J. D. Barnes
D. J. Eimers
A. W. Newkumet

BARNES, EIMERS & NEWKUMET
OIL & GAS EXPLORATION
P.O. BOX 3758
MIDLAND, TEXAS 79702

Telephone (915) 682-6231

RECEIVED
JAN 10 1983
OIL CONSERVATION DIVISION
SANTA FE

January 7, 1983

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

Re: AFE - Clements Energy, Inc. State 14-#1
High Plains Prospect - C-177
Lea County, New Mexico

Dear Mr. Ramey,

In compliance with Compulsory Pooling Order Case No. 7744, and specifically Page 3, Paragraph 6, Barnes, Eimers & Newkumet on behalf of Clements Energy, Inc. is herein attaching an Authority of Expenditure (AFE) for the drilling of the referenced well in Lea County, New Mexico.

If you should have any questions, please do not hesitate to advise.

Yours very truly,

Larry Hunnicutt

Larry T. Hunnicutt

25th

LTH:mdj
enc.

Perry Poole

cc: Bill Gilbert

Certified-Return Receipt

CLEMENTS ENERGY, INC.

AUTHORITY FOR EXPENDITURE

AFE NUMBER	PROPERTY NUMBER
82-61	

PROSPECT OR FIELD	OPERATOR	LEASE NAME OR NUMBER	WELL NUMBER
HIGH PLAINS PROSPECT	CLEMENTS ENERGY, INC.	NEW MEXICO STATE 14	1

STATE	COUNTY	LOCATION	PROPOSED T.D.	FORMATION
NEW MEXICO	LEA	660' FNL & 660' FEL SEC. 14-14S-34E	11,000'	PERMO PENN

PURPOSE OF EXPENDITURE	CONTRACTOR	RIG TYPE
DRILL WELL & TEST PERMO PENN	#	ROTARY

DRILL/COMPL. [X]	LAND [X]	SINGLE [X]	EXPLORATORY [ ]	OIL [X]	WATER DISP/INJ. [ ]
WORKOVER [ ]	OFFSHORE [ ]	DUAL [ ]	DEVELOPMENT [X]	GAS [ ]	WATER SUPPLY [ ]
RE-COMPLETE [ ]	INLAND WATER [ ]	OTHER [ ]	[ ]	SEC. REC. [ ]	OTHER [ ]

LINE	INTANGIBLE EXPENSE	CASING POINT COST	COMPLETION COST	COMPLETED WELL COST
01	RIG MOVE IN AND OUT	--	--	--
02	FOOTAGE OR TURNKEY 19.50 x 11,000	214,500.	—	214,500.
03	DAYWORK	5,500.	5,500.	11,000.
04	COMPLETION, W.O., SWAB UNIT	--	18,000.	18,000.
05	LOCATION, ROADS, SURVEY, DAMAGES, RESTORE	25,000.	--	25,000.
06	MUD, ADDITIVES, DIESEL, PKR FLUID	25,000.	--	25,000.
07	CEMENT AND SERVICES	15,000.	5,000.	20,000.
08	FLOAT EQUIP, CENTRALIZER, SCRATCHER	2,500.	1,000.	3,500.
09	OPENHOLE LOGS, F.T.	35,000.	--	35,000.
10	CASEDHOLE LOGS, PERF	--	8,000.	8,000.
11	DST, CORING, SWC, ANALYSIS	10,000.	--	10,000.
12	EQUIPMENT RENTAL	3,000.	2,000.	5,000.
13	CASING CREW, TONGS, TOOLS	4,500.	4,000.	8,500.
14	MUD LOGGING: CREW AND EQUIPMENT	15,000.	--	15,000.
15	TRANSPORTATION: LAND AND MARINE	3,000.	3,000.	6,000.
16	FUEL, POWER, WATER	37,000.	--	37,000.
17	BITS, DRILLING AND COMPLETION	--	--	--
18	SUPERVISION	4,000.	4,000.	8,000.
19	OVERHEAD	4,750.	2,000.	6,750.
20	STIMULATION SERVICES	--	15,000.	15,000.
21	EQUIPMENT INSPECTION AND TESTING	--	--	--
22	WELL TESTING, PROD TEST, BHP TEST	--	2,000.	2,000.
23	DIRECTIONAL DRILLING SERVICE AND EQUIP	--	--	--
24	FISHING TOOLS AND SERVICES	--	--	--
25	MISC AND CONTINGENCY 10%	40,375.	6,950.	47,325.
26	OTHER Well Control Insurance	18,645.	--	18,645.
27	TOTAL INTANGIBLE EXPENSE	462,770.	76,450.	539,220.

TANGIBLE EXPENSE

LINE	ITEM	FT.	O.D.	AT $/FT.	CASING POINT COST	COMPLETION COST	COMPLETED WELL COST
50	DRIVE CASING				--	--	--
51	COND CASING	50	20"		8,000.	--	8,000.
52	SURF CASING	450	13-3/8"	21.50	9,675.	--	9,675.
53	INTER CASING	4500	8-5/8"	12.00	54,000.	--	54,000.
54	PROD CASING	11000	5-1/2"	12.00	--	132,000.	132,000.
55	LINER CASING				--	--	--
56	TUBING	11000	2-3/8"	3.50	--	38,500.	38,500.
57	WELLHEAD EQUIPMENT				1,700.	8,000.	9,700.
58	DOWNHOLE EQUIPMENT				--	3,200.	3,200.
59	SURF PROD EQUIPMENT				--	25,000.	25,000.
60	ARTIFICIAL LIFT EQUIPMENT				--	--	--
61	MISC AND CONTINGENCY 10%				7,338.	20,670.	28,008.
62	OTHER				--	--	--
63	TOTAL TANGIBLE EXPENSE				80,713.	227,370.	308,083.
	TOTAL WELL COST				543,483.	303,820.	847,303.

WORKING INTEREST OWNER	PER CENT W.I.	CASING POINT COST	COMPLETED WELL COST

OPERATOR APPROVAL

	DATE
PREPARED W.E. Gillen (signature) W.E. Gillen	11-04-82
APPROVED	DATE
APPROVED	DATE

JOINT INTEREST APPROVAL

COMPANY	DATE
APPROVED BY	

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

LARRY KEHOE
SECRETARY

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

December 9, 1982

Mr. Ernest L. Padilla
Attorney at Law
P. O. Box 2523
Santa Fe, New Mexico 87502

Re: CASE NO. 7744
ORDER NO. R-7155

Applicant:

Clements Energy, Inc.

Dear Sir:

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

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

Other William F. Carr

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. 7744
Order No. R-7155

APPLICATION OF CLEMENTS ENERGY, INC. FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on November 23, 1982, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 8th day of December, 1982, 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, Clements Energy, Inc., seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the NE/4 of Section 14, Township 14 South, Range 34 East, NMPM, High Plains-Pennsylvanian Pool, Lea County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at a standard location thereon.

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

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

cont. from 1/25/83

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

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

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

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

(10) That following determination of reasonable well costs, any non-consenting working interest owner 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 \$4755.00 per month while drilling and \$475.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before March 15, 1983, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the NE/4 of Section 14, Township 14 South, Range 34 East, NMPM, High Plains-Pennsylvanian Pool, Lea County, New Mexico, are hereby pooled to form a standard 160-acre oil spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of March, 1983, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of March, 1983, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

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

(2) That Clements Energy, Inc. is hereby designated the operator of the subject well and unit.

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

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

(5) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days

following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner 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 $4755.00 per month while drilling and $475.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-5-
Case No. 7744
Order No. R-7155

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

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JOE D. RAMEY,
Director

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