

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. 9750  
ORDER NO.

APPLICATION OF MERIDIAN OIL, INC.,  
FOR COMPULSORY POOLING  
SAN JUAN COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 6, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 5th day of October, 1989, 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) Division Case Nos. 9756, 9744, 9745, and 9746 were consolidated at the time of the testimony.

(3) The Applicant, Meridian Oil Inc., (Meridian) originally sought compulsory pooling and the approval of a non-standard proration and spacing unit consisting of lots 1 and 2, SE/4NE/4, and E/2SE/4 of Section 8, and SW/4 of Section 9, T32N, R6W consisting of 317.51 acres to be dedicated to its Allison Unit Com Well No. 135 to be drilled at a standard well location 900 feet FSL and 1490 feet FWL of said Section 9.

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(4) Richmond Petroleum Inc., (Richmond), opposed the Meridian application and sought in Division Case 9746 to compulsory pool the S/2 of Section 9, T32N, R6W and in Division Case 9745 to compulsory pool acreage which is the equivalent of the N/2 of Section 9, T32N, R6W, and finally in Division Case 9744 sought to compulsory pool acreage which is the equivalent of the W/2 of Section 10, T32N, R6W.

(5) Subsequent to the hearing of these consolidated cases heard on September 6, 1989, Meridian amended its application in Case 9750 to change the acreage to be pooled to the W/2 of Section 9, T32N, R6W consisting of (278.2 acres more or less) and Richmond has dismissed its application in Case 9746 and in Case 9745 has amended its application to change the acreage to be pooled to the E/2 of Section 9, T32N, R6W.

(6) As a result of the referenced amended and dismissed applications and the stipulation of Meridian and Richmond, each company has withdrawn their respective opposition to the application of the other, as amended.

(7) The applicant first proposed the subject Allison Well No. 135 and has the right to drill and proposes to drill a well at a standard coal gas well location as described above.

(8) To avoid the drilling of unnecessary wells, to protect correlative rights, to avoid waste, 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 production in any pool completion resulting from this order, the subject application as amended should be approved by pooling all mineral interests whatever they may be, within said amended unit.

(9) The applicant, as agent for El Paso Natural Gas Company, should be designated the operator of the subject well and unit.

(10) 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.

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(11) The applicant has proposed a 200 percent risk penalty to be assessed against those interest owners subject to the force-pooling provisions of this order, and in support thereof presented evidence and testimony at the hearing.

(12) 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 156 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(13) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs, but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(14) 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.

(15) \$3500.00 per month while drilling and \$350.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each nonconsenting 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.

(16) 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.

(17) Upon the failure of the operator of said pooled unit to commence the drilling of the well to which said unit is dedicated on or before January 1, 1990, the order pooling said unit should become null and void and of no effect whatsoever.

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(18) Should all parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(19) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, in the Basin-Fruitland Coal Gas Pool underlying the W/2 of Section 9, Township 32 North, Range 6 West, NMPM, San Juan County, New Mexico, are hereby pooled forming a standard 278.2-acre gas spacing and proration unit for said pool to be dedicated to the Allison Unit Com Well #135 to be drilled at a standard coal gas well location 900 feet from the South line and 1490 feet from the West line (Unit N) of said Section 9.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 1st day of January 1990, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Basin-Fruitland Coal Gas Pool.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 1st day of January 1990, Ordering Paragraph No. (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 Ordering Paragraph No. (1) of this order should not be rescinded.

(2) Meridian Oil, Inc., as agent for El Paso Natural Gas Company, is hereby designated the operator of the subject well and unit.

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(3) 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) 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 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) 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; 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, if there is objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated well 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) 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, and

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(B) As a charge for the risk involved in the drilling of the well, 156 percent of the prorata 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) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) \$3500.00 per month while drilling and \$350.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); 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.

(10) Any unleased 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) 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) All proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; 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) Should all parties to this forced pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

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(14) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(15) 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

SEAL

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  
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CASE NO. 9750  
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BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 6, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 5th day of October, 1989, 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.

*At the September 9, 1989 hearing*  
(2) Division Case Nos. 9756, 9744, 9745, and 9746 were consolidated ~~at the time of the~~ testimony.

*for the purpose of*  
(3) The Applicant, Meridian Oil Inc., (Meridian) originally sought compulsory pooling and the approval of a non-standard proration and spacing unit consisting of lots 1 and 2, SE/4NE/4, and E/2SE/4 of Section 8, and SW/4 of Section 9, T32N. R6W consisting of 317.51 acres to be dedicated to its Allison Unit Com Well No. 135 to be drilled at a standard well location 900 feet FSL and 1490 feet FWL of said Section 9.

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(4) Richmond Petroleum Inc., (Richmond), opposed the Meridian application and sought in Division Case 9746 to compulsory pool the S/2 of Section 9, T32N, R6W and in Division Case 9745 to compulsory pool acreage which is the equivalent of the N/2 of Section 9, T32N, R6W, and finally in Division Case 9744 sought to compulsory pool acreage which is the equivalent of the W/2 of Section 10, T32N, R6W.

(5) Subsequent to the hearing of these consolidated cases heard on September 6, 1989, Meridian amended its application in Case 9750 to change the acreage to be pooled to the W/2 of Section 9, T32N, R6W consisting of (278.2 acres more or less) and Richmond has dismissed its application in Case 9746 and in Case 9745 has amended its application to change the acreage to be pooled to the E/2 of Section 9, T32N, R6W.

(6) As a result of the referenced amended and dismissed applications and the stipulation of Meridian and Richmond, each company has withdrawn their respective opposition to the application of the other. as amended.

(7) The applicant first proposed the subject Allison Well No. 135 and has the right to drill and proposes to drill a well at a standard coal gas well location as described above.

(8) To avoid the drilling of unnecessary wells, to protect correlative rights, to avoid waste, 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 production in any pool completion resulting from this order, the subject application as amended should be approved by pooling all mineral interests whatever they may be, within said amended unit.

(9) The applicant, as agent for El Paso Natural Gas Company, should be designated the operator of the subject well and unit.

(10) 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.

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(11) The applicant has proposed a 200 percent risk penalty to be assessed against those interest owners subject to the force-pooling provisions of this order, and in support thereof presented evidence and testimony at the hearing.

(12) 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 156 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(13) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs, but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(14) 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.

(15) \$3500.00 per month while drilling and \$350.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each nonconsenting 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.

(16) 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.

(17) Upon the failure of the operator of said pooled unit to commence the drilling of the well to which said unit is dedicated on or before January 1, 1990, the order pooling said unit should become null and void and of no effect whatsoever.

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(18) Should all parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(19) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, in the Basin-Fruitland Coal Gas Pool underlying the W/2 of Section 9, Township 32 North, Range 6 West, NMPM, San Juan County, New Mexico, are hereby pooled forming a standard 278.2-acre gas spacing and proration unit for said pool to be dedicated to the Allison Unit Com Well #135 to be drilled at a standard coal gas well location 900 feet from the South line and 1490 feet from the West line (Unit N) of said Section 9.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 1st day of January 1990, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Basin-Fruitland Coal Gas Pool.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 1st day of January 1990, Ordering Paragraph No. (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 Ordering Paragraph No. (1) of this order should not be rescinded.

(2) Meridian Oil, Inc., as agent for El Paso Natural Gas Company, is hereby designated the operator of the subject well and unit.

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ORDER NO.  
PAGE FIVE

(3) 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) 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 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) 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; 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, if there is objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated well 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) 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, and

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(B) As a charge for the risk involved in the drilling of the well, 156 percent of the prorata 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) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) \$3500.00 per month while drilling and \$350.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); 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.

(10) Any unleased 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) 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) All proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; 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) Should all parties to this forced pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

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(14) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(15) 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

SEAL

MERIDIAN OIL CONSERVATION DIVISION  
RECEIVED

'89 OCT 12 AM 8 58

October 11, 1989

CERTIFIED - RETURN RECEIPT REQUESTED

TO THE ALLISON UNIT COM #135  
WORKING INTEREST OWNERS

*Case 9750*  
*NMS Stogner*

Re: NMOCD order #R-9014  
Allison Unit Com #135 Well  
W/2 Section 9, T-32-N, R-6-W  
San Juan County, New Mexico

Dear Interest Owner:

Please reference our past correspondence on the captioned well. As you are aware, Meridian Oil Inc. (Meridian), on behalf of El Paso Natural Gas Company who is the Allison Unit Operator, filed with the New Mexico Oil Conservation Division for compulsory pooling of the drilling unit for said well. After hearing the matter, the Oil Conservation Division has now issued order R-9014, a copy of which is enclosed, pooling the acreage and interests necessary for drilling.

Meridian, pursuant to the terms of the enclosed order, is hereby notifying each owner of its right to participate in the well pursuant to this order. For your review, I am enclosing a copy of the itemized estimated well and facility costs and the Authority for Expenditure. The proposed Operating Agreement covering the well was furnished in prior correspondence.

Meridian does however realize that each owner may be working towards voluntary joinder pursuant to the terms of a mutually acceptable Operating Agreement. Since that is the most desirable method of joinder for all parties involved, we will continue, during the thirty (30) day decision period imposed on you by the order, to work toward that end. If such an agreement is timely reached and we receive executed cost estimates and executed signature pages to the Operating Agreement, we will either make application to vacate the Order or dismiss you from the Order.

If however you elect to participate in the well pursuant to the terms of the order you should do the following:

1. Evidence your election to participate by reviewing the estimated well costs and executing the enclosed Authority for Expenditure.

Allison Unit Com #135  
Working Interest Owners

-2-

October 11 1989

2. Prepay your percentage share of the \$431,510.00 total estimated completed well costs. The prepayment should be in the form of a cashiers check or certified bank check.

The executed Authority for Expenditure and the prepayment of well cost must be returned to Meridian at the letterhead address within thirty (30) days of your receipt of this letter.

If you do not voluntarily join the well within the thirty (30) day period or if we do not receive your joinder pursuant to the referenced order within the thirty (30) day period, it will be assumed that you have elected not to participate in the well. Meridian, under the terms of the order, has the right to drill the well and recover your pro-rata share of reasonable well costs from production. Meridian will also be allowed to recover an additional one hundred fifty six percent (156%) of reasonable well costs as a charge for bearing the risk of drilling the well.

I look forward to hearing from you on this matter. If you have any questions or require further information, please advise.

Very truly yours,



Alan Alexander  
Senior Land Advisor

NM-682  
AA:gm  
Enclosure

cc: Mr. Tom Kellahin

Mr. William LeMay, Director NMOCD

ALLSION UNIT #135 OWNERS

Judy G. Zweiback

Myrna G. Raffkind

Barbara Ann Witten

Robert C. Witten

Vicki Mizel

Gary Dean Mizel

Steven Mayer Mizel

Larry Mizel

Lance B. Reemstma

Malcolm E. Smith

Jessie Mae Wakeland

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. 9750  
ORDER NO. R-9014

APPLICATION OF MERIDIAN OIL, INC.  
FOR COMPULSORY POOLING, SAN JUAN  
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 6, 1989 and on October 4, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 10th day of October, 1989, 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) At the September 6, 1989 hearing, Division Case Nos. 9744, 9745, 9746 and 9750 were consolidated for the purpose of testimony.

(3) The applicant, Meridian Oil, Inc. (Meridian), originally sought the compulsory pooling of all mineral interests in the Basin-Fruitland Coal Gas Pool underlying Lots 1 and 2, the SE/4 NE/4 and the E/2 SE/4 of Section 8 and the SW/4 of Section 9, both in Township 32 North, Range 6 West,

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NMPM, San Juan County, New Mexico, forming a non-standard 317.51-acre gas spacing and proration unit for said pool, to be dedicated to its Allison Unit Com Well No. 135 to be drilled at a standard coal gas well location in the SW/4 of said Section 9.

(4) Richmond Petroleum Inc. (Richmond) appeared at the September 6, 1989 hearing in opposition to the Meridian application and sought in Division Case No. 9746 to compulsory-pool the Basin-Fruitland Coal Gas Pool interests in the S/2 of said Section 9 and in original Case No. 9745 to compulsory-pool the Basin-Fruitland Coal Gas Pool interests underlying the N/2 equivalent of said Section 9, and finally in Division Case No. 9744 sought to compulsory-pool the Basin-Fruitland Coal Gas Pool interests in the W/2 equivalent of Section 10, Township 32 North, Range 6 West, NMPM, San Juan County, New Mexico.

(5) Subsequent to the September 6, 1989 hearing of these consolidated cases, Meridian Oil, Inc. has amended its application in the immediate case and now seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool, underlying Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 9, Township 32 North, Range 6 West, NMPM, San Juan County, New Mexico, forming a standard 278.2-acre gas spacing and proration unit for said pool, and Richmond has dismissed its application in Case No. 9746 and in Case No. 9745 has amended its application to change the acreage to be pooled in the Basin-Fruitland Coal Gas Pool to the E/2 equivalent of said Section 9.

(6) As a result of the referenced amended and dismissed applications and the stipulation of Meridian and Richmond, each company has withdrawn their respective objections to the application of each other, as amended.

(7) The applicant has the right to drill and proposes to drill a well at a standard coal gas well location 900 feet from the South line and 1490 feet from the West line (Unit N) of said Section 9.

Case No. 9750  
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Page No. 3

(8) There are interest owners in the proposed proration unit who have not agreed to pool their interests.

(9) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste 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 coal gas in said pool, the subject amended application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(10) The applicant should be designated the operator of the subject well and unit.

(11) 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.

(12) The applicant has proposed a 200 percent risk penalty be assessed against those interest owners subject to the force-pooling provisions of this order, and in support thereof presented evidence and testimony at the hearing.

(13) Based on precedent established in compulsory pooling cases in the Basin-Fruitland Coal Gas Pool, the proposed 200 percent risk penalty is excessive and should therefore be reduced to 156 percent.

(14) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of reasonable well costs plus an additional 156 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

Case No. 9750  
Order No. R-9014  
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(16) 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.

(17) \$3500.00 per month while drilling and \$350.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); 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.

(18) 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.

(19) 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 January 1, 1990, the order pooling said unit should become null and void and of no further effect whatsoever.

(20) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order should thereafter be of no further effect.

(21) The operator of the well and unit should notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

Case No. 9750  
Order No. R-9014  
Page No. 5

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, in the Basin-Fruitland Coal Gas Pool, underlying Lots 3 and 4, the S/2 NW/4 and the SW/4 (W/2 equivalent) of Section 9, Township 32 North, Range 6 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a standard 278.2-acre gas spacing and proration unit for said pool, said unit to be dedicated to a well to be drilled at a standard coal gas well location 900 feet from the South line and 1490 feet from the West line (Unit N) of said Section 9.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1990, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Basin-Fruitland Coal Gas Pool.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 1st day of January, 1990, Decretory Paragraph No. (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 Decretory Paragraph No. (1) of this order should not be rescinded.

(2) Meridian Oil, Inc. is hereby designated the operator of the subject well and unit.

(3) 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) 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 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) 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; 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, 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) 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) 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; and
- (B) As a charge for the risk involved in the drilling of the well, 156 percent of the pro rata share of reasonable well costs attributable to each non-

Case No. 9750  
Order No. R-9014  
Page No. 7

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

(9) \$3500.00 per month while drilling and \$350.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); 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.

(10) Any unleased 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) 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) All proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; 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.

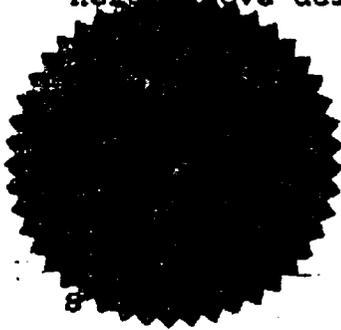
(13) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

Case No. 9750  
Order No. R-9014  
Page No. 8

(14) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

(15) 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*  
WILLIAM J. LEMAY  
Director

**MERIDIAN OIL INC.**  
Farmington Region  
Post Office Box 4289  
Farmington, New Mexico 87499  
(505) 326-9700

AUTHORITY FOR EXPENDITURE

AFE No.: \_\_\_\_\_ Date: 8-22-88  
Lease/Well Name: Allison Unit #135 Lease No.: \_\_\_\_\_  
Field/Prospect: Undesignated Fruitland Region: Farmington  
Location: SE/4, SW/4, Sec. 9, T32N, R6W County: San Juan State: NM  
AFE Type: 01 Development Original X Supplement Addendum API Well Type \_\_\_\_\_  
Operator: Meridian Oil Inc.  
Objective Formation: Fruitland Coal Authorized Total Depth (Feet) 2760  
Project Description: 1988/89 Farmington Region Drilling Program Capital Expenditure

Est. Start Date: 11/88 Prepared By: C. McCracken  
Est. Completion Date: 12/88

	GROSS WELL COST DATA				Total
	Drilling	Workover, Completion	Construction or Facility		
Days:	<u>11</u>	<u>11</u>	<u>7</u>	<u>18</u>	
This AFE:	<u>238,300</u>	<u>238,300</u>	<u>193,210</u>	<u>431,510</u>	
Prior AFE'S:					
Total Costs:	<u>\$238,300</u>	<u>\$ 238,300</u>	<u>\$ 193,210</u>	<u>\$ 431,510</u>	

Company	JOINT INTEREST OWNERS		
	Working Interest Percent	Net \$ Expenditures	
		Dry Hole \$	Completed \$
MERIDIAN OIL INC.	<u>100.00000%</u>	<u>238,300</u>	<u>431,510</u>
AFE TOTAL:	<u>100.00000%</u>	<u>\$ 238,300</u>	<u>\$ 431,510</u>

MERIDIAN OIL APPROVAL

Recommended: Cam /Date: 11/29/88 Recommended: Sundance /Date: 11/30/88  
Recommended: TJB /Date: 11/30 Approved: William /Date: 11/30/88  
Title: Regional Operations Manager

PARTNER APPROVAL

Company Name: \_\_\_\_\_  
Authorized By: \_\_\_\_\_ Date: \_\_\_\_\_  
Title: \_\_\_\_\_

M E R I D I A N   O I L   I N C O R P O R A T E D  
D R I L L I N G   W E L L   C O S T   E S T I M A T E

WELL NAME: Allison Unit #135  
 COUNTY, STATE: San Juan Co., NM  
 PROPOSED TD: 2590 /2760

PREPARED BY: J.D.Falconi    DATE: 11-Jun-88  
 APPROVED BY: POB Sunance    DATE: 6/10/88  
 AFE TYPE: 01 Development    Type 2

ACCT	AFE NOMENCLATURE	DRYHOLE	SUSPENDED 11 Days
248.	INTANGIBLE DRILLING COSTS		
02	Environmental studies-----		1,000
03	Location and roads construction-----		14,600
04	Surface restoration-----		1,500
05	Move in, move out-----		3,600
06	Contractor fees - Footage 2,590 @ \$11.25 /Ft.--		29,100
07	Contractor fees - Daywork 7.00 @ \$5,330 /Day--		37,300
09	Drilling fluids-----		
10	Gas and air drilling-----		12,000
16	Water-----		4,300
17	Bits-----		1,500
18	Primary cementing-----		9,100
20	Mud logging-----		900
21	Wireline logging-----		
22	Coring and Analysis-----		
23	Fuel-----		5,500
24	BOP and Wellhead rentals-----		
25	Drill and work string rentals-----		
27	Tank rentals-----		
28	Other rentals-----		4,500
29	Trucking and Transportation-----		6,800
33	Tubular inspection-----		8,400
34	Cased hole logging-----		
43	Consultants-----		3,000
45	Roustabout and contract labor-----		2,000
46	Miscellaneous-----		3,000
	Contingency - 5% -----		7,400
	<b>TOTAL INTANGIBLE DRILLING COST</b>		<b>155,500</b>
	 <b>TANGIBLE DRILLING COSTS</b>		
80	Casing-----		34,400
	225 Ft. 9 5/8" 32.3# H-40 @ \$15.72 /Ft.		
	2590 Ft. 7" 20.0# K-55 @ \$10.53 /Ft.		
	220 Ft. 5 1/2" 23.0# P-110 @ \$16.40 /Ft.		
81	Tubing-----		8,600
	2760 Ft. 2 3/8" 4.7# J-55 @ \$3.11 /Ft.		
84	Downhole equipment - Liner Hangers, accessories-		3,800
86	Wellhead equipment-----		36,000
	<b>TOTAL TANGIBLE DRILLING COST</b>		<b>82,800</b>
	 <b>TOTAL DRILLING COST ESTIMATE</b>		<b>238,300</b>

LEASE/WELL NAME: ALLISON UNIT #135  
 LOCATION: SW SEC 9 T-32 -N R- 6 -W NM  
 WELL TYPE: UNDESIGNATED FRUITLAND COAL  
 AFE TYPE: DEVELOPMENT 01

PREPARED BY: M.MANSON  
 DATE: 7-20-88

APPROVED BY: REF/CRTB

DATE: 7-22

ACCOUNT NUMBER  
 -----

FACILITY TANGIBLE FACILITY COSTS  
 -----

247

03	TRANSPORTATION		
	LOC FACILITIES & PIPE HAULING .....		2,234
12	COMPANY SUPERVISION AND OVERHEAD		
	7 DAYS @ \$350/DAY W/LOC AND GAS.....		2,450
26	SEPARATORS		
	18" x 12', 2 PHASE VERTICAL COAL SLURRY TYPE, 1440 PSI WP.....		17,050
27	HEATERS-TREATERS.....		
29	PUMPING UNIT.....		
31	PRIME MOVER.....		
32	TANKS AND PITS		
	50 BBL GLASS PIT @ \$1900 INST, 5 -500 BBL HEATED @ \$7174.....		37,770
33	METERING EQUIPMENT		
	AUTOMATION & TELEMETRY - \$11,500 / GAS METERING - \$4800.....		16,300
34	FLOW LINES.....		13,250
35	COMPRESSORS - COMPANY OWNED .....		
36	BUILDINGS .....		
39	PIPING, VALVES AND FITTINGS.....		18,800
44	TECHNICAL CONTRACT SERVICES		
	PIPELINE INSPECTION 9 HRS....@\$35/HR.....		315
47	COMPRESSOR RENTAL		
48	EQUIPMENT RENTAL.....		
49	CATHODIC PROTECTION.....GROUND BED & TRANSFORMER.....		5,000
50	RIGHT OF WAY, SURVEY, ARCHY		
	SURV @\$ .46/FT, ARCHY @ \$.29/FT, ROW @ \$1.21/FT		
	GAS= 1120 FT WTR=4913 FT.....		11,825
51	MINOR PIPELINES		
	6033 FT, 4" XC SCH-40 @\$2.90 /FT CONST @ \$3.65 /FT.....		39,516
52	ARTIFICIAL LIFT EQUIPMENT.....		
53	CHEMICAL PUMPS.....		
54	ELECTRICAL ACCESSORIES.....UTILITY HOOKUP.....		5,000
94	DEHYDRATION UNIT		
	3 MMCF/D, 1000 PSI WP, 1/8" CORRS ALLOW. 350 PSI STD.OP.PRES.		14,500
55	MISC. FACILITY EXPENSE		
	5% CONTINGENCY COST.....		9,200
			=====
	TOTAL FACILITIES.....		\$193,210

\* NOTE: FACILITY COST DOES INCLUDE WTR LINE !



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS  
GOVERNOR

October 11, 1989

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87504  
(505) 827-5800

Mr. Thomas Kellahin  
Kellahin, Kellahin & Aubrey  
Attorneys at Law  
Post Office Box 2265  
Santa Fe, New Mexico

Re: CASE NO. 9750  
ORDER NO. R-9014

Applicant:

Meridian Oil, Inc.

Dear Sir:

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

Sincerely,

*Florene Davidson*

FLORENE DAVIDSON  
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD       x        
Artesia OCD       x        
Aztec OCD       x      

Other       Owen Lopez

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. 9750  
ORDER NO. R-9014

APPLICATION OF MERIDIAN OIL, INC.  
FOR COMPULSORY POOLING, SAN JUAN  
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 6, 1989 and on October 4, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 10th day of October, 1989, 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) At the September 6, 1989 hearing, Division Case Nos. 9744, 9745, 9746 and 9750 were consolidated for the purpose of testimony.

(3) The applicant, Meridian Oil, Inc. (Meridian), originally sought the compulsory pooling of all mineral interests in the Basin-Fruitland Coal Gas Pool underlying Lots 1 and 2, the SE/4 NE/4 and the E/2 SE/4 of Section 8 and the SW/4 of Section 9, both in Township 32 North, Range 6 West,

NMPM, San Juan County, New Mexico, forming a non-standard 317.51-acre gas spacing and proration unit for said pool, to be dedicated to its Allison Unit Com Well No. 135 to be drilled at a standard coal gas well location in the SW/4 of said Section 9.

(4) Richmond Petroleum Inc. (Richmond) appeared at the September 6, 1989 hearing in opposition to the Meridian application and sought in Division Case No. 9746 to compulsory-pool the Basin-Fruitland Coal Gas Pool interests in the S/2 of said Section 9 and in original Case No. 9745 to compulsory-pool the Basin-Fruitland Coal Gas Pool interests underlying the N/2 equivalent of said Section 9, and finally in Division Case No. 9744 sought to compulsory-pool the Basin-Fruitland Coal Gas Pool interests in the W/2 equivalent of Section 10, Township 32 North, Range 6 West, NMPM, San Juan County, New Mexico.

(5) Subsequent to the September 6, 1989 hearing of these consolidated cases, Meridian Oil, Inc. has amended its application in the immediate case and now seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool, underlying Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 9, Township 32 North, Range 6 West, NMPM, San Juan County, New Mexico, forming a standard 278.2-acre gas spacing and proration unit for said pool, and Richmond has dismissed its application in Case No. 9746 and in Case No. 9745 has amended its application to change the acreage to be pooled in the Basin-Fruitland Coal Gas Pool to the E/2 equivalent of said Section 9.

(6) As a result of the referenced amended and dismissed applications and the stipulation of Meridian and Richmond, each company has withdrawn their respective objections to the application of each other, as amended.

(7) The applicant has the right to drill and proposes to drill a well at a standard coal gas well location 900 feet from the South line and 1490 feet from the West line (Unit N) of said Section 9.

(8) There are interest owners in the proposed proration unit who have not agreed to pool their interests.

(9) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste 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 coal gas in said pool, the subject amended application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(10) The applicant should be designated the operator of the subject well and unit.

(11) 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.

(12) The applicant has proposed a 200 percent risk penalty be assessed against those interest owners subject to the force-pooling provisions of this order, and in support thereof presented evidence and testimony at the hearing.

(13) Based on precedent established in compulsory pooling cases in the Basin-Fruitland Coal Gas Pool, the proposed 200 percent risk penalty is excessive and should therefore be reduced to 156 percent.

(14) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of reasonable well costs plus an additional 156 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

(16) 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.

(17) \$3500.00 per month while drilling and \$350.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); 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.

(18) 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.

(19) 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 January 1, 1990, the order pooling said unit should become null and void and of no further effect whatsoever.

(20) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order should thereafter be of no further effect.

(21) The operator of the well and unit should notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, in the Basin-Fruitland Coal Gas Pool, underlying Lots 3 and 4, the S/2 NW/4 and the SW/4 (W/2 equivalent) of Section 9, Township 32 North, Range 6 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a standard 278.2-acre gas spacing and proration unit for said pool, said unit to be dedicated to a well to be drilled at a standard coal gas well location 900 feet from the South line and 1490 feet from the West line (Unit N) of said Section 9.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1990, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Basin-Fruitland Coal Gas Pool.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 1st day of January, 1990, Decretory Paragraph No. (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 Decretory Paragraph No. (1) of this order should not be rescinded.

(2) Meridian Oil, Inc. is hereby designated the operator of the subject well and unit.

(3) 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) 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 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) 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; 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, 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) 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) 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; and
- (B) As a charge for the risk involved in the drilling of the well, 156 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) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) \$3500.00 per month while drilling and \$350.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); 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.

(10) Any unleased 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) 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) All proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; 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) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(14) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

(15) 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*  
WILLIAM J. LEMAY  
Director

975 Sandia Dr.  
Bosque Farms, N. M. 87068  
September 1 1989

New Mexico Oil Conservation Division  
P. O. Box 2088  
Santa Fe, NM 87504-2088

Attn: Mike Stogner-Hearing Examiner

Richmond Petroleum, Inc. - Case # 9746

VS

Meridian Oil - Case # 9750

Hearing Date: September 6, 1989

Dear Sir,

I have forty acres of mineral interest in the south half of Section 9 that would be affected by the outcome of the this hearing. My understanding is that Meridian Oil would like to combine acreage from Section 8 with acreage in Section 9 and effectively exclude my 40 acre mineral interest from being developed by Richmond Petroleum, Inc. I am supporting Richmond Petroleum, Inc. in this hearing.

Sincerely Yours,

*Dale A. Young*  
Dale A. Young

**RECEIVED**

SEP - 5 1989

OIL CONSERVATION DIV.  
SANTA FE