Rhee)