





THE HARLOW CORPORATION  
AND  
EAGLE INVESTMENT CORPORATION  
RAILROAD MOUNTAIN PROJECT  
CHAVES COUNTY, NEW MEXICO

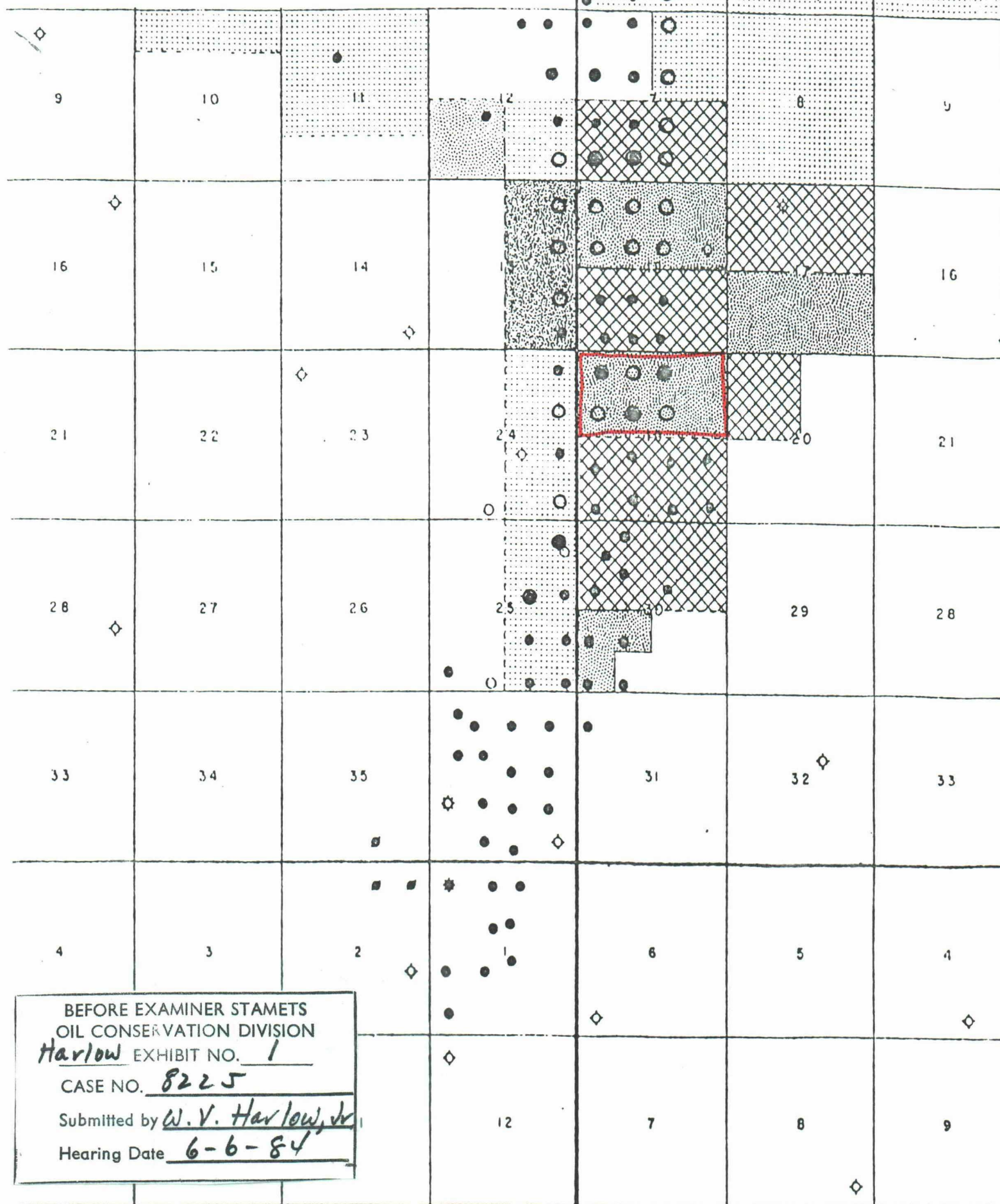
Block 1   
Block 2   
Block 3   
Block 1 & 3 

DEVELOPMENT LOCATIONS

DRILLED

COMMITTED

HBP



BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION  
*Harlow* EXHIBIT NO. 1

CASE NO. 8225

Submitted by W. V. Harlow, Jr.

Hearing Date 6-6-84

1/2  
STEVENS OIL COMPANY

118 WEST FIRST STREET

P. O. BOX 2203

ROSWELL, NEW MEXICO 88201

505 /622-7273

May 7, 1984

Harlow Corporation  
501 Amarillo Petroleum Bldg.  
Amarillo, Texas 79101

ATTENTION: Bill Harlow

Re: Lynx #1  
Township 8 South, Range 29 East  
Section 19: All  
Chaves County, New Mexico

Gentlemen:

We attach hereto an AFE in regards for the drilling of the Lynx #1 Well to be located at the SW/4NE/4 of Section 19 as captioned above in Chaves County, New Mexico. We have negotiated farmouts from TXO, Columbia, Huber and Tenneco for the interests in Section 19.

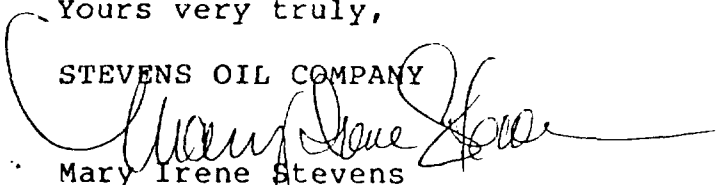
If it is your desire to participate in the drilling of this well, please indicate by signing in the lower left hand corner of this letter, keeping one copy for yourself and returning the original to us as soon as possible, along with a copy of the executed AFE.

Should you desire to farmout we offer you substantially the same terms that Harlow originally negotiated with the above owners, i.e., 1/16th overriding royalty convertible to 25% working interest after payout with 120 days continuous drilling per proration unit.

Due to the short time fuse of this prospect, we ask your approval or refusal by May 15, 1984.

Yours very truly,

STEVENS OIL COMPANY

  
Mary Irene Stevens  
Land Manager

MIS/clw

ACCEPTED THIS \_\_\_\_\_ day of  
May, 1984 by: \_\_\_\_\_

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

Harlow EXHIBIT NO. 2

CASE NO. 8225

Submitted by W.V. Harlow, Jr.

Hearing Date 6-6-84

# STEVENS OPERATING CORPORATION

P.O. BOX 2203 • ROSWELL, N.M. 88202-2203 • (505) 622-7273

2/2

## AUTHORIZATION FOR EXPENDITURE

WELL NAME: Stevens Operating Corporation Lynx #1  
 LOCATION: SW/4NE/4 Sec. 19, T8S, R29E  
 AUTHORITY IS REQUESTED TO: Drill Well (Fusselman)

DATE: April 23, 1984  
 EST. SPUD DATE: JUNE 1 May 15, 1984 *ju*  
 EST. COMPLETION: JULY 1 June 10, 1984 *ju*

### TANGIBLE COSTS:

Drilling Footage 7500 at \$18.00 /ft.  
 -Daywork 2 days at \$4,000.00 /day  
 -Other 16" Conductor & Cmt.  
 Mud & Chemical \_\_\_\_\_  
 Line & Water \_\_\_\_\_  
 Cement -Surface 8 5/8  
 -Intermediate \_\_\_\_\_  
 -Plug \_\_\_\_\_  
 Location-Road Pad & Cleanup (pits Line)  
 -Survey, etc. & Legal \_\_\_\_\_  
 -Damages \_\_\_\_\_  
 Services-Logging \_\_\_\_\_  
 -Testing 3 Dst @ 7,000.00 incl. rig time  
 -Coring & Analysis \_\_\_\_\_  
 -Completion Unit 3 zones 4 days ea. 12 days X 1000.00  
 -Perforating 3 zones @ 5,000.00  
 -Treating-Acidizing 3 zones @ 10,000  
 -Fracturing \_\_\_\_\_  
 -Other Casing crew for 5 1/2  
 Hauling -Oil, Water, etc. \_\_\_\_\_  
 -Equipment \_\_\_\_\_  
 Rental Equipment Hot wire 50' above P-1 20 days @ 300.00  
 Engineering & Geological \_\_\_\_\_  
 Supplies \_\_\_\_\_  
 Insurance \_\_\_\_\_  
 Management Fee \_\_\_\_\_  
 Contingencies \_\_\_\_\_

Total Intangibles

### INTANGIBLE:

Casing \_\_\_\_\_ Surface 300' of 13 3/8" at \$ 20.00 /ft.  
 \_\_\_\_\_ Intermediate 2100' of 8 5/8" at \$ 9.00 /ft.  
 \_\_\_\_\_ Production 7500' of 5 1/2" at \$ 6.50 /ft.  
 Tubing 7400' of 2 3/8" at \$ 2.60 /ft.

Wellheads 13 3/8 8 5/8 5 1/2  
 Artificial Lift \_\_\_\_\_  
 -Rods \_\_\_\_\_ ' of \_\_\_\_\_ at \$ \_\_\_\_\_ /ft.  
 -Rods \_\_\_\_\_ ' of \_\_\_\_\_ at \$ \_\_\_\_\_ /ft.  
 -Pump \_\_\_\_\_

Link Battery-Tanks \_\_\_\_\_  
 -Treater or Separator \_\_\_\_\_  
 -Fittings \_\_\_\_\_  
 -Flowlines \_\_\_\_\_  
 -Labor & Dirtwork \_\_\_\_\_  
 Other Rough Coat 2000' 5 1/2

Total Tangibles

TOTAL COSTS

### ESTIMATED COST

Dry Hole	Completion	
\$ 135,000	\$	\$135,000
8,000		8,000
3,000		3,000
25,000		25,000
5,000		5,000
4,000		4,000
	18,000	18,000
10,000		
13,000		13,000
3,000		3,000
3,000		3,000
19,000		19,000
21,000		21,000
	12,000	12,000
	15,000	15,000
	30,000	30,000
	1,500	1,500
4,000	1,000	5,000
6,000		6,000
6,000		6,000
500		500
4,000		4,000
13,475	3,875	17,350
\$ 282,975	\$ 81,375	\$354,350
\$ 6,000	\$	\$ 6,000
18,900		18,900
	48,750	48,750
	19,240	19,240
10,200	7,800	18,000
	3,500	3,500
	3,100	3,100
	4,400	4,400
	1,000	1,000
	2,500	2,500
	6,500	6,500
\$ 35,100	\$ 96,790	\$131,890
\$ 318,075	\$ 178,165	\$486,240

AUTHORIZATION REQUESTED

STEVENS OPERATING CORPORATION

AUTHORIZATION APPROVED

HARLOW CORPORATION

By: John V. Walker

Date: \_\_\_\_\_

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION  
*Harlow* EXHIBIT NO. 2

CASE NO. 8225

Submitted by W. V. Harlow, Jr.

Hearing Date 6-6-84



Petroleum Exploration • Drilling • Production

Certified Mail #8419618  
Return Receipt Requested

May 9, 1984

Stevens Oil Company  
P. O. Box 2203  
Roswell, NM 88201

Attn: Mary Irene Stevens  
Land Manager

Re: Your Farmout Request  
All Section 19-8S-29E  
Chaves County, New Mexico

Dear Ms. Stevens:

I have just received your letter of May 7, 1984 regarding the proposed drilling of a 7500' test to be located in the SW/4 NE/4 Section 19, Township 8 South, Range 29 East, Chaves County, New Mexico.

Please be advised that Mr. Bill Harlow is out of town and not due to return to the office until Thursday or Friday of next week, May 17th or 18th. Please provide us with copies of the executed farmout agreements you have made with TXO, Columbia Gas, Huber and Tenneco so that when Mr. Harlow returns we will have all information available for review and discussion with our partners and then be able to approve or refuse your farmout offer on a timely basis.

Sincerely,

THE HARLOW CORPORATION

*Janice Sharp*  
Janice Sharp  
Land Supervisor

js

PS Form 3800, Apr. 1976

SENT TO Stevens Oil Co Mary Irene Stevens P.O. Box 2203 Roswell NM 88201		POSTAGE CERTIFIED FEE SPECIAL DELIVERY RESTRICTED DELIVERY SHOW TO WHOM AND DATE DELIVERED SHOW TO WHOM AND ADDRESS OF DELIVERY SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY SHOW TO WHOM DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		TOTAL POSTAGE AND FEES \$1.60	
OPTIONAL SERVICES RETURN RECEIPT SERVICE					
CONSULT POSTMASTER FOR FEES					

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

RECEIPT FOR CERTIFIED MAIL

423 8419618

5-9-84

Amarillo, Texas 79101

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

*Harlow* EXHIBIT NO. 3

CASE NO. 8225

Submitted by W.V. Harlow, Jr.

Hearing Date 6-6-84

1/4  
STEVENS OIL COMPANY

118 WEST FIRST STREET

P. O. BOX 2203

ROSWELL, NEW MEXICO 88201

505 /622-7273

May 11, 1984

RECEIVED  
MAY 14 1984

Harlow Corporation  
Suite 600 Amarillo Petroleum Building  
Amarillo, Texas 79101

ATTENTION: Janet Sharp,  
Land Supervisor

Re: Lynx #1  
Township 8 South, Range 29 East  
Section 19: All  
Chaves County, New Mexico

Gentlemen:

Please find enclosed a copy of the Farmout Agreement from TXO to Stevens Oil Company on lands captioned above. We have not yet received executed copies of the Farmout Agreement from Columbia and Huber.

Please let us know immediately what your intention is on joining or farming out.

Yours very truly,

STEVENS OIL COMPANY

*Mary Irene Stevens*  
Mary Irene Stevens  
Land Manager

MIS/clw

Enclosure

BEFORE EXAMINER STEVENS
OIL CONTAMINATION DIVISION
<i>Harlow</i> EXHIBIT NO. <u>4</u>
CASE NO. <u>8225</u>
Submitted by <u>W.V. Harlow, Jr</u>
Hearing Date <u>6-6-84</u>

FARMOUT AGREEMENT

STATE OF New Mexico

COUNTY OF Chaves

RE: Section 19, T-8-S, R-29-E  
Chaves County, New Mexico  
TXO Lease #40,887

This agreement is made and entered into this 25th day of March 1984 by and between TXO PRODUCTION CORP., a Delaware corporation, hereinafter called Assignor and Stevens Oil Company

, hereinafter called Operator. Assignor owns certain oil and gas lease(s) described in Exhibit "I" attached hereto. The lands described in Exhibit "I" are hereinafter referred to as the "farmout area", and such lease(s), insofar only as the same cover the farmout area, are hereinafter referred to as "said lease". Operator has expressed a desire to acquire certain interests in said lease and the farmout area by conducting drilling operations as hereinafter provided; and subject thereto, Assignor hereby assigns to Operator All of its right, title and interest in and to the oil and gas rights only as covered by said lease, subject to the rights, reservations and limitations set out hereinbelow. The recordable assignment to be delivered hereunder shall be in the form of that attached hereto as Exhibit "II".

I. LEASE AND TITLE DATA

Upon request, Assignor shall furnish Operator copies of said lease and title data in its possession, and Operator, at its sole cost and expense, may obtain any additional title data desired, and shall furnish Assignor a copy of all title opinions and curative so obtained.

II. TEST WELL

On or before June 1, 1984, Operator agrees to commence or cause to be commenced the actual drilling of a well, hereinafter referred to as the "test well" at a location in the N/2 of Section 19, T-8-S, R-29-E, Chaves County, New Mexico

. The test well shall be drilled in a good and workmanlike manner and with due diligence to a depth of 7,600' feet beneath the surface of the earth or to a depth sufficient to test thoroughly the Fusselman Formation whichever is the lesser depth, hereinafter called the "objective depth".

The test well shall be completed as a commercial producer of oil or gas, or plugged and abandoned as a dry hole, within Sixty (60) days after commencing drilling thereof.

If, prior to reaching the objective depth, formations, conditions, or mechanical wellbore problems are encountered which would render further drilling operations by a prudent operator impracticable or which cannot be penetrated by the use of customary drilling procedures or techniques (hereinafter referred to as "impenetrable condition" Operator shall plug and abandon the test well. In the event impenetrable conditions are encountered before reaching the objective depth, Operator shall have the right to extend the terms of this agreement if Operator commences a substitute test well at a location acceptable to Assignor within 30 days after cessation of drilling operations on the test well. In the event Operator drills the substitute test well, the same shall be drilled in accordance with the terms and conditions contained herein which are applicable to the test well. Any well drilled under this agreement that is not completed as a well capable of commercial production shall be plugged and abandoned at Operator's sole cost in accordance with the rules and regulations of the governmental authority having jurisdiction.

If the initial test well, or substitute therefor, results in a dry hole, Operator, at its option, may drill further or subsequent wells at a location acceptable to Assignor to the depth and under the conditions herein stipulated, provided operations for the drilling of each such well shall be commenced within not more than 45 days following the date that drilling operations cease in the preceding well drilled hereunder. Any well drilled by Operator hereunder to establish initial production shall be referred to as the "test well".

our  
copy



Operator shall obtain and pay for all permits and licenses, if any, required for conducting operations hereunder and shall strictly comply with all applicable laws and ordinances and all applicable governmental rules, regulations and orders in connection with qualifying for and conducting operations hereunder, including, without limitation, the Fair Labor Standards Act, the Occupational Safety and Health Act, all applicable pollution control laws, ordinances, rules, regulations and orders and those pertaining to ecology and the environment (as all of same have been or may hereafter be amended). Operator shall also, unless exempt, comply with Executive Order 11246 (Equal Employment Opportunity) effective October 24, 1965, as same may hereafter be amended or superseded, together with all relevant governmental rules, regulations and orders promulgated pursuant thereto. Operator agrees that all provisions of said laws, ordinances, rules, regulations and orders shall be deemed incorporated herein by reference and shall be binding upon Operator to the same extent as if copied in full herein.

Unless hereinafter otherwise provided, the entire cost, expense and risk of the drilling, completing, equipping, plugging and abandoning of each and every well drilled under the provisions hereof shall be borne by Operator, it being understood and agreed that the risk to be borne by Operator (and Operator shall indemnify and hold Assignor harmless from such risk) shall include, but shall not be limited to, any claim, demand, action, cause of action, judgment, attorney's fee or expense of investigation or litigation for injury to or loss or destruction of property or for injury to or death of any person arising out of or in connection with the drilling, testing, completing, equipping, plugging or abandoning of any well hereunder, whether through an act or omission of a party hereto or otherwise.

### III. FAILURE OF PERFORMANCE

There is no obligation upon Operator to commence a well under the terms of this agreement, and the only penalty for failure to commence such well, or to drill to the objective depth and complete the test well as a well capable of commercial production, will be the forfeiture of all rights hereunder and the automatic reversion to Assignor of the interest hereby assigned effective as of the date hereof.

In the event of Operator's failure or default in the commencement and drilling of the well in the time and manner herein provided, or in the making of reports and/or in the furnishing of information, logs, surveys or other data herein required, or in any of the other requirements, conditions or obligations as herein set forth, then Assignor shall be relieved of the obligation to make any assignment of said lease and then Assignor may, at its option, terminate this agreement by written notice to Operator and upon the giving of such notice, all of Operator's rights, titles and interests under this agreement shall thereupon cease. No such written notice of termination shall be necessary in the event Operator fails to earn the leasehold interest above described.

if proper reports not made we forfeit rights

### IV. ASSIGNMENTS, CONDITIONS AND RESERVATIONS

When Operator has drilled the test well provided for herein and has completed it as a well capable of producing in paying quantities, and provided that Operator has fully complied with all the terms, provisions and conditions herein contained, Assignor shall execute and deliver to Operator a recordable assignment of said lease upon request. Such request must be made within 30 days from the completion of the test well. Along with such request Operator shall furnish evidence satisfactory to Assignor that all bills have been paid in connection with the drilling and completion of the test well.

The assignment shall convey All of the right, title and interest of Assignor in and to the oil and gas rights only as covered by said lease down to the objective depth of the test well plus 100 feet, for so long as oil and/or gas is being produced, but except and reserve to Assignor as an overriding royalty, one-sixteenth (1/16) of all of the oil and one-sixteenth (1/16) of all of the gas, casinghead gas, condensate and other liquid or gaseous hydrocarbons produced and saved from or attributable to said lease during the term thereof, including any extensions or renewals taken within six (6) months of termination of said lease, which shall be convertible, at Assignor's option to twenty-five (25) % working interest in said lease, well, production, and equipment used or appurtenant thereto when

if convertible to 25% wt. API



the value of the production from the test well, after payment of presently existing lease burdens (including the above reserved overriding royalty), is equal to the cost of drilling, completing, equipping, and operating said well. If Assignor elects to convert the overriding royalty interest to the working interest, then such conversion shall be effective as of 7:00 A.M. on the first day of the month following the month during which said recovery occurred. Such overriding royalty interest reserved shall be free and clear of all costs of exploring, drilling, producing, separating, treating, marketing, and taxes, including ad valorem taxes, but shall bear its part of gross production taxes. Further such overriding royalty interest shall, if on gas including casinghead gas, be marketed with Operator's own share of production, and payment to Assignor for its share shall be based on the gross proceeds received from the sale thereof, including any consideration or payment which Operator may receive for processing rights or for liquids extracted from such gas, regardless of whether such extraction is accomplished on or off the farmout area. The overriding royalty herein reserved and the working interest to which it may be converted shall proportionately reduced if any of said lease(s) does not cover a full mineral interest and/of the assignment made hereunder does not convey full leasehold rights in any of said lease(s).

If, prior to payout of the test well, Operator elects to drill an additional well or wells on the farmout area, then Assignor shall have the option to convert its reserve overriding royalty interest in each such well to a working interest, as aforesaid, after payout on a well-by-well basis.

It is agreed and understood that should Assignor elect to take a working interest in the earning well drilled hereunder, the premises will be operated under the provision of an Operating Agreement as described in Exhibit "IV" attached hereto and by this reference made a part hereof. It is understood and agreed that in the event the terms of this agreement conflict with any of the terms and conditions of said Operating Agreement, then in such event as between the parties hereto the terms of this agreement shall control.

With respect to Exhibit "II", the parties hereto hereby approve and confirm all the terms, covenants and conditions therein set forth, and which are fully incorporated within this agreement, and agree that the assignment(s) provided for herein shall be subject to, and in accordance with, and shall contain the terms, covenants and conditions contained in said form of assignment.

#### V. POOLING AND UNITIZATION

No part of said lease shall be pooled with other lands without Assignor's prior written consent.

#### VI. CONTINUOUS DEVELOPMENT FOR ACREAGE TO BE EARNED

If the test well is completed as a well capable of producing oil or gas in paying quantities, then, unless Operator shall commence another well within sixty (60) days after reaching total depth in the test well, there shall be, effective as of the date hereof, an automatic reversion to Assignor of the interest hereby assigned as to all acreage in the farmout area that is not included in a governmental prescribed proration or drilling and spacing unit for the test well. The term governmental prescribed proration or drilling and spacing unit for the test well as used herein, shall be defined as three-hundred twenty (320) acres for a Fusselman Gas Unit and forty (40) acres for an oil unit, formed around each well capable of producing oil or gas in paying quantities, unless otherwise approved by the New Mexico Oil Conservation Commission. Assignor recognizes that operator may apply for one-hundred sixty (160) acre spacing units for a Fusselman Oil Well, and if approved by the New Mexico Oil Conservation Commission Assignor will recognize such ruling. However, Assignor reserves the right to oppose said application, if deemed in Assignor's best interest. Subsequent wells must also be commenced within sixty (60) days after reaching total depth in the preceding well. Operator shall not be required to drill any additional wells, but when Operator fails to commence any well within the prescribed period, there shall be an automatic reversion to Assignor of the interest hereby assigned, effective as of the date hereof, except as to each tract (as described above) upon which there is located a well capable of producing oil or gas in paying quantities.

~~Notwithstanding anything to the contrary contained herein, Operator must commence a 1000 Fusselman well in the South half (S/2) of Section 19, T-8-S, R-29-E, by June 15, 1984, in order to qualify for additional Fusselman Formation spacing units.~~

5/9

In order for any of the test or development wells provided for herein to be considered as drilled to completion as a well capable of producing in paying quantities, it must fall within one of the following categories:

- (1) Production pipe set in the well, perforated and oil and/or gas being sold to a bonafide market.
- (2) Production pipe set, tested and proper Commission forms furnished Assignor indicating the well is a commercial gas well.

#### VII. INSURANCE

Prior to the commencement of any drilling operations on the farmout area, and for as long as this agreement remains in effect, Operator shall at its own expense provide and maintain in force the following insurance and furnish Assignor certificates of same:

- (1) Workmen's Compensation Insurance and Employer's Liability Insurance as may be required by laws of the State of New Mexico.
- (2) Comprehensive General Liability Insurance covering both bodily injury liability and property damage liability with a Combined Single Limit of \$500,000.00 for each occurrence.
- (3) Comprehensive Automobile Public Liability and Property Damage Insurance with a combined single limit of \$500,000.00 for each occurrence.
- (4) Catastrophe Comprehensive Liability Insurance with minimum limits of not less than \$1,000,000.00.

#### VIII. NOTICES AND REPORTS

Operator agrees to test as a prudent operator any formation that, either before or after logging as hereinafter provided, appears favorable to Assignor for the production of oil and/or gas. Operator agrees to provide the information and perform those services outlined in Exhibit "III" attached to this agreement and made a part hereof.

With respect to any well drilled, or caused to be drilled, by Operator within a one (1) mile radius of the test well provided for herein, Assignor shall (at the sole cost and risk of Assignor, its agents and representatives) have access to the premises, including the derrick floor at all reasonable times to witness all activities conducted by Assignor, and to examine any books, records, test data (including logs, etc.,) kept or obtained by Operator which relate in any way to activities or operations by Operator incident to the referenced test well. This right of access and examination shall be limited to a period of one (1) year following the date of this Agreement.

#### IX. ABANDONMENT OF WELLS

Prior to Operator abandoning any wells on the farmout area hereunder, Assignor shall have the right within forty-eight (48) hours after receipt of notice of Operator's intention so to abandon, to take over the well or wells for additional testing by any method, or for deepening with Assignor being solely responsible for all costs and expenses in connection therewith, including standby rig time, if required. If the well is taken over by Assignor for the purposes expressed above, and such work results in a completion attempt wherein a well capable of commercial production is encountered, all of Operator's rights in such well and in and to the farmout area except as to lands included in an established spacing or proration unit upon which is located a well capable of producing in paying quantities, shall automatically revert to Assignor effective as of the date hereof; provided that Assignor agrees to pay Operator the reasonable salvage value of any salvageable material in the hole which Operator has contributed, less the cost of salvaging same.

If the completion attempt results in a dry hole, Assignor agrees to plug and abandon the well or wells at its sole cost, risk and expense, and Operator's rights hereunder shall remain in full force and effect.

Likewise, if Assignor takes over the well for the limited purposes expressed above but no completion attempt is made, then and in that event Operator agrees, upon receipt of notice that no completion attempt will be made, to plug and abandon the well or wells at its sole cost, risk and expense, except for abnormal plugging and abandoning costs caused by such operations of Assignor as listed above in which case the amount in excess of the normal costs shall be borne by the Assignor. Operator's rights hereunder shall remain in full force and effect.

#### X. RESTORATION OF PREMISES

For any well drilled on said lands, Operator agrees to abide by the terms and conditions in said lease and Operator shall restore the surface of the lands as near as practicable to its condition before the commencement of operations hereunder, and in conformance with applicable laws and ordinances and applicable governmental rules, regulations and orders.

#### XI. RENTAL AND SHUT-INS

During the time in which this agreement is in force, Assignor shall use its best efforts to make payment of annual delay rentals, shut-in royalties or minimum royalties in excess of those paid from actual production as required by said lease, but Assignor shall have no responsibility to Operator for its failure to do so. Operator agrees to reimburse Assignor for all rentals, shut-in royalties or minimum royalties attributable to the farmout area so paid which are allocable to the lands which may be covered by this agreement.

2. will  
reimburse  
TXO for  
rentals etc

In the event it appears that Operator will complete a gas well and shut it in during the term of this agreement, Operator shall give immediate notice of such intentions and furnish sufficient title information to Assignor in order that timely payments of shut-in gas royalty may be made.

Assignor shall be relieved of the obligation to make such delay rental and/or shut-in gas well payments at any time after giving Operator adequate advance written notice, whereupon Operator shall become responsible for making such payments.

#### XII. REASSIGNMENT OBLIGATIONS

If, after production has been established, any well on the farmout area capable of commercial production ceases commercial production, and Operator desires to plug and abandon such well, Operator will so notify Assignor, and Assignor shall have an option for thirty (30) days from receipt of such notice to elect to take over the well and the spacing or proration unit for such well in its then condition by paying Operator the net salvageable value and upon such payment, Operator shall reassign the well, the said unit, and all equipment used in connection therewith, to Assignor. In the event Assignor elects to exercise any reassignment option reserved by it under any provision of this agreement, any reassignment into Assignor shall be free and clear of any liens, overriding royalty interests, production payments or similar encumbrances of whatsoever nature on said lease or the said unit which may have been placed thereon, created or caused by any action of Operator or by any person, party or entity claiming by, through or under Operator. If Assignor does not elect to take over such well, then Operator shall properly plug and abandon such well and restore the surface estate in accordance with Section X hereof.

#### XIII. PREFERENTIAL RIGHT TO PURCHASE PRODUCTION

Operator agrees that Assignor shall have the continuing right to purchase the gas (casinghead and gas well) produced from or allocated to the lands covered hereby by meeting any bonafide offer, acceptable to Operator, to purchase said gas. Such offer must be in writing, and must set forth the proposed buyer's name, price, term and other pertinent and relevant terms and conditions. Assignor shall have (60) days after receipt of a copy of such offer to advise Operator of its election to enter into a contract with Operator on equivalent terms and conditions. If Assignor fails to notify Operator within (60) days after receipt of a copy of the aforesaid offer of its election to meet such offer, Operator shall have the right to accept said offer; provided, however, if for any reason Operator does not accept said offer, or if Operator shall accept and thereafter such contract expires or is terminated, then in either event Assignor shall again have the right to meet any subsequent bonafide offer as above provided. Assignor's rights as set out above shall continue for the term of any presently existing oil and gas lease covering any part of the premises to which

this agreement applies.

Should Operator not receive a bonafide offer, all as aforesaid, within sixty (60) days following (i) completion of a well on the lands covered hereby or (ii) expiration or termination of a third-party contract, as applicable, Assignor shall have the continuing right (to be exercised within sixty (60) days after expiration of said sixty (60) day period) to purchase the gas under the terms of its then current gas purchase contract form for the area and pursuant to the price prevailing in the county within which the farmout area is located for wellhead deliveries of gas of like quantity, quality and delivery pressure to pipeline purchasers under similar contracts.

Operator hereby covenants and agrees to exclude from commitment or dedication Assignor's share of the gas attributable to the working interest to which Assignor has the right to convert.

Assignor hereby reserves the continuing right and option to purchase any part or all of the oil, distillate, condensate, drip gasoline, and other liquid hydrocarbons produced from or allocated to the lands covered hereby at the prevailing lawful price at the time of sale.

All gas, including casinghead gas, produced and saved by Operator from the Assigned Premises shall, at Operator's own risk and cost and before sold or otherwise disposed of or used for any purposes by Operator, be run through properly functioning field-type separating equipment (unless the liquid hydrocarbon content thereof is so small as to make installation and operation of such equipment not profitable or unless the gas pressure is such that running the same through such equipment would substantially diminish Operator's ability to sell and deliver the gas against gathering system or pipeline pressure) for the purpose of separating, extracting and saving the liquid and liquifiable hydrocarbons recoverable from the gas by such means before the gas is sold, disposed of, or used for any purpose by Operator.

#### XIV. RELATIONSHIP OF PARTIES

It is not the purpose or intention of this agreement to create, nor shall the same be construed as creating any mining partnership, commercial partnership or other partnership relation nor shall the operations of the parties hereunder be construed to be considered as a joint venture. The liability of the parties hereto shall be several and not joint or collective.

Each of the parties hereto elects, under the authority of Section 761(a) of the Internal Revenue Code of 1954, to be excluded from the application of all of the Provisions of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954. If the income tax laws of the states in which the property covered hereby is located contain, or may hereafter contain, provisions similar to those contained in the Subchapter of the Internal Revenue Code of 1954 above referred to under which a similar election is permitted, each of the parties agrees that such election shall be exercised. If applicable, Assignor is hereby authorized to execute and file on behalf of both parties hereto such elections with the appropriate governmental agencies.

#### XV. OTHER CONDITIONS

A. This Agreement shall not be assigned or encumbered in whole or in part without the prior written consent of the Assignor. Any attempt by Operator, its successors or assigns, to assign or encumber its interest without such consent shall be void. When an assignment is made by Operator hereunder, its successors or assigns, such assignment shall:

- (i) be made expressly subject to this Farmout Agreement;
- (ii) expressly include in its terms assignor's preferential right to purchase production;
- (iii) be assignable only with the consent of TXO Production Corp.; and,
- (iv) if the interests of the Operator be divided by such assignment, appoint Operator as Agent with full authority to receive notices, pay expenses, and to generally deal with, and with the power to bind such interests, the right to enter into and execute all

8/9

contracts or agreements for the disposition of such interests' respective share of oil or gas, and the right to receive on behalf of and account to each owner for the oil and gas (or the proceeds therefrom) attributable to such interest.

When any assignment or encumbrance is made hereunder, Operator shall promptly furnish a copy thereof to TXO Production Corp.

B. Notwithstanding anything to the contrary contained herein, within 90 days following the first sale of production from the Unit Acreage, but subject to the provisions of the oil and gas leases concerning shut-in wells, settlement shall be made by Operator and/or its assigns or by the product purchaser for oil and/or gas sold or used off the premises and monthly thereafter. If royalty and overriding royalty payments are not made as provided herein or written approval obtained from Assignor to defer such payment, then the Assignor may, at its option, terminate Operator's rights under this Farmout Agreement and any assignment of rights delivered pursuant thereto as of 7:00 a.m. the first day of the month for which no payment was made after the expiration of the 90 day period allowed above, by placing of record in the county (ies) where the Farmout Acreage is located an Affidavit stating the facts of Operator's default.

C. If any well on said lease, or any well or tracts of land with which said lease is pooled, is completed as a commercial producer of oil or gas and ceases to produce, Operator shall notify Assignor no later than fifteen (15) days from the date of cessation of production. Such notification shall also include the reasons that the well is off production and Operator's plans for re-establishing production or plugging the well. If Operator plans remedial action, Operator shall keep Assignor advised as to the status of Operator's work, such notification to be sent to Assignor on each Monday following the original notification until the well is placed back on production.

Notwithstanding anything to the contrary contained herein, it is expressly understood and agreed that the separate assignment on the form attached hereto as Exhibit "II" will be made on each proration unit only after a well has been completed on said proration unit capable of production in paying quantities and Operator has fully complied with all other terms, provisions, and conditions herein contained.

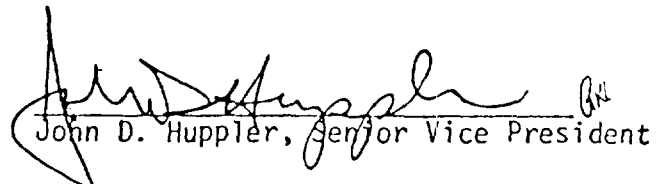
All headings in the Farmout Agreement are for reference purposes only and have no binding effect on the terms, conditions or provisions of this agreement.

This agreement shall extend to and be binding upon not only the parties hereto but their respective heirs, personal representatives, successors and assigns.

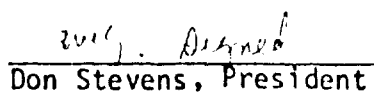
If this agreement is not signed and one (1) copy returned to TXO Production Corp. at the address shown in Exhibit "III" within thirty (30) days from this date hereof, then this agreement is automatically terminated and is of no force and effect.

Executed in duplicate as of the day and year first above written.

ASSIGNOR: TXO PRODUCTION CORP.

  
John D. Huppler, Senior Vice President

OPERATOR: STEVENS OIL COMPANY

  
Don Stevens, President

SCHEDULE OF LEASES

COUNTY: Chaves  
STATE: New Mexico

(THE RECORDING REFERENCES HEREIN ARE TO THE RECORDS IN SAID COUNTY IN WHICH OIL, GAS AND MINERAL LEASES ARE RECORDED.)

TXO LEASE NO.	DATE OF LEASE	LESSOR	LESSEE	RECORDED		DESCRIPTION
				BOOK	PAGE	
40,887-001	July 1, 1974	J. G. O'Brien, et al	J. M. Huber Corporation	149	739	T-8-S, R-29-E  Section 19: SE/4 NE/4, NW/4 NE/4, SE/4 NW/4, NW/4 NW/4  Containing 160 acres, more or less, limited in depth from the surface down to 2,900' below the surface, if completed in the San Andres Formation.  Section 19: All  Containing 640 acres, more or less, limited in depth from 3,400' beneath the surface of the earth down to 7,600', if completed in the Fusselman Formation.

9/9

ERNEST L. PADILLA  
ATTORNEY AND COUNSELOR AT LAW

RECEIVED

MAY 29 1984

1/3  
First Northern Plaza  
P.O. Box 2523  
Santa Fe, New Mexico 87501  
(505) 9887577

May 24, 1984

CERTIFIED MAIL

The Harlow Corporation  
600 Petroleum Building  
Amarillo, Texas 79101

ATTN: W.V. Harlow, President

RE: Stevens Operating Corporation;  
N/2 of Section 19, Township 8 South,  
Range 29 East, NMPM, Chaves County,  
New Mexico

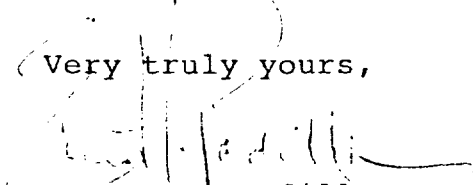
Gentlemen:

Inasmuch as you have been unable to reach an agreement with Stevens Operating Corporation for the drilling of a well sufficient to test the Fusselman formation underlying the above referenced lands, Stevens has retained my services to force-pool said lands.

This letter and the enclosed copy of Stevens' application will constitute notice to you that a hearing on the application will be docketed for June 6, 1984, before the New Mexico Oil Conservation Division.

Should you have any questions concerning this, please let me know. Similarly, should you decide to voluntarily join, please call me or Stevens Operating Corporation in Roswell.

Very truly yours,

  
Ernest L. Padilla

ELP/bv

cc: Stevens Operating Corp.

BEFORE EXAMINER STEVENS	
OIL CONSERVATION DIVISION	
Harlow	5
CASE NO.	8225
Submitted by	W.V. Harlow, Jr.
Hearing Date	6-6-84



2/3

BEFORE THE OIL CONSERVATION DIVISION  
STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION  
OF STEVENS OPERATING CORPORATION  
FOR COMPULSORY POOLING, CHAVES COUNTY,  
NEW MEXICO

NO. \_\_\_\_\_

APPLICATION

Applicant, Stevens Operating Corporation, by and through its undersigned attorney, and in support of this application alleges and states as follows:

1. That Applicant is operator and owner within the meaning of Section 70-2-17(c), N.M.S.A., 1978 Compilation, and as such seeks to force-pool all of the oil and gas mineral interests from 3400 feet below the surface down to and including the base of the Fusselman formation underlying the N/2 of Section 19, Township 8 South, Range 29 East, N.M.P.M., Chaves County, New Mexico, (said lands).

2. That Applicant proposes to drill a well (well) at a standard location on said lands to a depth sufficient to test all potential oil and gas bearing formations, the 3400 feet below the surface and the Fusselman formation.

3. That the Applicant will dedicate said lands to the well and desires to be designated as the operator.

4. That there are working interest owners in the proposed proration unit who have not consented to drill the well.

5. That any non-consenting working interest owner that does not pay its share of estimated well costs should have withheld from production its share of the reasonable well costs, plus an additional 200% thereof as a reasonable charge for the risk involved in the drilling of the well.

3/3

6. That Applicant should be authorized to withhold from production a reasonable supervision charge, attributable to each non-consenting working interest owner's proportionate share, during the drilling and production stages of the well.

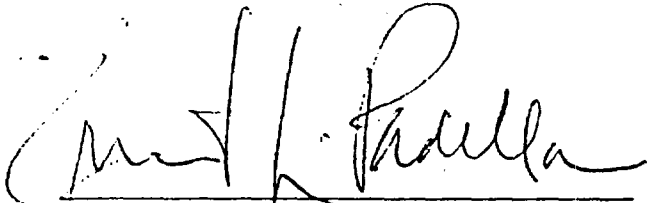
7. That to avoid the drilling of unnecessary wells, to protect correlative rights and to afford to the owner of each interest in the proposed proration unit the opportunity to recover or receive without unnecessary expense its just and fair share of the hydrocarbons in the unit, said lands should be pooled as proposed herein.

WHEREFORE, Applicant respectfully requests:

1. That this application be set for hearing before an examiner of the Division on June 6, 1984 and that notice of said hearing be given as required by law.

2. That upon hearing the Division enter its order pooling all oil and gas mineral interests from 3400 feet below the surface down to and including the base of the Fusselman formation, underlying N/2 of Section 19, Township 8 South, Range 29 East, N.M.P.M., Chaves County, New Mexico.

3. And for such other relief as the Division may deem appropriate in the premises.

  
ERNEST L. PADILLA  
Attorney for Applicant

P.O. Box 2523  
Santa Fe, New Mexico 87501

STEVENS OPERATING CORPORATION  
WEEKLY REPORT  
SCOUT REPORT

JUN 4 1984

1/3

Field Wildcat-Montoya

COMPANY Stevens Operating Corp. WELL NO. 1 FARM Lynx

County Chaves State NM Sec. 19 Twp. 8S Rge. 29E

Spud \_\_\_\_\_ Comp. \_\_\_\_\_ Loc. 1815 FN 1980 FE \_\_\_\_\_ FS \_\_\_\_\_ FW \_\_\_\_\_

Contractor Desert Drilling Method \_\_\_\_\_

El. D.F. \_\_\_\_\_ Gr. \_\_\_\_\_

FORMATIONS: Penetrated

TA	
TX	
BX	
TYL	
TSR	
TQ	
TGb	
TSA	
TG1	
TCF	
T Tubb	
T Abo	

5-29-84 Prep to Spud.  
5-31-84 Spud starting hole, Rat Hole, Mouse Hole.  
Set 40'-20" conductor pipe. Rigging up  
Desert Rig #2. Prep to drill out from  
conductor pipe.

COMPLETION RECORD

T. D.	PB
T.P.	
IPPF	
Tubing	Ch. at
Packer	
Perf.	

CASING CEMENT

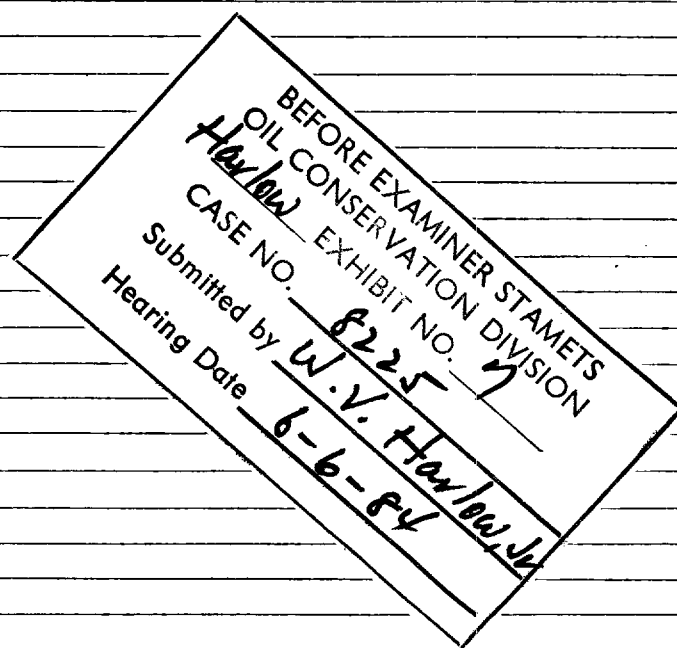
Size	Depth	Sax

ACIDIZING RECORD

Gal. \_\_\_\_\_ Zone \_\_\_\_\_  
Gal. \_\_\_\_\_ Zone \_\_\_\_\_  
Gal. \_\_\_\_\_ Zone \_\_\_\_\_  
Results \_\_\_\_\_

FRAC JOB RECORD

Type \_\_\_\_\_  
Water \_\_\_\_\_  
Sand \_\_\_\_\_  
Pressure \_\_\_\_\_



STEVENS OPERATING CORPORATION  
WEEKLY REPORT  
SCOUT REPORT

MAILED  
JUN 4 1984

2/3

Field Wildcat-Montoya

COMPANY Stevens Operating Corp. WELL NO. 1 FARM Lynx

County Chaves State NM Sec. 19 Twp. 8S Rge. 29E

Spud \_\_\_\_\_ Comp. \_\_\_\_\_ Loc. 1815 FN 1980 FE \_\_\_\_\_ FS \_\_\_\_\_ FW \_\_\_\_\_

Contractor Desert Drlg Method \_\_\_\_\_

El. D.F. \_\_\_\_\_ Gr. \_\_\_\_\_

FORMATIONS: Penetrated

TA	
TX	
BX	
TYL	
TSR	
TQ	
TGb	
TSA	
TG1	
TCF	
T Tubb	
T Abo	

5-29-84 Prep to Spud.  
5-31-84 Spud starting hole, Rat Hole, Mouse Hole.  
Set 40'-20" conductor pipe. Rigging up  
Desert Rig #2. Prep to drill out from  
conductor pipe.  
6-1-84 Rig up & spud 17½" hole @ 10:30 p.m. on  
5-31-84. PTD 414'. Operation trip out  
to run 13 3/8" csg. Drlg. 414' in 12 hrs.  
Dev. @ 414'-¼°.

COMPLETION RECORD

T. D.	PB
T.P.	
IPPF	
Tubing	Ch. at
Packer	
Perf.	

CASING CEMENT

Size	Depth	Sax

ACIDIZING RECORD

Gal. \_\_\_\_\_ Zone \_\_\_\_\_  
Gal. \_\_\_\_\_ Zone \_\_\_\_\_  
Gal. \_\_\_\_\_ Zone \_\_\_\_\_  
Results \_\_\_\_\_

FRAC JOB RECORD

Type \_\_\_\_\_  
Water \_\_\_\_\_  
Sand \_\_\_\_\_  
Pressure \_\_\_\_\_

STEVENS OPERATING CORPORATION  
WEEKLY REPORT  
SCOUT REPORT

RECEIVED  
JUN 5 1984

3/3

Field Wildcat-Montoya

COMPANY Stevens Operating Corp. WELL NO. 1 FARM Lynx

County Chaves State NM Sec. 19 Twp. 8S Rge. 29E

Spud \_\_\_\_\_ Comp. \_\_\_\_\_ Loc. 1815 FN 1980 FE \_\_\_\_\_ FS \_\_\_\_\_ FW \_\_\_\_\_

Contractor Desert Drlg Method \_\_\_\_\_

El. D.F. \_\_\_\_\_ Gr. \_\_\_\_\_

FORMATIONS: Penetrated

TA	
TX	
BX	
TYL	
TSR	
TQ	
TGb	
TSA	
TG1	
TCF	
T Tubb	
T Abo	

COMPLETION RECORD

T. D.	PB
T.P.	
IPPF	
Tubing	Ch. at
Packer	
Perf.	

CASING CEMENT

Size	Depth	Sax

ACIDIZING RECORD

Gal. \_\_\_\_\_ Zone \_\_\_\_\_  
Gal. \_\_\_\_\_ Zone \_\_\_\_\_  
Gal. \_\_\_\_\_ Zone \_\_\_\_\_  
Results \_\_\_\_\_

FRAC JOB RECORD

Type \_\_\_\_\_  
Water \_\_\_\_\_  
Sand \_\_\_\_\_  
Pressure \_\_\_\_\_

5-29-84 Prep to Spud.  
5-31-84 Spud starting hole, Rat Hole, Mouse Hole.  
Set 40'-20" conductor pipe. Rigging up  
Desert Rig #2. Prep to drill out from  
conductor pipe.  
6-1-84 Rig up & spud 17½" hole @ 10:30 p.m. on  
5-31-84. PID 414'. Operation trip out  
to run 13 3/8" csg. Drlg. 414' in 12 hrs.  
Dev. @ 414'-¼°.  
6-1-84 Day #2, PID 514', oper. drlg. @ 50'/hr  
w/bit #2 prog. 102' in 1 1/2 hrs. Total  
rotating hrs 9 1/2 hrs, run casing & cmnt.  
2 1/2 hrs, 12 hrs WOC. Ran 10 jts. 13 3/8  
x 54.5# casing set & cmnt. @ 412' w/250 sxs  
H/L, 2% cc & 1/4# FC, tail in w/150 sxs "C"  
w/2% cc. Plug DN @ 12 noon, 6-1-84 circ.  
70 sxs cmnt.  
6-2-84 Day #3. PID 1433, oper. drlg. @ 17'/Hr, prc  
919' in 21 1/4 hrs. Dev surv. @ 1060 3/4°  
& @ 1387 3/4° TRH 30 3/4.  
6-3-84 Day #4, PID 1828, oper. drlg. @ 21'/Hr.  
w/bit #3 (HTC J44C). Prog. 395' in 18 1/2  
hrs, 18 1/2 hrs drlg., 4 1/4 hrs trip, dev  
surv. @ 1450-1°.

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION  
Harlow EXHIBIT NO. 7  
CASE NO. 8225  
Submitted by W.V. Harlow, Jr  
Hearing Date 6-6-84



Petroleum Exploration • Drilling • Production

June 1, 1984

CERTIFIED MAIL #2215912

Mr. Ernest L. Padilla  
Attorney and Counselor at Law  
P. O. Box 2523  
Santa Fe, NM 87501

Dear Mr. Padilla:

We received your letter of May 24, 1984 notifying us of Stevens' application for a force pooling action in the N/2 Section 19, T-8S, R-29E, Chaves County, New Mexico. Please be advised that we requested of Stevens the agreements made with the balance of the ownership under the area of interest and received an unexecuted altered farmout agreement presumably to be executed by TXO, one of the owners of leasehold rights on this tract. As to the balance of the ownership, we have had no communication as to what the trade agreement is or under what terms.

We would like to propose our willingness to lease to Stevens our interest in the drill site 40 acres as to oil and the NE/4 as to gas for depths between 3400' and 100' below depth drilled in the test well, subject to our reservation of 1/16 of 8/8 overriding royalty and a 25% reversionary working interest, reduced proportionately, at payout. In the event Stevens Operating Corp. wishes to complete a San Andres zone, that is above 3400', on the drill site 40 acres, which is the SW NE, The Harlow Corporation would have the option to participate in the completion costs and completion costs only as to its pro-rata share of the San Andres well, and we are agreeable, on an option basis, to the same arrangement on the NW/4 as to the rights earned as to oil and gas below 3400' and as to the option on a San Andres completion in the alternative.

You should be advised that the balance of the ownership under these tracts have rights expiring July 1, 1984, whereas all of our rights are held by production and therefore should be given different consideration.

Sincerely,

W. V. Harlow, Jr.

WVH:js

cc: Stevens Operating Corporation  
P. O. Box 2203  
Roswell, NM 88201  
Certified Mail #2215913

BEFORE EXAMINER STAFF IS OIL CONSERVATION DIVISION <u>Harlow</u> EXHIBIT NO. <u>6</u> CASE NO. <u>8225</u> Submitted by <u>W. V. Harlow, Jr.</u> <u>6-6-84</u>
---

806 372-7381 • 600 Petroleum Building • Amarillo, Texas 79101



P24 2215913

RECEIPT FOR CERTIFIED MAIL  
NO INSURANCE COVERAGE PROVIDED—  
NOT FOR INTERNATIONAL MAIL

(See Reverse)

SENT TO	
Stevens Op. Corp.	
STREET AND NO.	
P.O. Box 2203	
P.O. STATE AND ZIP CODE	
Roswell NM 88201	
POSTAGE	
\$	
CERTIFIED FEE	
c	
SPECIAL DELIVERY	
c	
RESTRICTED DELIVERY	
c	
SHOW TO WHOM AND DATE DELIVERED	
c	
SHOW TO WHOM DATE AND ADDRESS OF DELIVERY	
c	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	
c	
SHOW TO WHOM DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	
c	
CONSULT POSTMASTER FOR FEES	
OPTIONAL SERVICES	
RETURN RECEIPT SERVICE	
TOTAL POSTAGE AND FEES	
\$	
POSTMARK OR DATE	
6-1-84	

PS Form 3800, Apr. 1976

P24 2015912

RECEIPT FOR CERTIFIED MAIL  
NO INSURANCE COVERAGE PROVIDED—  
NOT FOR INTERNATIONAL MAIL

(See Reverse)

SENT TO	
Ernest L. Padilla	
STREET AND NO.	
P.O. Box 2523	
P.O. STATE AND ZIP CODE	
Santa Fe NM 87501	
POSTAGE	
\$	
CERTIFIED FEE	
c	
SPECIAL DELIVERY	
c	
RESTRICTED DELIVERY	
c	
SHOW TO WHOM AND DATE DELIVERED	
c	
SHOW TO WHOM DATE AND ADDRESS OF DELIVERY	
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SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	
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SHOW TO WHOM DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	
c	
CONSULT POSTMASTER FOR FEES	
OPTIONAL SERVICES	
RETURN RECEIPT SERVICE	
TOTAL POSTAGE AND FEES	
\$	
POSTMARK OR DATE	
6-1-84	

PS Form 3800, Apr. 1976



Petroleum Exploration • Drilling • Production

3/5

#### DRILLING PROGRAM

The Harlow Corporation  
19-A #1 O'Brien Fee  
990' FNL & 1980' FEL  
Sec. 19, T8S, R29E  
Chaves County, New Mexico

Elevation: 3975' G.L. (est) 3982' K.B. (est) P.T.D. 7500'

#### Casing Program:

15" hole to 125'. Set 13-3/8" used casing 1 1/2' BG and Redimix cement to surface. 12 1/4" hole to 2800' and run intermediate casing string of 8-5/8" O.D. 24# & 28# new ST&C API casing and cement with 300 sx class C cement with 2% CaCl. Using guide shoe, a minimum of 3 centralizers (on float collar, 3rd and 5th collar), self fill-up float collar in collar above shoe joint. Tack bottom four collars and leave casing in tension a minimum of 24 hrs. after cementing. 7-7/8" hole below intermediate string to T.D. and in the event of completion attempt below San Andres, run production string of new API 5 1/2" 15 1/2# & 17# K-55 ST&C casing and cement with 100 sx class C cement and 100 sx 50/50 Pozmix cement with 15% salt and 3/4 of 1% CFR2 (or enough to give 300' of good cement above zone of interest). Using guide shoe, a minimum of 3 centralizers (on float collar, 3rd and 5th collar), self fill-up float collar in collar above shoe joint. Tack bottom four collars and leave casing in tension a minimum of 24 hrs. after cementing.

#### Mud Program:

Native mud to 2425'. Mud up with salt water gel at 2425' to have mud in shape by 2575'. Maintain viscosity 34 - 36, water loss 10 - 15 cc, wt. as low as possible. Increase viscosity to run intermediate casing. Below intermediate casing maintain salt water gel mud to T.D. Mud wt. 9.0 - 9.5# per gal.

Viscosity 34 - 36

Water loss 12 - 20 cc

Use lost circulation material as recommended by mud engineer. Increase viscosity to log and run production casing.

#### Geological Program:

Maintain geolograph (or equivalent) drilling time from surface casing to T.D. Catch 10' samples from 1500' to T.D. and at 5' intervals in zones of interest if requested by geologist or operator. Wash, clean and bag samples and store samples in dry area. Notify geologist at 2550'. DST to be taken at discretion of operator. One-man mud logging unit to be on location from intermediate casing point to T.D.

4/5

Logging Program:

At T.D. Dual Laterolog/Micro Laterolog, Density/Gamma Ray Neutron are to be run. Dual Laterolog to be run from T.D. to intermediate casing and GR run to surface casing. Micro Laterolog and Density logs to be run in bottom 2000' of hole. Gamma Ray Neutron to be run bottom 5500' of hole.

Projecting Formation Tops:

Rustler	865
Salado	890
Yates	920
Queen	1550
San Andres	2025
P <sub>1</sub> Zone	2640
P <sub>2</sub> Zone	2715
P <sub>3</sub> Zone	2795
Glorietta	3205
Yeso	3305
Tubb	4680
Abo	5455
Permo-Penn	6255
Cyn Lm	6720
Cyn Wash	6915
Miss.	7055
Woodford	7205
Devonian	7265
PTD	7500

Geologist:

Office:

Home:

Field Office:

Rick Likens

Roswell: (505) 622-0538

Mobile: (505) 623-0989

Unit 4104

Administrative Office:

W. V. Harlow, Jr.

Amarillo: (806) 372-7381

Distribution Drilling Program:

2	Contractor
2	Roswell Office
1	Administrative Office
2	Geological File
1	John Adams



# HARLOW CORPORATION

Petroleum Exploration • Drilling • Production

Drill Stem Test - Option

A.P.C. NO. \_\_\_\_\_

LEASE NAME R.R. Mountain Project WELL NO. 19A - #1 W.I. \_\_\_\_\_  
COUNTY Chaves STATE New Mexico FIELD Wildcat

DRILLING INTANGIBLES		PRODUCER (Deep)	PRODUCER (San Andres)
105.000	Drilling and Completion		
005	Roads & Locations	1,250.00	1,250.00
004	Surveying	400.00	400.00
006	Dirt Work		
007	Surf. Damages	750.00	750.00
011	Footage Drilling 7500' @ \$10/ft.	75,000.00	75,000.00
012	Daywork W/Dr. Pipe \$160/hr-84/48 hrs	13,440.00	7,680.00
013	Daywork W/Out Dr. P.		
035	Fuel		
036	Water	3,250.00	2,250.00
040	Purchased Oil		
037	Bits & Reamers		
038	Mud & Chemicals	8,000.00	8,000.00
043	Rental Equip.		
060	Cement-Con./Surf./Csg	500.00	500.00
061	Cement-Inter Csg.	4,500.00	4,500.00
046	Logging-Open Hole	14,000.00	14,000.00
045	Drill Stem Tests (Option)	7,500.00	7,500.00
044	Coring & C. Analysis		
047	Mud Logger including geologist	7,000.00	7,000.00
065	Well Geologists		
042	Trucking & Hauling		
066	Engr.		
072	Super.	5,000.00	3,000.00
080	Abandonment (Plug Back)		3,000.00
085	Other	4,000.00	3,000.00
TOTAL TO CASING POINT Including DST		144,590.00	137,830.00
110.062	Cement Prod. Csg.	4,250.00	
066	Engr.		
072	Super.	5,000.00	3,000.00
018	Completion Unit-Swabbing 15/10 days	15,000.00	10,000.00
048	Log & Perforate	6,000.00	4,000.00
049	Acidizing W/N <sub>2</sub> (Including breakdown)	19,000.00	14,000.00
050	Fracturing		
051	Load Oil		
043	Rental Equip. Fishing Tools Tongs	2,500.00	1,500.00
005	Location		
006	Dirtwork		
041	Supplies		
085	Other Completion Costs Ruffcote, etc.	4,000.00	2,000.00
ADDITIONAL INTANGIBLES		55,750.00	34,500.00
TOTAL INTANGIBLES		200,340.00	172,330.00
115.000	LEASE & WELL EQUIPMENT & INSTALLATION		
Conductor/Surf Csg. 13-3/8" @ \$11/ft-125'		1,375.00	1,375.00
Intermediate Csg. 8-5/8" @ \$6.60/ft-2825'		18,645.00	18,645.00
Surface Equip.			
Christmas Tree-Wellhead		4,000.00	1,500.00
Pumping Unit & Eng/Motor D-80/D-57		10,000.00	6,000.00
Gathering Line & Fitting			
Production Csg. 5 1/2" @ 4.60/ft-7600'		34,960.00	
Tubing 2-3/8" @ 1.75/ft-7500'/2800'		13,125.00	4,900.00
Sucker Rods & Pump 3/4" @ 1.13 5/8" @ .92		8,475.00	2,575.00
Packers & Sleeves			
Storage Tanks 2 tanks w/stairs		7,800.00	2,600.00 (1/3)
Separators, Heaters & Treaters		10,000.00	2,000.00 (1/3)
Buildings			
Flow Lines & Connections		1,500.00	1,500.00
Misc. Non-Control Equip Fencing		500.00	500.00
Location & Access			
Installation Costs		3,000.00	3,000.00
TOTAL TANGIBLES		113,380.00	44,595.00
TOTAL COST OF WELL		313,720.00	216,925.00

Originated By: W. V. Harlow, Jr.

Date Nov. 15, 1983

Approved By: \_\_\_\_\_

Date \_\_\_\_\_

BEFORE EXAMINER STATES  
OIL CONSERVATION DIVISION

Harlow EXHIBIT NO. 8

CASE NO. 8225

Submitted by W.V. Harlow, Jr.

Hearing Date 6-6-84