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December 12, 1994

Communitization Agreement Filing
Pursuant to NMOCD Order No. R-9035
Section 9, T14S-R29E
N. King Camp (Devonian) Pool
Chaves County, New Mexico

Case 11279

William J. LeMay, Director
New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87504

Dear Mr. LeMay:

On November 2, 1989, the New Mexico Oil Conservation Commission entered Order No. R-9035 which substantially reduced the allowable for all of the wells in that pool until such time as all pool interest owners agreed to unitized operation of the pool. Owners of interest in the pool have now agreed to unitize, and we are at the point of applying pursuant to Order (4) for approval of the unit agreement, a copy of which is attached. Interest owners will execute this agreement shortly and we are writing to request your concurrence that the proposed agreement will satisfy the terms of the Order and to clarify the manner in which the executed agreement should be filed with the NMOCD.

If you concur, we would prefer to simply file a copy of the executed agreement with you for administrative approval and lifting of the allowable restrictions effective February 1, 1995, coincident with the effective date of the agreement. However, if this matter must be approved at hearing, we request that it be advertised and set for the January 5, 1995 docket, so that the Commission may issue an order in time to lift the allowable restriction by the effective date of the agreement. In either case, we would appreciate your early consideration of our request so that we may quickly execute the agreement. If you have any questions or wish to discuss this matter further, please call me at (915) 688-6174.

Sincerely,

William T. Duncan, Jr.

William T. Duncan, Jr.

attachment

COMMUNITIZATION AGREEMENT

Contract No. _____

THIS AGREEMENT entered into as of the 1st day of February, 1994, by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto."

WITNESSETH:

WHEREAS, the Act of February 25, 1920 (41 Stat. 437), as amended and supplemented, authorizes communitization or drilling agreements communitizing or pooling a Federal oil and gas lease, or any portion thereof, with other lands, whether or not owned by the United States, when separate tracts under such Federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area and such communitization or pooling is determined to be in the public interest; and

WHEREAS, the parties hereto own working, royalty or other leasehold interests, or operating rights under the oil and gas leases and lands subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of this agreement:

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

Township 14S-Range 29 East, NMPM

Section 9: All

Chaves County, NM

containing 640.00 acres, more or less, and this agreement shall include only the Devonian Carbonate formation underlying said lands, hereinafter referred to as "communitized substances", producible from such formation.

2. Attached hereto, and made a part of this agreement for all purposes is Exhibit A, designating the operator of the communitized area and showing the acreage, percentage and ownership of oil and gas interests in all lands within the communitized area, the allocation of oil and gas production to the tracts within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.

3. All matters of operation shall be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and four (4) executed copies of a designation of successor operator shall be filed with the Authorized Officer.

4. Operator shall furnish the Secretary of the Interior, or his duly authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas

sales and royalties and such other reports as are deemed necessary to compute monthly the royalty due the United States, as specified in the applicable oil and gas operating regulations.

5. The communitized area shall be developed and operated as an entirety, with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportions set out in Exhibit A. The parties expressly recognize and agree that such allocation of production is not being based on the proportionate acreage of the leases covered hereby, due to the fact that the allocation provided for in Exhibit A has been deemed more equitable. It is recognized that the interests of the United States of America, as the only royalty owner in the Unit, are not affected by such allocation, since it owns the same interest in each lease covered hereby.

All proceeds, 8/8ths, attributed to unleased Federal, State or fee land included within the Communitization Agreement area are to be placed in an interest earning escrow or trust account by the designated operator until the land is leased or ownership is established.

6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payments of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued. It is agreed that for any Federal lease bearing a sliding or step-scale rate of royalty, such rate shall be determined separately as to production from each communitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day, such rate shall be determined by the sum of all communitized production allocated to such a lease plus any noncommunitized lease production.

7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.

8. The commencement, completion, continued operation or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.

9. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or if such failure results from, compliance with any such laws, orders, rules or regulations.

10. This date of this agreement is February 1, 1994, but effective as of 7:00 AM February 1, 1994, 1994 or from the onset of production of communitized substances, whichever is earlier, upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and for as long as communitized substances are, or can be, produced from the communitized area in paying quantities, provided that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior or his duly authorized representative, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of

production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction. The two-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period.

11. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interests until this agreement terminates and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal land shall be subject to approval by the Secretary of the Interior or his duly authorized representative.

12. It is agreed between the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent necessary to monitor production and measurement, and assure that no loss of hydrocarbons occurs in which the United States has an interest pursuant to applicable oil and gas regulations of the Department of the Interior relating to such production and measurement.

13. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.

14. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

15. Nondiscrimination: In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 202(1) to (7) inclusive, of Executive Order 11246 (30 F.R. 12319), as amended which are hereby incorporated by reference in this agreement.

16. This Communitization Agreement shall also serve as a written Designation of Pooled Unit under and pursuant to the provisions of the oil and gas leases included within the communitized area and covering oil , gas and other minerals owned by private individuals.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written and have set opposite their respective names the date of execution.

Thornton Operating Corporation

DATE OF EXECUTION: _____ By: _____

STATE OF §

COUNTY OF §

The foregoing instrument was acknowledged before me this____day of _____, 19____by _____on behalf of _____.

Witness my hand and official seal the day and year last above written.

My commission expires:_____ _____

Notary Public

12/05/94

EXHIBIT "A"
SCHEDULE OF OWNERSHIP
SCHEDULE SHOWING ALL LANDS AND LEASES
WITHIN THE NORTH KING CAMP POOL UNIT
CHAVES COUNTY, NM

Participation of Tracts:
Tract 1: 26.000000%
Tract 2: 46.000000%
Tract 3: 28.000000%
Total: 100.000000%

Tract NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD & PERCENTAGE		OVERRIDING ROYALTY	PERCENTAGE	WORKING INTEREST	PERCENTAGE	NET REVENUE INTEREST IN PRODUCTION	WORKING INTEREST IN POOLED UNIT
1	T14S-R29E		NMNM-77961 (out	12.500000							3.250000	
	Section 9: NE	160.00	of NMNM 68078)	U.S.A.- All			Hilde Deemar and husband Irving Roy Deemar	3.250000			0.845000	
			05/31/97				Michael D. Leonhart and wife Donna L. Leonhart	3.250000			0.845000	
							Total	6.500000				
					Armstrong Energy Company	4.000000			Armstrong Energy Company	4.000000	0.842400	1.040000
					Bearing Service & Supply	2.000000			Bearing Service & Supply	2.000000	0.421200	0.520000
					Robert Beck	5.000000			Robert Beck	5.000000	1.053000	1.300000
					William M. Boyd	2.000000			William M. Boyd	2.000000	0.421200	0.520000
					Exxon Corporation	50.000000			Exxon Corporation	50.000000	10.530000	13.000000
					Cimarron Exploration Company	4.000000			Cimarron Exploration Company	4.000000	0.842400	1.040000
					Harrison Leasing	1.000000			Harrison Leasing	1.000000	0.210600	0.260000
					Keller & Azar Joint Venture	3.000000			Keller & Azar Joint Venture	3.000000	0.631800	0.780000
					Betty A. McAlpine	1.000000			Betty A. McAlpine	1.000000	0.210600	0.260000
					Maurice Mordka	1.000000			Maurice Mordka	1.000000	0.210600	0.260000
					New Mexico Oil Corporation	3.000000			New Mexico Oil Corporation	3.000000	0.631800	0.780000
					Santa Fe Exploration Company	24.000000			Santa Fe Exploration Company	24.000000	5.054400	6.240000
					Total	100.000000			Total	100.000000	26.000000	26.000000
2	T14S-R29E		NMNM-70402 (out	12.500000							5.750000	
	Section 9: SE	160.00	of NMNM68078)	U.S.A.- All			Hilde Deemar and husband Irving Roy Deemar	3.250000			1.495000	
			HBP				Michael D. Leonhart and wife Donna L. Leonhart	1.625000			0.747500	
							Don O. Leonhart and wife Winelle A. Leonhart	1.625000			0.747500	
							Total	6.500000				
					Armstrong Energy Company	4.000000			Armstrong Energy Company	4.000000	1.490400	1.840000
					Bearing Service & Supply	2.000000			Bearing Service & Supply	2.000000	0.745200	0.920000
					Robert Beck	5.000000			Robert Beck	5.000000	1.863000	2.300000
					William M. Boyd	2.000000			William M. Boyd	2.000000	0.745200	0.920000
					Exxon Corporation	50.000000			Exxon Corporation	50.000000	18.630000	23.000000
					Cimarron Exploration Company	4.000000			Cimarron Exploration Company	4.000000	1.490400	1.840000
					Harrison Leasing	1.000000			Harrison Leasing	1.000000	0.372600	0.460000
					Keller & Azar Joint Venture	3.000000			Keller & Azar Joint Venture	3.000000	1.117800	1.380000
					Betty A. McAlpine	1.000000			Betty A. McAlpine	1.000000	0.372600	0.460000
					Maurice Mordka	1.000000			Maurice Mordka	1.000000	0.372600	0.460000
					New Mexico Oil Corporation	3.000000			New Mexico Oil Corporation	3.000000	1.117800	1.380000
					Santa Fe Exploration Company	24.000000			Santa Fe Exploration Company	24.000000	8.942400	11.040000
					Total	100.000000			Total	100.000000	46.000000	46.000000

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WITHIN THE NORTH KING CAMP POOL UNIT
CHAVES COUNTY, NM

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Total: 100.000000%

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3	T14S-R29E			12.500000							3.500000	
	Section 9: W/2	320.00	NMNM 68078	U.S.A.- All			Hilde Deemar and husband Irving Roy Deemar	3.750000			1.050000	
			HBP				Michael D. Leonhart and wife Donna L. Leonhart	3.250000			0.910000	
							Don O. Leonhart and wife Winelle A. Leonhart	0.500000			0.140000	
							Total	7.500000				
					Don Bell, Trustee	0.500000			Don Bell, Trustee	0.500000	0.112000	0.140000
					Clifford Blaugrund	1.250000			Clifford Blaugrund	1.250000	0.280000	0.350000
					Brumbaugh Oil, Ltd	1.000000			Brumbaugh Oil, Ltd	1.000000	0.224000	0.280000
					David Cohen	4.000000			David Cohen	4.000000	0.896000	1.120000
					Curry & Thornton	66.540000			Curry & Thornton	66.540000	14.904960	18.631200
					Jon Massey, Trustee	9.900000			Jon Massey, Trustee	9.900000	2.217600	2.772000
					PetroYates, Inc.	2.450000			PetroYates, Inc.	2.450000	0.548800	0.686000
					Jesus Salazar, Trustee	0.500000			Jesus Salazar, Trustee	0.500000	0.112000	0.140000
					Patricia A. Nail	6.930000			Patricia A. Nail	6.930000	1.552320	1.940400
					Cheryl M. Surber	6.930000			Cheryl M. Surber	6.930000	1.552320	1.940400
Total Federal acres		640.00			Total	100.000000			Total	100.000000	28.000000	28.000000

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WITHIN THE NORTH KING CAMP POOL UNIT
CHAVES COUNTY, NM

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Total: 100.000000%

Tract NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD & PERCENTAGE	OVERRIDING ROYALTY	PERCENTAGE	WORKING INTEREST	PERCENTAGE	NET REVENUE INTEREST IN PRODUCTION	WORKING INTEREST IN POOLED UNIT

RECAPITULATION

OWNERS OF PRODUCTION	WI % OWNERSHIP	% OWNERSHIP OF PRODUCTION
U. S. A.	0.00	12.500000
Hilde Deemar and husband Irving Roy Deemar	0.00	3.390000
Michael D. Leonhart and wife Donna L. Leonhart	0.00	2.502500
Don O. Leonhart and wife Winelle A. Leonhart	0.00	0.887500
Armstrong Energy Company	2.880000	2.332800
Bearing Service & Supply	1.440000	1.166400
Robert Beck	3.600000	2.916000
William M. Boyd	1.440000	1.166400
Exxon Corporation	36.000000	29.160000
Cimarron Exploration Company	2.880000	2.332800
Harrison Leasing	0.720000	0.583200
Keller & Azar Joint Venture	2.160000	1.749600
Betty A. McAlpine	0.720000	0.583200
Maurice Mordka	0.720000	0.583200
New Mexico Oil Corporation	2.160000	1.749600
Santa Fe Exploration Company	17.280000	13.996800
Don Bell, Trustee	0.140000	0.112000
Clifford Blaugrund	0.350000	0.280000
Brumbaugh Oil, Ltd	0.280000	0.224000
David Cohen	1.120000	0.896000
Curry & Thornton	18.631200	14.904960
Jon Massey, Trustee	2.772000	2.217600
PetroYates, Inc.	0.686000	0.548800
Jesus Salazar, Trustee	0.140000	0.112000
Patricia A. Nail	1.940400	1.552320
Cheryl M. Surber	1.940400	1.552320
Total	100.000000	100.000000

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

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

DE NOVO

APPLICATION OF CURRY AND THORNTON FOR AN UNORTHODOX OIL WELL LOCATION AND A NON-STANDARD PRORATION UNIT, CHAVES COUNTY, NEW MEXICO.

CASE NO. 9617

APPLICATION OF STEVENS OPERATING CORPORATION TO AMEND DIVISION ORDER NO. R-8917, DIRECTIONAL DRILLING AND AN UNORTHODOX OIL WELL LOCATION, CHAVES COUNTY, NEW MEXICO.

CASE NO. 9670

Order No. R-9035

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on October 19, 1989, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 2nd day of November, 1989, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS THAT:

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

(2) The applicant, Curry and Thornton and Stevens Operating Corporation, own the leasehold on the W/2 of Section 9, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico and desire to dedicate their directionally-drilled Deemar Federal Well No. 1 to a non-standard unit consisting of

the E/2 W/2 of said Section 9 at an unorthodox bottomhole location 1948 feet from the South line and 2562 feet from the West line (Unit K) of said Section 9 in the North King Camp-Devonian Pool.

(3) Santa Fe Exploration and Exxon USA appeared at the hearing and opposed the subject application on the basis that the unorthodox location would impair correlative rights; and, if granted, a penalty should be assessed based upon an estimate of recoverable pool reserves under each tract or the ratio penalty formula set forth in Division Order No. R-8917 and R-8917-A.

(4) The discovery well, the No. 1 Holmstrom, was drilled by Santa Fe Exploration at a standard location 1980 feet from the South and East lines of said Section 9.

(5) Special pool rules for said pool were promulgated by Order No. R-8806 after the hearing held November 22, 1988 in Case No. 9529, which provided for 160-acre spacing and proration units consisting of a governmental quarter section with the well to be located not less than 660 feet from the unit boundary, nor less than 330 feet from an inner quarter-quarter section line, nor less than 1320 feet from the nearest well completed in said pool.

(6) Pursuant to Order R-8917-A, Stevens Operating Corporation ("Stevens") re-entered the Philtex Oil Company Honolulu Federal Well No. 1 in Unit K of said Section 9 and directionally drilled the Deemar Federal Well No. 1 to the approved bottomhole location and encountered only water. After notifying the Division, Stevens plugged back said well bore and deviated a second hole at a higher angle to the east, which they completed as a producer.

(7) Timely applications for hearing de novo before the Commission were filed by both Stevens Operating Corporation and Santa Fe Exploration and the hearing date was extended to October 19, 1989 with the concurrence of all parties.

(8) After reviewing the Eastman Christensen "Report of Subsurface Directional Survey" for the Stevens Operating Corporation Deemar Federal Well No. 1, which showed the bottom-most perforated interval of the wellbore to be at 19[illegible] feet from the South line and 2562 feet from the West line o Section 9, or 78 feet from the East line of the proration unit, the Director assigned a daily oil allowable of 35 barrels per day in accordance with Decretory Paragraph (5) of Order No. R-8917-A.

(9) Both sides presented testimony that was in substantial agreement as to the geometry, the geology field and the producing reservoir characteristics, of the reservoir differing in their interpretations of the rate of north dip and to a minor degree, the trace of the major trapping fault at the west boundary.

(10) In unorthodox location cases, the Commission has generally endorsed a penalty formula using ratios based upon the proportional distance a well crowds the proration unit boundary and nearest producing well as in Division Order R-8917-A, but in cases where there is substantial evidence and agreement as to productive acreage and recoverable reserves, the Commission is obligated under the Oil and Gas Act to set allowables which allow operators to recover the oil and gas underlying their respective tracts while preventing waste.

(11) The geological witness for Stevens presented testimony that the pool oil-water contact was estimated at subsea elevation of -6055 feet which was not refuted by subsequent witnesses.

(12) The same witness established the major fault trace based upon a Formation Micro Scanner survey run in the Deemar Federal No. 1.

(13) Santa Fe Exploration's geophysicist presented a seismic interpretation showing a rate of north dip steeper than that presented by the Stevens' witness who relied upon a geological interpretation of the Micro Scanner survey. That survey only shows the rate of dip within the No. 1 Deemar wellbore.

(14) Based upon the oil-water contact and the major fault trace established by Stevens' geologist, the rate of north dip established by the Santa Fe geophysicist, and other geologic and engineering criteria which was in substantial agreement, the relative percentages of oil productive rock volume calculated under each tract are as follows:

(a) Within the total field there is approximately 10,714 acre-feet of Devonian oil pay or oil saturated rock volume.

(b) Underlying the E/2 W/2 of Section 9, there is approximately 2,246 acre-feet of Devonian oil pay or 21% of the pool total.

(c) Underlying the SE/4 of Section 9 there is approximately 5,688 acre-feet of Devonian oil pay or 53% of the pool total.

(d) Underlying the NE/4 of Section 9 there is approximately 2,780 acre-feet of Devonian oil pay or 26% of the pool total.

(15) The North King Camp-Devonian Pool has an active water drive and the relative percentages of oil pay or oil-saturated rock volume under each tract are the same approximate percentages as the recoverable oil reserves under each tract, provided wells are positioned to permit the recovery.

(16) Productive surface area is calculated to be approximately 177 acres and expert engineering testimony has established that one well located at the highest part of the North King Camp structure could effectively and efficiently drain all of the recoverable oil reserves under this 177 acre pool.

(17) The Stevens' Deemar Federal No. 1 well occupies the highest portion of the structure and could effectively drain the entire pool. Only well locations that are unorthodox, such as the Stevens' well, could drain the upper portion (attic) of this oil reservoir and prevent the waste of unrecoverable oil reserves.

(18) Producing the Stevens' well at top allowable rates would eliminate waste but would violate the correlative rights of interest owners in the SE/4 of Section 9 unless all interest owners in Section 9 agreed to operate the pool and share oil and gas production and costs in some equitable fashion.

(19) The Santa Fe Exploration No. 1 Holmstrom Federal, the only other producing well in the pool, is located 55 feet lower structurally than the No. 1 Deemar.

(20) Testimony did establish that Santa Fe Exploration is producing their No. 1 Holmstrom well at a rate of 200 barrels of oil per day plus 10 barrels of water so as to minimize the effects of coning water.

(21) In the absence of unitized operations, in order to prevent waste and protect the correlative rights of all interest owners in a pool, allowables must be established which reflect the relative percentages established in Finding (14), encourage voluntary unitization and discourage the

drilling of additional wells which are not needed and would constitute waste.

(22) Penalized allowables for the Stevens well that are tied to the producing rates of the No. 1 Holmstrom would be indefinite and violate Stevens' correlative rights. Allowables which would encourage drilling additional wells would cause waste.

(23) In order to protect correlative rights, total pool allowable should be the current pool production rate which includes the penalized rate of 35 barrels of oil per day for the Stevens' well, and the producing rate of 200 barrels of oil per day from the Santa Fe well. Said pool allowable of 235 barrels of oil per day should be allocated according to the percentages established in Finding (14) which are:

(a) The E/2 W/2 of Section 9 should have an allowable of 49 (.21 x 235) barrels of oil per day.

(b) The SE/4 of Section 9 should have an allowable of 125 (.53 x 235) barrels of oil per day.

(c) the NE/4 of Section 9 should have an allowable of 61 (.26 x 235) barrels of oil per day if it is drilled.

(24) The allowables established in Finding (23) should become effective December 1, 1989 and should remain in effect unless voluntary agreement is reached by all interest parties in the field at which time the pool allowable should be increased to 1,030 barrels of oil per day which is the top allowable rate for the two producing wells currently in the pool and which new pool allowable could be produced in any proportion between the two existing wells.

(25) The tract allowables established in Finding (23) should protect correlative rights by honoring the percentages established in Finding (14) and prevent waste by discouraging the drilling of additional wells which are not necessary to effectively and efficiently drain the subject pool.

(26) Should all interest owners in this pool reach voluntary agreement subsequent to the entry of this order, operators of the pool wells should file with the Director of the Division application for approval of the unit agreement and, upon approval, this order should thereafter be of no further effect and the new pool allowable should take effect on the first day of the month following approval of said unit agreement by the Director.

IT IS THEREFORE ORDERED THAT:

(1) Effective December 1, 1989, the pool allowable for the North King Camp-Devonian field shall be 235 barrels of oil per day which shall be shared by the below listed proration units in the amounts shown:

(a) The E/2 W/2 of Section 9, Township 14 South, Range 29 East, shall have a top allowable of 49 barrels of oil per day.

(b) The SE/4 of Section 9, Township 14 South, Range 29 East, shall have a top allowable of 125 barrels of oil per day.

(c) The NE/4 of Section 9, Township 14 South, Range 29 East, shall have a top allowable of 61 barrels of oil per day if a well is drilled and completed in the Devonian.

(2) Said allowable shall remain in effect unless all interest owners in the pool reach voluntary agreement to provide for unitized operation of its pool.

(3) Should all interest owners reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(4) The operators of the pool wells shall file with the Director of the Division an application for approval of the unit agreement and this order shall then terminate on the first day of the month following approval of said unit. A new pool allowable of 1,030 barrels of oil per day shall then take effect; said new pool allowable can be produced in any proportion between existing pool wells.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

WILLIAM R. HUMPHRIES, Member

William W Weiss

WILLIAM W. WEISS, Member

WILLIAM J. LEMAY, Chairman
and Secretary

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