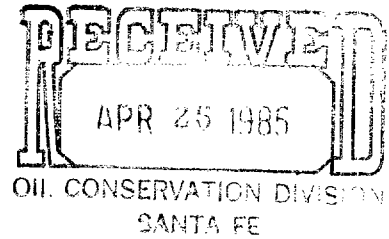


April 24, 1985



Energy and Minerals Department
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Case No. 8564
Delta Fee No. 1 Well
Township 22 South, Range 27 East, NMPM
Section 2: S/2
Eddy County, New Mexico

Gentlemen:

Enclosed for filing in the captioned case, please find three copies of an Application of TXO Production Corp.

Thank you.

Sincerely yours,

DICKERSON, FISK & VANDIVER


Chad Dickerson

CD:pvm
Enclosure

cc w/enclosure: Mr. David Hundley
Ms. Louhannah Walker

BEFORE THE OIL CONSERVATION DIVISION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :	
THE COMMISSIONER OF PUBLIC LANDS FOR :	
THE STATE OF NEW MEXICO TO VACATE :	CASE NO. 8564
AND VOID DIVISION ORDER NO. R-7817, :	
EDDY COUNTY, NEW MEXICO :	
_____ :	

APPLICATION

COMES NOW TXO Production Corp., by its attorneys, and
in support hereof, respectfully states:

1. Applicant has no objection to setting aside that
portion of Order No. R-7817 in Case No. 8454 relating to compul-
sory pooling.

2. Applicant has been in contact with Santa Fe
Energy Company, purchaser of a new oil and gas lease on the lands
which were the subject of Order No. R-7817, and Santa Fe Energy
Company will participate in drilling the Delta Fee No. 1 Well at
a point located 660 feet from the south line and 660 feet from
the east line of Section 2, Township 22 South, Range 27 East,
N.M.P.M.

3. That portion of Order No. R-7817 approving the
unorthodox location should remain in effect, as there was no
objection at the hearing held on January 16, 1985.

4. Applicant requests an extension of Order No. R-7817 to August 1, 1985, insofar as it approves the unorthodox location, in which to commence the well.

TXO PRODUCTION CORP.

By: 
Chad Dickerson

DICKERSON, FISK & VANDIVER
Seventh and Mahone, Suite E
Artesia, New Mexico 88210
(505) 746-9841

Attorneys for Applicant

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. 8454
Order No. R-7817

APPLICATION OF TXO PRODUCTION COMPANY
FOR COMPULSORY POOLING AND AN UNORTHODOX
GAS WELL LOCATION, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on January 16, 1985, at Santa Fe, New Mexico, before Examiner Gilbert P. Quintana.

NOW, on this 8th day of February, 1985, 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, TXO Production Company, seeks an order pooling all mineral interests from the top of the Wolfcamp to the base of the Morrow formation underlying the S/2 of Section 2, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico.

(3) The applicant has the right to drill and proposes to drill a gas well at an unorthodox location 660 feet from the South line and 660 feet from the East line of said Section 2.

(4) A well at said unorthodox location will better enable applicant to produce the gas underlying the proration unit.

(5) No offset operator objected to the proposed unorthodox location.

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

(7) 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 gas in any pool completion resulting from this order, the subject application should be approved by pooling all mineral interests, whatever they may be, from the top of the Wolfcamp to the base of the Morrow formation within said unit.

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

(9) 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.

(10) 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.

(11) 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.

(12) 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.

(13) \$5233.00 per month while drilling and \$524.00 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.

(14) 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.

(15) 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 May 1, 1985, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, from the top of the Wolfcamp to the base of the Morrow formation underlying the S/2 of Section 2, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox location, hereby approved, 660 feet from the South line and 660 feet from the East line of said Section 2.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of May, 1985, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Morrow formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of May, 1985, 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) TXO Production Company 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, 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) 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.
- (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) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) \$5233.00 per month while drilling and \$524.00 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 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.

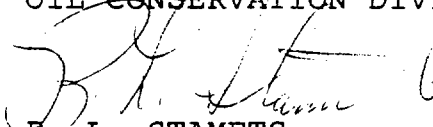
(11) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) All proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Eddy 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) 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


R. L. STAMETS,
Director

S E A L

BEFORE THE OIL CONSERVATION DIVISION
OF THE STATE OF NEW MEXICO

Attn: ALS
RECEIVED

APR 25 1985

OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF :
THE COMMISSIONER OF PUBLIC LANDS FOR :
THE STATE OF NEW MEXICO TO VACATE :
AND VOID DIVISION ORDER NO. R-7817, :
EDDY COUNTY, NEW MEXICO :
_____ :

CASE NO. 8564

STIPULATION

COMES NOW TXO Production Corp., by its attorneys (hereinafter "TXO"), and the Commissioner of Public Lands of the State of New Mexico, by its attorney (hereinafter the "State"), and stipulate as follows:

1. TXO has requested an extension of time in which to commence to drill its Delta Fee No. 1 Well until August 1, 1985, and to have continued approval of the unorthodox location.

2. The State has no objection, provided that the compulsory pooling order is set aside, and TXO has no objection to such setting aside.

TXO PRODUCTION CORP.

By: *Chad Dickerson*
Chad Dickerson

DICKERSON, FISK & VANDIVER
Seventh and Mahone, Suite E
Artesia, New Mexico 88210
(505) 746-9841

Attorneys for TXO Production Corp.

COMMISSIONER OF PUBLIC LANDS OF
THE STATE OF NEW MEXICO

By: 
Louhannah Walker

ST. JAMES VINTS
SANTA BARBARA
APR 25 10 42 AM '65
18-130

Cont'd to May 8, 1985 (8564)

M. Stogner
4/23/85

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

APPLICATION OF COMMISSIONER OF PUBLIC LANDS OF THE STATE OF NEW MEXICO FOR AN ORDER VACATING DIVISION ORDER R-7817

PETITION

The Commissioner of Public Lands for the State of New Mexico hereby petitions Oil Conservation Division Hearing Examiner, Michael E. Stogner, pursuant to Oil Conservation Division Rule of Procedure 1209, to continue until May 8, 1985, Case Number 8564 which is scheduled to be heard by the Examiner on April 24, 1985. In support of this petition the Commissioner advises the Examiner:

- 1) That counsel of record in Case Number 8564 for TXO Production Company, Chad Dickerson of Artesia, New Mexico, has no objection to said continuance,
- 2) That the petitioner intends to enter into stipulations with TXO Production Company that are expected to result in the withdrawal of the petitioner's application to vacate Division Order R-7817, and
- 3) That the petitioner intends to apply for an amendment to Division Order R-7817.

WHEREFORE, the petitioner requests the Examiner to grant said continuance.

Respectfully submitted,

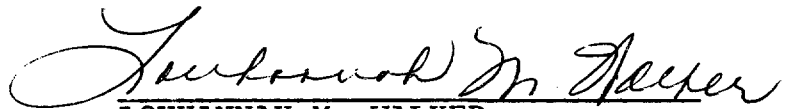
Louannah M. Walker

LOUHANNAH M. WALKER
Associate Counsel
Commissioner of Public Lands
P.O. Box 1148
Santa Fe, New Mexico 87504-1148

CERTIFICATE OF MAILING

I hereby certify that on April 23, 1985, I mailed a copy of the foregoing PETITION first class, postage prepaid, to:

Chad Dickerson, Esq.
P.O. Box 239
Artesia, New Mexico 88210

A handwritten signature in cursive script, reading "Louhannah M. Walker".

LOUHANNAH M. WALKER
Associate Counsel For
Commissioner of Public Lands