

**DOCKET MAILED**

**Date** 7/26/82 (Poolas)

CASE NO.

7633

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APPLICATION,  
TRANSCRIPTS,  
SMALL EXHIBITS,  
ETC.

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
4 August 1982

EXAMINER HEARING

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IN THE MATTER OF:

Application of Mesa Petroleum Com-  
pany for compulsory pooling, Chaves  
County, New Mexico.

CASE  
7620

and  
Application of T. H. McElvain, Jr.,  
for compulsory pooling, Chaves County,  
New Mexico.

and  
CASE  
7633

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

Thomas C. H. Mills, Esq., for  
W. Perry Pearce, Esq.  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant: Mesa:

Steven C. James, Esq.  
MESA PETROLEUM COMPANY  
Vaughn Bldg., Suite 1000  
Midland, Texas 79701

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**A P P E A R A N C E S**

<b>For T. H. McElvain:</b>	<b>W. Thomas Kellahin, Esq.</b>
	<b>KELLAHIN &amp; KELLAHIN</b>
	217 North Guadalupe
	P. O. Box 2265
	Santa Fe, New Mexico 87501

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GEORGE BROONE

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2 MR. STAMETS: We'll call at this time  
3 Case 7620.

4 MR. MILLS: Case 7620. Application of  
5 Mesa Petroleum Company for compulsory pooling, Chaves County,  
6 New Mexico.

7 MR. JAMES: Steven C. James, Mesa Petro-  
8 leum Co.'s attorney for the Permian Basin Division, which  
9 includes the portion of New Mexico in question.

10 I'm here today in association with Mr.  
11 William F. Carr from Campbell, Myrd, and Black, P. A., located  
12 here in Santa Fe.

13 MR. KELLAHIN: Mr. Examiner, I'm Tom  
14 Kellahin of Santa Fe, New Mexico, appearing on behalf of T.  
15 H. McElvain, Junior, and I have one witness.

16 We request that the two cases be consoli-  
17 dated for hearing purposes, Mr. Examiner.

18 MR. STAMETS: Since the two applications,  
19 7620 and 7633, involved the same acreage I believe that we  
20 should consolidate these for purposes of testimony.

21 Mr. Mills, would you call Case 7633,  
22 please?

23 MR. MILLS: Application of T. H. McElvain  
24 for compulsory pooling, Chaves County, New Mexico.

25 MR. JAMES: And Steven C. James, Mesa's



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division attorney will also appear on behalf of Masa.

We have two witnesses.

MR. STAMETS: Okay, I'd like to have everybody who's going to be a witness in these cases stand and be sworn at this time, please.

(Witnesses sworn.)

MR. JAMES: Masa would start with Mr. Hannifin.

MARK A. HANNIFIN

being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. JAMES:

Q Could you please state your name and place of residence?

A Mark A. Hannifin, Midland, Texas.

Q By whom are you employed and in what capacity?

A Masa Petroleum Company. I'm a Senior Landman.

1  
2 Q Have you previously testified before this  
3 Commission or one of its examiners and had your qualifications  
4 as a Senior Landman accepted?

5 A Yes, I have.

6 Q Are you familiar with the applications  
7 filed in these two cases?

8 A Yes, sir.

9 MR. JAMES: We tender the witness' quali-  
10 fications to the examiner.

11 MR. STAMETS: He is considered qualified.

12 Q Would you please state what Mesa seeks  
13 with its application in Case 7620?

14 A Yes. Mesa seeks an order pooling all in-  
15 terests from the surface down to the Abo formation underlying  
16 the southwest quarter of Section 8, 5 South, 25 East, Chaves  
17 County, New Mexico, to be dedicated to a well to be drilled  
18 at a standard location thereon; also consideration of the  
19 costs of drilling and completing said well and the allocation  
20 of costs thereof, as well as actual operating costs and charges  
21 for supervision; designation of Mesa Petroleum Company as  
22 operator of the well; and the determination of a charge for  
23 risk involved in drilling said well.

24 Q Mr. Hannifin, would you please identify  
25 what's been marked as Mesa's Exhibit Number One?

1  
2           A           Yes. This is a photocopy of Mesa's land  
3 map indicating the proration unit in contention, as well as  
4 Mesa's proposed location for the Mesa No. 5 Lodewick Fed Com,  
5 and the surrounding area and wells.

6                       The proration unit in question is encircled  
7 in red.

8           Q           Would this be a standard location?

9           A           Yes, it will.

10          Q           Would you please identify for us and tell  
11 us what Mesa's Exhibit Number Two represents?

12          A           Yes, this is a schedule depicting the  
13 working interest ownership in the proposed Mesa No. 5 Lodewick  
14 Fed Com to be drilled on this proration unit.

15          Q           Now, looking at that schedule, out of  
16 every dollar spent on Mesa's No. 5 Lodewick Fed Com, how much  
17 will Mesa spend?

18          A           Fifty cents out of every dollar.

19          Q           And that exceeds by a large measure the  
20 amounts the other parties are risking?

21          A           Yes, sir, it does.

22          Q           What does your schedule show with respect  
23 to who has the greatest single interest in the proposed well?

24          A           Mesa Petroleum Company.

25          Q           Would you please tell us, looking at Mesa's

1  
2 Exhibits Three, Four, and Five, what they represent?

3 A Yes. Mesa Exhibit Three, this is the cover  
4 letter, dated March 29th, 1982, and AFE provided to and exe-  
5 cuted on behalf of Corona Oil Company, indicating their ap-  
6 proval of the anticipated expenditures for Mssa No. 5 Lodewick  
7 Fed Con. Mesa --

8 Q If I might ask you a question about Number  
9 Three. The approval of Corona is indicated where? Is it  
10 down at the bottom of the AFE?

11 A Yes, sir, down at the bottom of the first  
12 page of the AFE. It's executed by Paul Creson, President of  
13 Corona Oil Company.

14 Mesa Exhibit Number Four is a cover letter  
15 dated April 12th, 1982, and an operating agreement provided  
16 to Corona Oil Company for their approval and execution, and  
17 I would direct your attention to Exhibit A of this agreement,  
18 indicating the working interests of the parties and indicating  
19 Mesa's share of the working interest and resulting expendi-  
20 ture in the drilling of this well.

21 Q Would those interests be the same as shown  
22 on the exhibit that you have identified as Exhibit Number Two?

23 A Yes, sir, they are.

24 Mesa Exhibit Number Five is a cover let-  
25 ter providing the signature pages for the said operating

1  
2 agreement executed on behalf of Corona Oil Company to Mesa,  
3 indicating their approval of this agreement.

4 Q Would you please identify for us what has  
5 been marked as Mesa's Exhibits Six and Seven?

6 A Yes, sir. Mesa's Exhibit Six includes  
7 copies of the transmittal letters dated March 30, 1982, pro-  
8 viding the AFE, included in Mesa's Exhibit Three, to all other  
9 working interest owners involved in the proration unit.

10 And Mesa Exhibit Seven includes copies of  
11 the transmittal letter, dated April 12th, 1982, providing the  
12 operating agreement included in Mesa Exhibit Number Four to  
13 all other working interest owners involved in this proration  
14 unit.

15 Q Concerning the individuals who own a por-  
16 tion of the interests in this proposed proration unit, were  
17 you able to reach an agreement with those individuals?

18 A No, sir, we were not.

19 Q Were Mesa's Exhibits One through Seven  
20 prepared by you or under your supervision?

21 A Yes, sir, they were.

22 Q And are they true and correct copies of --  
23 to the extent they're copies -- are they true and correct  
24 copies of Mesa's file copies?

25 A Yes, they are.

1  
2 MR. JAMES: We'd tender Exhibits One through  
3 Seven to the Examiner.

4 MR. STAMETS: These exhibits will be ad-  
5 mitted.

6 Q MR. Hannifin, has Mesa obtained the  
7 necessary title work with respect to its own lease for drilling  
8 purposes?

9 A Yes, sir, it has.

10 Q And the proposed well is proposed to be  
11 drilled on Mesa's lease?

12 A Yes, sir, it is.

13 Q Does Mesa Petroleum Co. request to be  
14 designated operator of the proposed well?

15 A Yes, sir.

16 Q Will Mesa promptly drill the proposed  
17 well?

18 A Yes, sir.

19 Q Will granting Mesa Petroleum Co.'s appli-  
20 cation be in the interest of conservation, the prevention of  
21 waste, and the protection of correlative rights?

22 A Yes, sir, it will.

23 MR. JAMES: I have no further questions  
24 of this witness.

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CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Hannifin, at this time are the interests of Mesa and Corona the only interests which have been signed up on this well?

A Yes, sir.

Q So all the rest of these people, J. Roger Friedman, on down, have not consented to the drilling?

A That is correct.

Q Are these -- have you actually contacted all of these people or are some of those people you cannot find?

A No, sir, we have contacted each and every working interest owner in this proration unit.

Q Okay. So at this time you have fifty percent signed up and fifty percent outstanding.

A Yes, sir.

MR. STAMETS: Are there other questions of this witness?

MR. KELLAHIN: Yes, Mr. Stamets.

CROSS EXAMINATION

BY MR. KELLAHIN:

1  
2 Q Mr. Hannifin, when did you first start  
3 signing up people with regards to Mesa's well on this pro-  
4 ration unit?

5 A Well, I believe the first executed AFE was  
6 returned, was executed by Paul Creson for Corona Oil Company  
7 in April 7th of this year.

8 We provided that request on March 29th.

9 Q Is this a Federal or State or fee lease?

10 A This is a Federal lease. Our lease is  
11 Federal; T. H. McElvain's is State, so it would be a Federal  
12 communitized.

13 Q The lease under which you have a 50 per-  
14 cent working interest is the east half of this proration unit,  
15 is it not?

16 A Yes, sir, I believe that's correct.  
17 Yes, sir.

18 Q That is the Federal lease?

19 A Yes, sir.

20 Q What is Mesa's relationship with Corona  
21 insofar as that Federal lease is concerned?

22 A You mean what? Would you clarify the --  
23 what you're asking?

24 Q Yes, sir. I see that Corona backs in  
25 after payout for a 25 percent interest. That would lead me



1  
2 to believe that Mesa has a farm out from Corona of some kind.  
3 A No, sir, they have elected to go non-con-  
4 sent in drilling this well.  
5 Q Corona has?  
6 A Yes, sir.  
7 Q What's the title arrangement, then, with  
8 Mesa and Corona? The Federal lease shows Corona as the lessee  
9 and then Mesa? Explain to me a little bit about the title.  
10 A It's jointly owned, if that's what you're  
11 asking.  
12 Q There's no farm out agreement, then, be-  
13 tween those two companies?  
14 A No, sir.  
15 Q And Corona has executed this proposed  
16 operating agreement but you tell me has elected to go non-  
17 consent.  
18 A Yes, sir.  
19 Q What is the reason for that, then, Mr.  
20 Hannifin?  
21 A Reason for what?  
22 Q Them going non-consent.  
23 A I suppose you'd have to ask Corona. I  
24 do not --  
25 Q You do not know?

1  
2 A They did not care to join in this wall,  
3 obviously.

4 Q Now, the rest of the working interest is  
5 composed of these various interests. Am I correct in under-  
6 standing that Mr. George Broome is the principal that you've  
7 been dealing with with regards to the balance of the working  
8 interest?

9 A Yes, sir, we've been writing to T. H.  
10 McElvain, I think, to his attention.

11 Q And your telephone and correspondence --  
12 MR. STAMETS: Excuse me, I didn't under-  
13 stand the answer to that question. I'd like to pursue that --

14 A I believe Mr. Broome works for T. H.  
15 McElvain. We've been writing to T. H. McElvain, to the atten-  
16 tion of George Broome.

17 MR. STAMETS: Okay, thank you.

18 Q And so all your contacts with regards to  
19 forming this proration unit have been with Mr. Broome?

20 A No, sir, because we have contacted all the  
21 other interest owners by mail.

22 Q Apart from that contact, you've been doing  
23 business with Mr. Broome on the telephone about forming a  
24 voluntary unit, haven't you?

25 A Principally, yes.

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Q All right. When was this well first proposed by any of the working interest owners?

A Well, the first written proposal would have been March 30 of this year when it was proposed to -- well, March 29th to Corona and March 30th to the other partners.

Q All right. When was the first oral discussions about a well on this proration unit with any working interest owners?

A I would assume shortly thereafter. I don't have that in front of me.

Q Do you know a Kevin Dentger, D-E-N-T-G-E-R?

A D-E-N-T-I-E-R.

Q Z-E-R?

A Yes, sir.

Q Dentzer?

A Dentzer, right.

Q Do you know Mr. Dentzer?

A Yes. He works for me.

Q Is he still employed with Mesa?

A Yes, sir, he is.

Q In what capacity, Mr. Hannifin?

A He's a landman.

Q At what point did you take over the formation of this proposed drilling unit, about the date of your

1  
2 letter in March, is it?

3 A Yeah, I would imagine. It's really not  
4 one person's total responsibility. It's a joint effort. He  
5 was under my supervision at the time.

6 Q Mr. Dentzer works for you in the Land  
7 Department?

8 A Yes.

9 Q All right, sir. I don't see any of your,  
10 in the packet of correspondence, Mr. Hannifin, any of your  
11 written communications with Mr. Broome. Do you have that in-  
12 formation available today?

13 A The only things I've got right here is  
14 what we -- the cover letters we sent to him, amongst others.

15 Q In fact, since March to the current date  
16 there have been ongoing discussions between Mesa through you  
17 and Mr. Broome on behalf of these other working interests on  
18 discussions concerning the costs of the well and that sort of  
19 thing, have their not?

20 A There have been numerous discussions, yes.

21 Q When did you first present Mr. Broome  
22 with a proposed AFE for this well?

23 A The only correspondence I've got here  
24 would indicate March 30th, or as soon as he received it after  
25 it was sent.

1  
2 Q And what was the anticipated cost for a  
3 completed well, according to your proposed AFE?

4 A On the AFE it's \$256,000 for a dry hole  
5 cost and \$408,000 for a completed well.

6 Q Did you do any work on behalf of Mesa in  
7 the preparation of that AFE?

8 A No, sir, I do not prepare AFE's.

9 Q Do you make a comparison as part of your  
10 work between actual costs and estimated costs on behalf of  
11 Mesa?

12 A No, sir, I don't.

13 Q That would be someone else?

14 A Yes, sir, that would be our engineer.

15 Q Who would that individual be, Mr. Hanniffin?

16 A It would be our engineering group. We  
17 have a representative here today.

18 Q All right, sir. In response to your pro-  
19 posal that Mesa drill this well in your letter to Mr. McElvain,  
20 what, if any, response did you receive from Mr. McElvain or  
21 on behalf of Mr. McElvain?

22 A Well, I'm trying to remember what the  
23 initial response was. I believe they expressed some concerns  
24 about our costs and then later came back and said they wanted  
25 to operate it, if I have that in the proper order.

1  
2 Q Do you recall the proposed estimated cost  
3 that Mr. McElvain proposed to Mesa?

4 A No, I don't.

5 Q Did you undertake to make any inquiries  
6 or investigations with regards to Mr. McElvain's cost?

7 A Our engineering people looked at it, yes,  
8 sir.

9 Q Did you have any discussions with Mr.  
10 Broome with regards to a choice of a proposed drilling con-  
11 tractor?

12 A Yes, sir, we did.

13 Q And what drilling contractor would Mesa  
14 propose to use for the drilling of this well, Mr. Hannifin?

15 A I believe at this point in time it would  
16 be Tom Brown.

17 Q Do you know whether or not Mesa has exe-  
18 cuted a contract with MR. Brown for the drilling of the Abo  
19 well on this proration unit?

20 A No, sir, that's really out of my field.

21 Q So you don't handle those things?

22 A No, sir, I do not handle them.

23 Q Is that also handled by the engineering  
24 people that worked on the AFE?

25 A Yes, sir.

1  
2 Q Do you recall who the drilling contractor  
3 was that Mr. Broome proposed to use if he was the operator of  
4 this well?

5 A No, sir, I don't remember the name.

6 Q You don't recall whether or not you under-  
7 took any investigation to determine whether that drilling con-  
8 tractor was acceptable to Mesa or not?

9 A I didn't. I believe the engineering  
10 people reviewed that situation.

11 Q All right, sir.

12 Mr. Hannifin, are you aware of any objection  
13 to McElvain as operator for the drilling and completion of  
14 Abo wells?

15 A By who?

16 Q By Mesa?

17 A I'm not sure what you mean by objection.

18 Q Do you have any objection to Mr. McElvain  
19 being the operator?

20 A Well, we would prefer to operate it because  
21 we believe we could do a better job.

22 Q To your knowledge have you ever undertaken  
23 previously to have Mr. McElvain be the operator in which Mesa  
24 had a working interest ownership?

25 A Not to my knowledge.

1  
2 Q Are you familiar with the Corn Ranch  
3 Working Interest Unit?

4 MR. JAMES: Mr. Examiner, I -- if we could  
5 have more of, say, a legal description or location, perhaps  
6 that might be of some assistance.

7 Q Are you familiar with that name at all,  
8 Mr. Hannifin?

9 A There was a fellow named Bill Corn that  
10 was trying to put one together and he had indicated one time  
11 or another that he had had several operators in mind, which  
12 Mr. McElvain was one, I believe.

13 Barring any objections, I think Yates or  
14 ourselves.

15 Q Mr. Hannifin, will the contractual arrange-  
16 ment between Mesa and Corona, would those percentages change  
17 if Mr. McElvain is the operator of this proration unit?

18 A Well, that would depend on whether or not  
19 Corona elected to go non-consent and let us take their shares,  
20 I suppose, or if they went non-consent to someone else or  
21 farmed out, or any number of things.

22 Q What I'm asking is, Mesa doesn't have to  
23 be the operator and drill the well for this proration unit in  
24 order to have the 50 percent working interest prior to payout.

25 A There are a number of factors that enter



1  
2 into it, really, but we'd have to go into much deeper on the  
3 face of it, and I'm not really sure the questions you're  
4 driving at.

5 Q Well, you've represented to us that Mesa  
6 has the largest single working interest ownership prior to  
7 payout.

8 A Yes, sir.

9 Q Of any of the working interest owners.

10 A Correct.

11 Q I want to find out from you if that makes  
12 a difference as to whether Mesa is operator and drills the  
13 well or Mr. McElvain is the operator and drills the well.

14 A That would depend on what Corona Oil Com-  
15 pany does.

16 Q If they join Mr. McElvain, then that will  
17 reduce your percentage 25 percent?

18 A Yes, sir.

19 Q Mr. Broome sent you a proposed AFE to  
20 have Mr. McElvain drill this well, did he not, Mr. Hannifin?

21 A That's probably correct. I don't -- I'm  
22 sure we probably got one.

23 Q Mr. Broome sent you his proposed drilling  
24 contract for this well, did he not, Mr. Hannifin?

25 A I don't recall. It wouldn't surprise me

1  
2 if he did.

3 Q Did you ever communicate on behalf of Mesa  
4 to Mr. Broome what Mesa's reasons were for not having, not  
5 accepting Mr. McElvain's AFE?

6 A Yes, I'm sure we did, and told him we --

7 Q You don't know what those reasons are now?

8 A They were because we wanted to operate it.  
9 We thought we could do a more efficient job of operating the  
10 well and (inaudible.)

11 Q Did you undertake any cost study to  
12 determine the differences between the AFE's, or was that done  
13 by engineering?

14 A Engineering group would have done that.

15 Q So as best you understand them, the  
16 reasons that Mesa wants to operate the property is that you  
17 believe Mesa to be more cost efficient and perhaps do some kind  
18 of better job?

19 A Yes, sir, I think that during the life of  
20 the well we can do a better job of operating the well on a  
21 little more cost efficient basis.

22 Q Were there any other reasons, to the best  
23 of your knowledge, Mr. Hannifin, for not accepting Mr. McElvain  
24 as the operator?

25 A No, sir.

1  
2 MR. KELLAHIN: Thank you, Mr. Stamets, I  
3 have nothing further.

4 MR. STAMETS: Any other questions of this  
5 witness?

6 MR. JAMES: I have just a couple other  
7 questions.

8  
9 REDIRECT EXAMINATION

10 BY MR. JAMES:

11 Q Mr. Hannifin, Mesa's Exhibits Three, Four,  
12 and Five represent agreement with Corona, is that correct?

13 A Yes, sir.

14 Q Now directing your attention back to Mesa's  
15 Exhibits Six and Seven, those proposals and the AFE were sent  
16 to all interest owners in the proration unit, is that correct?

17 A Yes, sir.

18 Q They represent proposals to a number -- I  
19 mean to -- to everyone.

20 In your recollection, who made the first  
21 written proposal in this matter?

22 A Mesa Petroleum Company.

23 Q And did Mesa receive some sort of written  
24 counter offer from McElvain and others?

25 A Yes, sir, we did.

1  
2           Q           Who made the first application with respect  
3 to this compulsory pooling hearing today?

4           A           Mesa Petroleum Company did.

5           MR. JAMES: Mr. Examiner, we have letters  
6 of notice to the other individuals of today's hearing, should  
7 you desire to have those submitted.

8           MR. STAMETS: Those just simply notify  
9 the parties on --

10          MR. JAMES: Of today's hearing.

11          MR. STAMETS: -- Exhibit Two of today's  
12 hearing?

13          MR. JAMES: Yes.

14          MR. STAMETS: I don't think there's any  
15 necessity at this point in having those in the record.

16          MR. JAMES: I have no other questions.

17          MR. STAMETS: Any other questions of this  
18 witness?

19          MR. KELLAHIN: No, sir.

20          MR. STAMETS: He may be excused.

21  
22                       WILLIAM R. NIERTSCHIN

23 being called as a witness and being duly sworn upon his oath,  
24 testified as follows, to-wit:  
25

## DIRECT EXAMINATION

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4 BY MR. JAMES:

5 Q Would you please state your name and place  
6 of residence?

7 A My name is William Robert Miertschin. I  
8 live in Midland, Texas.

9 Q By whom are you employed and in what capa-  
10 city?

11 A I am employed by Mesa Petroleum Company  
12 in the Midland office, the Permian Basin Division, as a Division  
13 Drilling Supervisor. I'm over the drilling and completion of  
14 wells.

15 Q Have you previously testified before this  
16 particular Commission or one of its Examiners and had your  
17 qualifications accepted?

18 A I have not.

19 Q Would you please then summarize for us your  
20 educational background and your work experience?

21 A Yes. I have a BA in mathematics from the  
22 University of Texas in Austin, with a minor in chemistry, from  
23 1972.

24 During the course of my studies there I  
25 was in engineering for two years, chemical engineering, and

1  
2 numerous engineering and chemical engineering courses.

3 I've been in the oil and gas business for  
4 almost seven years, starting out with N. L. Bayroy, a Division  
5 of N. L. Industries, working in the drilling fluids field at  
6 Odessa, Texas. I was with them one year and five months.

7 And then I worked for Gulf Oil Corporation  
8 out of the Midland Division for two years, during which I was  
9 went through the engineering training program, or drilling en-  
10 gineer, and became a drilling supervisor, working on drilling  
11 and completing wells throughout the Permian Basin, Crane and  
12 Monahans area, and then in the Midland office, Division office  
13 for the Division Drilling Management, and I've been with Mesa  
14 Petroleum Company almost three and a half years.

15 My first year I was a drilling engineer  
16 in our Hobbs, New Mexico, field office, doing drilling proce-  
17 dures and on site supervision of drilling and completing wells,  
18 and then I was moved to Midland in the same capacity, and  
19 remained in that capacity for approximately a year and a  
20 quarter, and was promoted to Division Drilling Supervisor last  
21 September and have been in that capacity ever since.

22 I am basically over all of the drilling  
23 and completing wells and the engineering involved in those  
24 procedures and the cost analysis and estimates.

25 Q Would you briefly summarize your experience

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with respect to the area in question today?

A Well, in the last slightly over two years, Mesa has drilled 219 wells, or has drilled or is drilling 219 wells in Chaves County to penetrate the Abo Formation, and I've been involved, first -- in the field in Hobbs on the original wildcat well up there, and involved in every well ever since in various capacities.

Q Are you familiar with the applications that have been filed in these cases today?

A Yes, I have.

MR. JAMES: We'd tender the witness' qualifications to the Examiner.

MR. STAMETS: The witness is considered qualified in the area of oil and gas drilling and completion.

Q Would you please identify for us, Mr. Miertschin, what has been marked as Mesa's Exhibit Number Eight?

A Yes. That is an archeological clearance of the surface by the New Mexico Archeological Services, Inc. of Carlsbad, involving several Mesa locations in Chaves County, one of which is listed as the Lodewick Fed Com No. 6, which this well will subsequently be numbered and named the Lodewick Fed Com No. 5, and I believe if you'll turn back to pages four through six, you can read the surface clearance of

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that particular location on Federal land.

Q Would you please identify for us what has been labeled as Mesa Exhibit Number Nine?

A Yes. That is a letter of notification of the intent to stake to the Federal grazing lease holder in the section where we would be drilling this well.

Q Has Mesa surveyed and staked the location for this well?

A Yes, it has.

Q Would you please identify and summarize for us what has been marked as Mesa's Exhibit Number Ten?

A Yes. That is the application to drill on a Federal location for the proration unit we are discussing, and it is approved with all the attachments, including a survey, and the stipulations of the Federal -- of the MMS.

Q Now, turning back to Mesa's Exhibit Number Three, that contained Mesa's AFE for this well, didn't it?

A Yes, it did.

Q Would you summarize for us what that AFE represents?

A That represents a cost estimate of the costs that were anticipated at the time, which was quite awhile back, in March of this year, for the well in question.

Q And is your signature on that AFE?



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A It is.

Q Looking back at the operating agreement that's been signed by Corona, shown as Mesa's Exhibit Number Four, does that reflect drilling and producing administrative costs?

A Yes, sir, it does, in the COPAS on page three, let's see, under Roman numeral III, Overhead, if you go to one, two, IA, it is double IA, you will find that the drilling rate is \$3700 and the producing rate is \$370. That's on a per month basis.

Q Are these costs in line with what's being charged by other operators in the area?

A Yes, they are.

Q Do you recommend that these costs be incorporated into the order which results from this hearing?

A Yes, I do.

Q Looking back at the map that's been entered as Mesa's Exhibit Number One, please tell the Examiner what is shown by that map in addition to Mesa's location for the No. 5 Lodewick Fed Com.

A Well, it basically just shows the surrounding area of wells that are Abo producing or locations, and of course, it shows our location there in red, the proposed production unit and the red arrow to our location itself, and on

1  
2 the completed well there's also the potential data, what  
3 these wells -- the IPCAOF, the calculated absolute open flow  
4 of these wells, and they are shown-- the producing wells are  
5 shown in red, pink.

6 Q Is there a recent dry hole in the Abo  
7 anywhere near this particular proposed location?

8 A Yes, I believe in Section 12 there is a  
9 dry hole that is approximately, oh, a little over a mile  
10 away, and there are numerous wells that are poor by our stand-  
11 ards. The CAOF's are abnormally low for, or lower than aver-  
12 age, I guess would be a better way to put it, for the wells  
13 in this area.

14 Q What is the standard risk penalty for non-  
15 consenting parties in operating agreements for this area?

16 A It is 300 percent. In other words, cost,  
17 we recover 100 percent of the cost, plus a 200 percent pen-  
18 alty.

19 Q And do you have a recommendation for the  
20 risk factor to be assessed against those who do not partici-  
21 pate in the drilling of the proposed well?

22 A Yes, that penalty, cost plus 200 percent.

23 Q Does Mesa have an office in Roswell?

24 A Yes, it does.

25 Q Approximately how many employees does Mesa

1  
2 have in the Roswell area?

3 A Well, exactly we have seventeen.

4 Q And would you summarize for us the types  
5 and the people that we have there and their professional capa-  
6 bilities?

7 A Yes, be glad to. Under my direct super-  
8 vision there we have the drilling superintendent over that  
9 division office, or that district office. And we have six  
10 drilling foreman underneath him. Several of the drilling  
11 foreman are not only experienced but they're also degreed indi-  
12 viduals, one having a degree in petroleum engineering techno-  
13 logy from Oklahoma State, and he hoined us from Chevron, so  
14 we have some very competent drilling and completion individuals  
15 in that office.

16 We also have a regulatory agent who deals  
17 with the surface staking and locations and deals with the  
18 various regulatory agencies, both State and Federal, and he  
19 came to us from the BLM.

20 We also have a production foreman, an  
21 assistant production foreman, six pumpers, and a secretary.

22 Q When Mesa is drilling a well in this area,  
23 do you provide constant supervision of those operations from  
24 that office?

25 A Yes, sir, we do. We -- it is a requirement

1  
2 on our walls that, since we're operating on day work and, as  
3 we were discussing Tom Brown, as it was mentioned earlier,  
4 it is our agreement with Tom Brown, and it is my direction to  
5 our drilling foreman, 24-hours a day, every day, we have on  
6 location either the toolpusher or the drilling foreman, the  
7 toolpusher of Tom Brown's or the drilling foreman that works  
8 for Mesa.

9 Q Do you anticipate using a Tom Brown rig  
10 to drill this well?

11 A Yes, that is our intent.

12 Q And did you say, maybe I missed it, that  
13 Tom Brown also has an office in Roswell?

14 A Tom Brown does have an office in Roswell.  
15 They have a yard and office and staff there, including a  
16 drilling superintendent and two toolpushers on each rig, as  
17 well as their normal staff on the rigs.

18 Q Do you recall the rig count for the -- a  
19 recent rig count for the Chaves County area?

20 A It's been on the order of nine or ten rigs.

21 Q And how many of those rigs does Mesa have  
22 drilling in this Abo play?

23 A Well, until about a week ago we had four.  
24 We have three at this time.

25 Q Does Mesa have other offices in New Mexico?

1  
2           A           Yes. We have three offices in New Mexico,  
3 an office in Hobbs, plus the one in Roswell, and then we have  
4 an office in Aztec, New Mexico, that services the San Juan  
5 Basin.

6           Q           Were Mesa's Exhibits Eight through Ten  
7 prepared by you or under your supervision?

8           A           Yes, they were.

9           Q           To the extent they are copies, are they  
10 true and correct copies from Mesa's files?

11          A           They are.

12                   MR. JAMES: We tender Exhibits Eight  
13 through Ten into evidence.

14                   MR. STAMETS: These exhibits will be ad-  
15 mitted.

16          Q           Does Mesa Petroleum Co. request to be  
17 designated operator of the proposed well?

18          A           Yes.

19          Q           Will Mesa promptly drill the proposed  
20 well?

21          A           Yes.

22          Q           Will granting Mesa Petroleum Co.'s appli-  
23 cation be in the interest of conservation, the prevention of  
24 waste, and the protection of correlative rights?

25          A           Yes.

1  
2 MR. JAMES: That's all the questions I  
3 have for now.

4  
5 CROSS EXAMINATION

6 BY MR. STAMETS:

7 Q Mr. Miertschin, you indicated that this  
8 AFE is somewhat dated. Do you still believe the well can be  
9 drilled at the costs that are set out herein?

10 A I believe it can be drilled for substantially  
11 reduced costs, for numerous reasons.

12 Q Can you give us what you consider to be  
13 appropriate dry hole and producer costs?

14 A Our most recent experience in this area,  
15 which is a well up in Section 12 -- you see the dry hole that  
16 we were talking -- just go to Exhibit One. It's 12, 5, 24,  
17 Section -- it's Section 12 there in the southeast quarter.

18 There's now a Mesa well in the southeast  
19 quarter, in the southwest -- the southwest quarter of the  
20 southeast quarter is where it would be.

21 We just finished drilling with this parti-  
22 cular rig a well in that quarter section to 4300 feet. It  
23 was spudded on 7th month, the 25th day, and the rig was re-  
24 leased on the 2nd day of August, so you can see it's quite  
25 recent. It -- we drilled and ran 4-1/2 production casing,

1  
2 cemented that casing, for \$219,000.

3 MR. JAMES: Would you please refer them to  
4 Exhibit -- Mesa's Exhibit Number Fourteen while you're talking  
5 about this well, Mr. Miertschin?

6 A Yes, I will. This is the Canack Fed Com  
7 No. 9. This is the -- interestingly enough about this dry  
8 hole, this was the well that we were involved with Mr. Grynberg  
9 on, and we drilled this well, ran the 10-3/4 casing, which  
10 our AFE shows 13-3/8ths. At the time this AFE was prepared  
11 we were making a changeover on several rigs from air drilling  
12 to fluid drilling in this area, which requires less casing and  
13 it's turned out to be more efficient in this area where we're  
14 discussing this well.

15 This shows that through the logging costs  
16 there, I don't have it broken down exactly, but our dry hole  
17 costs have been somewhere around \$175,000, before this --  
18 prior to running this casing. And this is, as I say, our  
19 most recent experience in the area.

20 Q Now, Mr. Miertschin, the orders that we  
21 issue force pooling any parties does require that the appli-  
22 cant furnish everybody with a brand new AFE. If Mesa were  
23 named the operator of this well, what in your estimation would  
24 be the dry hole cost and the completed hole cost on an AFE  
25 furnished on this well?

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2           A           Without redoing it completely, based on  
3 this other one, I would have to say our dry hole cost would  
4 be somewhere around \$200,000 and our completed well cost would  
5 be somewhere around \$350,000.

6                       Now that's rough numbers without going  
7 through every category.

8                       MR. STAMETS: Are there other questions  
9 of this witness?

10                      MR. KELLAHIN: Yes, sir.

11  
12                      CROSS EXAMINATION

13                      BY MR. KELLAHIN:

14                      Q           Mr. Niertschen, as the drilling supervisor  
15 for Masa for this area, is it within your discretion to redo  
16 a proposed AFE and to amend a drilling and completion program  
17 for a well?

18                      A           Yes, if I'm asked to do so, or if there  
19 is a need to do so, we could redo it, an AFE.

20                      Q           Where is your office, in Midland?

21                      A           Yes.

22                      Q           These AFE's for the Abo, are they prepared  
23 directly by you?

24                      A           Either by me or directly under my super-  
25 vision.



1  
2 Q And once they are prepared are they for-  
3 warded to your supervisor for final approval, or do you have  
4 final approval?

5 A Well, they're forwarded to my supervisor,  
6 the Operations Manager, and actually, the costs are also ap-  
7 proved by our Vice President of Operations in Amarillo for  
8 final approval of any of our internal AFE's.

9 Q With regards to the amendment of a drilling  
10 or completion program, does that final approval rest with you  
11 as a drilling supervisor or with someone above you in the  
12 management?

13 A Generally, on the drilling and completion  
14 program I handle it.

15 Q I'd like to direct your attention to the  
16 March 25th, '82, AFE, Mr. Miertschin, if you'll find your AFE.

17 A Let me plow through here.

18 Yes, sir.

19 Q Were you present at the meeting in Midland  
20 when Mr. Broome went to Masa's office to discuss the cost of  
21 the drilling of this proposed well?

22 A Yes, I was.

23 Q Have you received and reviewed Mr.  
24 Broome's proposed drilling contract with Young Drilling Com-  
25 pany?

1  
2 A I have never seen a contract. I've seen  
3 letters outlining the basis. I've never seen a contract.

4 Q Since March of this year there's been a  
5 substantial reduction in the costs of the Abo wells in this  
6 area, have there not, Mr. Miertschin?

7 A Yes.

8 Q They've dropped. Your AFE shows a daily  
9 rate for the drilling of this well. Do you propose to continue  
10 to use a day rate?

11 A Yes, we do propose to use a day rate.

12 Q And you propose to use Tom Brown as a  
13 drilling contractor?

14 A That's true. It is not a good rate, but  
15 we do propose to use (inaudible). The rate would be substan-  
16 tially lower.

17 Q You don't have available to you right now  
18 what the current day rate Mr. Brown is charging?

19 A I do not have it in writing. I know ex-  
20 actly what it is, though.

21 Q Could you give that to us?

22 A \$5928 per day.

23 Q And approximately how many days based  
24 upon your experience does it take to drill one of these wells?

25 A Our general estimate these days on a well

1  
2 of this kind is nine days. The Camack, to drill the Camack  
3 No. 9 was on and off in eight days.

4 So -- but we usually base our estimates  
5 on nine.

6 Q Has Mesa entered into a contract with Mr.  
7 Brown for the drilling of this particular well?

8 A Not for this particular well.

9 Q Mesa still would be free to substitute a  
10 different contractor if we could save more money and still  
11 get a competent job?

12 A Possibly. I can't answer that. Any kind  
13 of approval, that kind of approval would have to come from  
14 management above.

15 Q I can see on your March AFE that you pro-  
16 pose to run an intermediate string. Looks like you have a  
17 cost of \$20,800?

18 A Yes, sir, that's what's on the estimate.  
19 We always include that as a contingency in this area, since  
20 lost circulation and hole problems are predominant.

21 We did not find it necessary to run that  
22 in the Camack Fed Com No. 9, and in other wells in this area  
23 we have not recently run that string.

24 We mean it would reduce the rig time that's  
25 on this AFE; it would reduce the cementing; and it would of

1  
2 course, eliminate that string of casing entirely, which would  
3 somewhat reduce your wellhead cost. You're looking at some  
4 \$30-something thousand dollars less.

5 Q Are there any other operators, to the best  
6 of your knowledge, Mr. Miertschin, that are currently running  
7 this intermediate string as you proposed in this earlier AFE?

8 A Yes. Sometimes I think everybody that  
9 sets up this kind of contingency has had to run this type of  
10 string. We have not at this particular location in this parti-  
11 cular area.

12 Yates Petroleum, I know, sets up theirs  
13 so they can. I could not say the frequency that they end up  
14 running it, because I'm not aware of it, but I know that they  
15 have had to run it.

16 Q Would your revised AFE that you'll send  
17 to the working interest owners, if Mesa's approved as operator,  
18 include an intermediate string?

19 A Yes, it would. We always include that  
20 because we want our partners to know that there is a chance  
21 that we will have to run it. There's also a chance that the  
22 10-3/4 will not get down to the 900 feet necessary to comply  
23 with the covering of the fresh water. If you run smaller  
24 casing than that for surface, you are limiting, if it does  
25 not get to bottom, you're limiting your ability to isolate

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42

2 this fresh water, and when you do so, you have to run another  
3 string inside it, so we always put that contingency in.

4 As I say, we've been fortunate enough to  
5 have not had to run it. We would not anticipate running it,  
6 but we feel like you should be aware that if we get in trouble,  
7 that's the way we're going to handle it.

8 Q Are these the current pipe prices that  
9 you're paying on this AFE?

10 A They are somewhat high, particularly on  
11 the 10-3/4. The 4-1/2 might be somewhat low.

12 Q Can you give us the current price for the  
13 10-3/4 that you would propose to include in a revised AFE?

14 A It should be somewhere around 18.50 or  
15 \$19.00 per foot.

16 Q And how about ---

17 A 18 to 19, I'd say.

18 Q How about 4-1/2 inch?

19 A Probably 7 or 7.50. That is including  
20 some inspection and the taxes on it. On our 4-1/2 we base it  
21 on current mill price for domestic API casing. Now, this is  
22 based on the quote with the freight from the closest mill.  
23 In this case it would be on CF&I of Pueblo, Colorado, and we  
24 always inspect our casing at the mill electronically and  
25 visually to where we know that we will not have any bad joints

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2 shipped to us, and this casing is delivered, then, to Houston  
3 Freightways Trucking Company Yard in Artesia, New Mexico, and  
4 then is taken to the rig from there, and as I say, we have no  
5 rejects, no casing problems because of the last several years  
6 quality control, particularly on -- foreign pipe has been very  
7 poor and we -- we don't want any trouble with the production  
8 casing because we do have to stimulate the wells significantly  
9 and it involves fracs at high rates of sometimes moderate  
10 pressures and you -- you just cannot afford a risk; jeopardize  
11 the money you've spent drilling the well with poor casing.

12 Q Would you drill this well with air or with  
13 fluids?

14 A With fluids.

15 Q There was awhile there that Mesa was  
16 drilling with air, were they not?

17 A Yes, we still are.

18 Q But you propose to drill this well with  
19 fluids?

20 A Yes, sir, it depends on the area that  
21 you're in. We drill them very economically on the west side  
22 of the road in four to five days with air; on the east side  
23 of the -- that is Highway 285 -- on the east side there's more  
24 water present and we've found it more efficient to drill on  
25 fluids.

1  
2 Q Would you summarize for me your completion  
3 and stimulation technique that you propose to use for this  
4 well?

5 A Well, how I don't know how much detail you  
6 want on that, but basically we would propose to, after we set  
7 the 6-1/2 casing through the producing zone and cement it, at  
8 least with good cement 500 feet above the top of the Abo, and  
9 then with filler cement back up to tie into the 10-3/4, we  
10 would then run a cement bond log after letting it cure a couple  
11 of days, or several days, more than two, usually four or five  
12 days, at least, to determine that our cement job is adequate  
13 to handle our stimulation, then we would perforate it, selec-  
14 tively designing it around our stimulation procedure. Then  
15 we would acidize it with 7-1/2 percent acid, and when the well  
16 had cleaned up on the acid, we would frac it down the casing,  
17 using cross link gelled 2 percent KCL water, plus some amount  
18 of CO<sub>2</sub> depending on the quality of the logs. We vary the  
19 amount of CO<sub>2</sub>, and it's large amounts of 20/40 and 10/20 mesh  
20 sand.

21 Q Are you familiar with Young Drilling Com-  
22 pany, Mr. Miartschin?

23 A Vaguely. I'm not -- I've never seen one  
24 of their rigs and I don't know their people. I am aware that  
25 they are a drilling contractor out of the San Juan Basin area.

1  
2 Q You don't know whether or not Mesa has  
3 used them?

4 A I understand that they have. I do not  
5 know that personally.

6 Q Mr. Miertschin, have you ever had any dif-  
7 ficulty with Mr. McElvain or any of his operations?

8 A I've never had any dealings with him.  
9 The only time I've met him and Mr. Broome was in our offices  
10 that day, and I have no way of commenting on it.

11 MR. KELLAHIN: Thank you. I have nothing  
12 else for this witness.

13 MR. STAMETS: Any other questions of this  
14 witness?

15 MR. JAMES: I have a couple of other ex-  
16 hibits and questions based on the line of testimony we've just  
17 heard.

18  
19 REDIRECT EXAMINATION

20 BY MR. JAMES:

21 Q Mr. Miertschin, would you please identify  
22 and briefly summarize for us what we have submitted as Mesa's  
23 Exhibits Eleven through Fourteen?

24 A Yes, be happy to.  
25 Our Exhibit Eleven is a cost analysis of



1  
2 wells drilled in the last several months by Tom Brown Drilling.  
3 These wells were all drilled off fluid with 10-3/4 casing,  
4 surface casing set, and in no case was 7-5/8ths intermediate  
5 casing run. They are all in the general area that we've  
6 discussed.

7 Well by well, the Charlotte Fed Com 5  
8 there, shows that it was drilled to 4406 feet and rig on and  
9 rig off is nine days, and our AFE cost was \$44,000 -- I mean  
10 \$422,000. We actually drilled the cost -- the well for \$335,000.  
11 Now, that includes production equipment.

12 Now, through the potential test and what  
13 we carried on our drilling report is \$325,500, and this is  
14 the type of performance we would hope to have in this -- in  
15 this particular well.

16 You can see that some, particularly this  
17 Crawford 1 below it, was drilled and completed even more eco-  
18 nomically, and as far as the dry hole costs that we were con-  
19 cerned with, the Crawford Federal 2 below it was a dry hole,  
20 and the dry hole cost on it was only \$152,300.

21 And without going through every well, it's  
22 essentially the same type of performance. Now, there are some  
23 that, you know, are maybe not as outstanding, but we -- the  
24 reason that I don't have it for every rig from well to well  
25 is because there are several times we took these rigs to a

1  
2 different area, across the road, or whatever, and we used a  
3 different technique, so it would not be accurate.

4 But as you can see, we do have a pretty  
5 good track record of substantially beating our AFE cost. In  
6 fact, on this -- well, I've gone -- but there is an outline of  
7 the Charlotte Fed Com No. 5, the actually costs.

8 Our Exhibit Twelve is a memo from Amarillo  
9 to the various operations managers for the various divisions,  
10 stating that Mesa will no longer need to attach a disclaimer  
11 as to the tubular and freight costs on our AFE. We did at the  
12 time that this AFE was prepared for Mr. McElvain, for him and  
13 the others, working interest parties, we were attaching an  
14 attachment that stated we might have to pay premium prices  
15 because the availability of casing last year was not like it  
16 is this year. It was much tighter and some specialty items  
17 particularly was very hard to come by.

18 Then our Exhibit Thirteen is a breakdown  
19 of the actual cost by category that were spent on this Char-  
20 lotte Fed Com No. 5, which was the first well that I mentioned  
21 in Exhibit Eleven.

22 And the reason we chose it, or I chose it,  
23 is because it is the only well that I have essentially all of  
24 the costs in on off of our AFE printout to where I could give  
25 you exact numbers down to the penny.

1  
2 Q If I might interrupt, you mean of the re-  
3 cent wells?

4 A Of the recent wells that are in this area  
5 employing this technique with these rigs. It's the -- the  
6 fairest one that I could come up with to -- to represent this,  
7 because it was not drilled on air and it was drilled with  
8 (inaudible) rigs.

9 Then attached below that is the actual  
10 AFE that we've submitted. and you can see that the date on  
11 it is 3-12, and it includes 13-3/8ths and 8-5/8ths casing,  
12 and were just making a changeover to this 10-3/4, which is the  
13 way the AFE was given to Mr. McElvain, et al, here.

14 Then behind that is the actual well history  
15 that we compiled on the well. This shows -- the first thing  
16 is mainly for our accounting people. This shows Yates was a  
17 partner in it and Corona was non-consent on this particular  
18 well.

19 And then it goes through and shows exactly  
20 what we did and every day. These are the type of drilling  
21 reports we do furnish to the working interest parties and it  
22 carries it all the way through CAOF, and you will note that  
23 the cost on 5-12-82, which is on the last page of the well  
24 history, page four, is \$325,500. Now, you will also note, if  
25 you go back to the original, if you go back to the front page,

1  
2 and you can add up all these numbers down through 46 -- up  
3 to 46 and 47, which are the production equipment, that you  
4 will find that if you subtract approximately \$13000 from \$338 --  
5 \$338,000 that you come up with \$325,500.

6 So our daily cost that we take and turn  
7 in the drilling report are, in my opinion, very accurate ac-  
8 counting of what we've spent on the well.

9 So in light of that, we did give you our  
10 most recent well on Exhibit Fourteen, which is the Camack Fed  
11 Com No. 9, which is also our closest well, and you can see  
12 that it reflects even a -- even a better job, in my opinion,  
13 than the one that I have outlined for you there.

14 Q Would you please summarize out of your  
15 experience the difference between the type of drilling arrange-  
16 ment that Mesa has versus, say, a turnkey deal with an operator  
17 from another area?

18 A Well, generally I would say, we work on a  
19 day work basis. We assume the risk and we try to save money  
20 by doing so.

21 A turnkey or a footage contract, you are  
22 limited in your supervision. It's normally better for com-  
23 panies who do not have a large amount of supervisory personnel,  
24 and it involves the contractor assuming the risk, but of  
25 course, as in anything, if you limit the risk, you also allow

1  
2 for profit, so we choose to -- Mesa chooses to assume the  
3 risk and try to drill the well efficiently and therefor drill  
4 it less expensively.

5 Now, I think if you would note this well  
6 that I have the comparison on, our Exhibit Thirteen, the  
7 Charlotte Fed Com No. 5, if you were to take out the cementing  
8 costs -- now this is the dry hole column since we're talking  
9 mainly about drilling costs -- the dry hole column, if you were  
10 to remove the cementing costs, the logging costs, the location  
11 costs, the company labor and overhead, the hauling and freight,  
12 and the geological consultant, you would find that you are  
13 left with a total of \$121,835.50, and that is what we actually  
14 drilled that well for.

15 And if it's my understanding of the turn-  
16 key agreement, we're talking something in excess of that amount.

17 MR. JAMES: I have no further question of  
18 this witness.

19 MR. STAMETS: Are there any other ques-  
20 tions?

21  
22 RECROSS EXAMINATION

23 BY MR. KELLAHIN:

24 Q To make sure I understood your last state-  
25 ment, Mr. Miertschin, you said you added up all those numbers

1  
2 to get \$121,000?

3 A No. I'm saying, if you take the bottom  
4 number on the intangible, or noncontrollable costs there,  
5 which is below 25, \$167,334.04, are you with this?

6 Q You subtract. .

7 A Then you go up and subtract Line 4, the  
8 cementing, which would be borne by the operator; if you would  
9 subtract Line 6, which is the logging, which would also be  
10 borne by the operator; you subtract the location, surveys,  
11 roads, et cetera, number -- that's Number 8, it would also  
12 be borne by the operator; and No. 10, which is the company  
13 labor, supervision, engineering, overhead, and if you dropped  
14 down and subtract the hauling and freight, which is No. 12,  
15 which is \$1150; then if you drop all the way to 25 and sub-  
16 tract the geological consultant, then you will come up with  
17 the number \$121,835.50.

18 Q The \$121,000 number then would be compar-  
19 able to the cost of a turnkey contract.

20 A That is correct.

21 Q The items left in that number, then, are  
22 items that a contractor, if he executed a turnkey contract,  
23 would pick up.

24 A That is correct. Now the difference in  
25 that is this well was drilled to 4400 feet, not 4300 or less,

1  
2 and that the move in, rig up, and move out portion up there  
3 in 02 right at the top also includes the setting up through  
4 the rat hole, or mousehole, which I'm sure would be on a con-  
5 tract, or it should be subtracted from that number.

6 Also, it reflects a higher day rate than  
7 we are paying at this time.

8 Q You told me you had seen the proposal that  
9 Mr. Broome submitted to you by Young Drilling Company for a  
10 turnkey contract. Do you recall what that amount was?

11 A I believe there was one at 130 and one at  
12 127,500, or something like that, on the order of \$125-130,000.

13 Q That's your recollection?

14 A Yes, sir.

15 Q Which of these wells in these various  
16 summaries is the closest Abo well to our proposed location  
17 here, Mr. Miertschin? You said it but I missed it.

18 A It's the very last one on the second page.  
19 It's the Canack Fed Com No. 9.

20 Q Over in Section 12.

21 A Yes, and it drilled to 4300 in eight days;  
22 casing was set; 4-1/2 casing was run; cost of the casing, the  
23 casing including cementing, was in that \$219,000. That's the  
24 one that is our exhibit Fourteen, the well history of that  
25 particular well.

1  
2 Q What is going to be the total completed  
3 well cost of it? Is that what that number is?

4 A No, sir, that is not the completed well  
5 cost. It does including the tubing, any stimulation, perfor-  
6 ating, stimulation, bond logging, et cetera.

7 It's just a portion of the completed cost.

8 Q Do you have an estimate of what -- how the  
9 actual costs there are going to compare to the proposed costs  
10 of \$391,000?

11 A Well, you're asking me to speculate on  
12 exactly what we're going to spend for the duration of this  
13 well. That greatly depends on the size of the frac and things  
14 like that, and the frac job could vary by some \$15 or 20,000  
15 or possibly even more.

16 This is an extremely good log and a good  
17 well. It's offsetting a dry hole, ironically, but it is a --  
18 it is a good well.

19 Q I just want to clarify in my own mind that  
20 that \$219 wasn't all the money you would spend on this well.

21 A Oh, no, sir, it is not. There is some,  
22 say, \$75 or 80,000, on that order.

23 MR. KELLAHIN: Thank you. I have nothing  
24 further.  
25



## REXCROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Miertschin, on Exhibit Thirteen you show 3612 feet of 2-3/8ths tubing and no cost.

A That, I'm sorry. The reason for that is tubulars are lumped together. It is in that \$40,000, both the casing and the tubing are in that \$40,263.

Q Okay.

A But the whole thing is there.

Q Do you know what Mesa's standard procedure is for getting the money from those other interest owners who choose to participate? Is their standard procedure to get the full share up front or do you send participating interest owners periodic billings?

A I really could not comment. I think -- I'm not aware. I think it somewhat varies with what the situation involves.

MR. JAMES: Could we direct that question to Mr. Hannifin?

A Mark might --

MR. STAMETS: If anybody is here capable of answering that, I certainly would --

MR. JAMES: Would this be after a compui-

1  
2 sory pooling, or prior?

3 MR. STAMETS: It certainly would be after  
4 compulsory pooling, since that's what we're discussing.

5 MR. HANNIFIN: We would give them the allo-  
6 cated time period, 30 days, to pay what the order called for,  
7 which I believe is typically estimated well costs.

8 We quite frankly do not know the defini-  
9 tion of that, and we allow the participating parties to in-  
10 terpret that according to their attorney's advice.

11 MR. STAMETS: If their attorney advises  
12 them to just pay as billed, you would accept that?

13 MR. HANNIFIN: No, they would have to pay  
14 either the estimated dry hole cost or the estimated completion  
15 costs.

16 In the case of Mr. Grynberg, he chose to  
17 pay estimated completion costs, his share, but we do not at-  
18 tempt to define what estimated well costs means for -- with  
19 respect to your order.

20 MR. STAMETS: So in this case you would  
21 be willing to accept up front everybody else's share of esti-  
22 mated dry hole --

23 MR. HANNIFIN: Yes, sir.

24 MR. STAMETS: When would you want the  
25 rest of the money?

1  
2 MR. HANSHIFIN: We would probably send  
3 them an AFE as soon as the order was granted and we'd want  
4 the money within the thirty day participation period. I be-  
5 lieve that your order requires them to pay within thirty days.

6 MR. STAMETS: Right, and I'm thinking of  
7 the completion costs.

8 MR. HANSHIFIN: That would be billed as  
9 incurred in accordance with standard operating procedures.

10 MR. STAMETS: All right. Any other ques-  
11 tions? The witness may be excused.

12 Anything further?

13 MR. JAMES: I have no further witnesses.

14 MR. STAMETS: Okay.

15 MR. JAMES: Excuse me, Mr. -- if I may  
16 ask Mr. Miertschin another question.

17 MR. STAMETS: Certainly.

18 MR. JAMES: Mr. Miertschin, were Exhibits  
19 Eleven through Fourteen prepared by you or under your super-  
20 vision?

21 MR. MIERTSCHIN: Yes, they were.

22 MR. JAMES: To the extent they represent  
23 copies, are they true and correct copies of Mesa's files?

24 MR. MIERTSCHIN: Yes, sir, they are.

25 MR. JAMES: We would tender Exhibits

1  
2 Eleven through fourteen.

3 MR. STANETS: These exhibits will be ad-  
4 mitted.

5  
6 GEORGE BROOME .

7 being called as a witness and being duly sworn upon his oath,  
8 testified as follows, to-wit:

9  
10 DIRECT EXAMINATION

11 BY MR. KELLAHIN:

12 Q Mr. Broome, for the record, would you  
13 please state your name and occupation?

14 A George Broome. I'm a geological engineer  
15 with T. H. McElvain, Junior, here in Santa Fe.

16 Q Would you summarize your background, Mr.  
17 Broome, and tell us when and where you obtained your profes-  
18 sional degree?

19 A I graduated from the University of Arizona  
20 in 1961 with a Bachelor of Science degree in geological en-  
21 gineering.

22 Q Subsequent to graduation where were you  
23 first employed in the oil and gas industry?

24 A I was employed in 1961 by Schlumberger  
25 Well Surveying Corporation in California. I worked in off-

1 shore California and Alaska for four years.

2  
3 Q What were your duties for Schlumberger,  
4 Mr. Broome?

5 A I was a field engineer. I logged oil  
6 wells, gas wells.

7 Q Subsequent to your employment with Schlum-  
8 berger, what was your next occupation with the oil and gas  
9 industry?

10 A I went to work for T. H. McElvain in 1965  
11 here in Santa Fe and I've been employed by them since that  
12 time.

13 Q Would you describe generally what you do  
14 for Mr. McElvain?

15 A Well, I'm in charge of the exploration  
16 and drilling program and I do quite a bit of the land work.  
17 We've spread that between Mr. McElvain and myself. We purchase  
18 leases and trade, work our own deals, and I do the engineering  
19 and the geological work on well deals.

20 Q Mr. McElvain has proposed a compulsory  
21 pooling application that's docketed as Case Number 7633 today,  
22 Mr. Broome. Have you made a study of the facts surrounding  
23 that particular application?

24 A Yes, we have. We've -- we've been involved  
25 with Mess. 'n this particular drilling location for several

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months. We've been trying to reach some sort of agreement with them and we haven't been able to do it.

Q Are you familiar with pricings of different items for Abo wells drilled in this portion of New Mexico?

A Yes. We've been involved in several wells in this immediate area of our location and we just completed a well on our own offsetting this particular location and so we have a pretty immediate feel for the cost in the area.

MR. KELLAHIN: We tender Mr. Broome as an expert geologic engineer with expertise in the preparation of estimated costs for the drilling of Abo wells in this portion of New Mexico.

MR. STANETS: The witness is considered qualified.

Q Mr. Broome, let me direct your attention to what has been marked as Exhibit Number One, which is a plat, and have you locate for us the proration units, the subject matter of the cases here this afternoon.

A Our proration unit is the southwest quarter of Section 8. T. H. McElvain, et al, controls the west half of the southwest quarter and Mesa Petroleum controls the east half of the southwest quarter.

Q Mr. Hannifin submitted, I think, as his Exhibit Number Two, a tabulation of the various working inter-

1  
2 est ownership.

3                                   Apart from Mesa and Corona, Mr. Broome,  
4 who are these other individuals?

5                   A               Mr. J. Roger Friedman is a -- he's a  
6 business associate and close friend of T. H. McElvain, Junior,  
7 and the remaining interest owners are employees of T. H.  
8 McElvain, Junior. We all have an interest in the well that  
9 we are at risk for.

10                   Q               All right, sir. Now, in terms of the  
11 total working interest for this proration unit, what percentage  
12 of that interest has been committed to an operating agreement  
13 designating Mr. McElvain as the operator for this proposed  
14 well?

15                   A               We have fifty percent interest committed.  
16 We have all of the owners other than Mesa and Corona.

17                   Q               Directing your attention to Exhibit Number  
18 One, would you identify for us the McElvain Abo well that you  
19 referred to awhile ago as being a recent completion?

20                   A               It's the Rattlesnake State No. 1 Well,  
21 located in the southeast quarter of the southeast quarter of  
22 Section 7, 5 South, 25 East. It was completed in May of this  
23 year for a calculated open flow of 25 -- 2425 Mcf.

24                   Q               Mr. Broome, would you identify what I've  
25 handed you as McElvain Exhibit Number Two?

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A This is a tabulation of well costs of the Abo wells that we have participated in in this immediate area, including the one we operated, which would be the first page is the one we operated, and just recently completed.

The other two wells are the Rattlesnake State "M2" Com Well, located in the northeast quarter of the northwest quarter of the northwest quarter of the same Section 7. That well was operated by Yates Petroleum.

And the other well tabulation is Flag-Redfern's McElvain State Well, located in the southwest quarter, I'm sorry, the southeast quarter of the south -- southwest quarter of the southwest quarter, excuse me, Section 6.

Q Let me direct your attention now, Mr. Broome, to what I've marked as a package of exhibits containing correspondence between you and Mesa. It's marked Exhibit Three.

I'd like to spend some time now, Mr. Broome, and talk about the efforts you have made on behalf of the McElvain group with Mesa in order to form a voluntary unit for the drilling of the Abo well and have you start in chronological order and commence with the first efforts made by either party, either in writing or orally, to propose the drilling of this well.

A In November 13th of 1981 we contacted --



1  
2 I personally contacted Kevin Dentzer of Mesa to propose the  
3 drilling of this well, and we have a letter back from him of  
4 that date stating that Mesa did not have the well budgeted  
5 and that they would consider the drilling of this well and get  
6 back to us at a later date.

7 And the next correspondence we had from  
8 Mesa was on 3-26 of '82, which was a phone call from Mr. Han-  
9 nifin, stating that they were going to go ahead and drill the  
10 well and that they were sending out AFE's, and they planned  
11 to spud the well by May the 1st, and that was our first notice  
12 that Mesa was even considering drilling this well.

13 We had originally tried to include it in  
14 our budget for the early part of '82 and that's why we had  
15 made contact with -- with Mesa back in November of '81; and  
16 they sent us their AFE and we were quite astounded by the --  
17 the price, and we --

18 Q Is this, the AFE you received from Mr.  
19 Hannifin in March of '82, is that the same AFE that Mesa  
20 introduced this afternoon as their AFE for this well?

21 A Yes, it's the AFE with a total well cost  
22 of \$408,000 for a producing well, and we felt that that was  
23 excessive and we proposed back to Mesa that we operate the  
24 well because we did have available to us at that time a turn-  
25 key arrangement to drill the well with Young Drilling Company

1  
2 and they agreed to share the risk and to furnish all the mud  
3 water and -- and bits and fuel and the casing crews and the  
4 rig time for lost circulation, fishing jobs, et cetera, so  
5 we felt that with that kind of an arrangement we could cer-  
6 tainly drill the hole with fluids and run a surface string to  
7 approximately 1000 feet to seal the water zones and go ahead  
8 and drill to total depth without running any sort of an inter-  
9 mediate string. We felt that drilling with fluids at that  
10 time in the area was -- was the way to go, and that's what we  
11 had done in the other wells that we had participated in and  
12 had great success with it; had not had any problems.

13 Q Let me ask you, Mr. Broome, what, in your  
14 opinion, is the advantage or disadvantage of a turnkey  
15 drilling contract as you propose to use with Mr. Young?

16 A Well, we felt the advantage of this parti-  
17 cular contract was that his company's expertise in drilling  
18 and his personnel are so well qualified that they could help  
19 by saving us quite a bit of money, or he would lose money,  
20 and we -- the way the well turned out, he made money on it,  
21 we got a very efficient job, and there was no -- there was no  
22 problem on either side. We felt that since that original  
23 arrangement the prices have come down in the whole area and  
24 we presently have a commitment from him to drill the same well  
25 for \$115,000 on a turnkey basis, again furnishing all of the

1  
2 items that he had agreed to and furnished on our other well,  
3 so we feel that that would be a very favorable agreement for  
4 the joint account to consider.

5 Q Did you communicate to Mesa your desire to  
6 have Mr. Young used as the drilling contractor for this well?

7 A Yes, we did on numerous occasions. We  
8 furnished Mesa with our proposal to drill and stated -- in-  
9 cluded our AFE, which showed an estimated well cost of about  
10 \$348,000, and we included this price of \$130,000 for the turn-  
11 key arrangement with Young Drilling Company.

12 We submitted a -- on two other occasions  
13 we submitted reductions to that original AFE, or original  
14 drilling commitment from Mr. -- from Young Drilling.

15 I believe we -- on June the 7th we furnished  
16 Mesa with a drilling contract agreement that showed Young  
17 would drill the well for \$120,000 at that time, and we received  
18 no response from Mesa, or from any of these proposals.

19 Q Did you receive any response or communica-  
20 tions from Mr. Hannifin, or anyone else on behalf of Mesa,  
21 with regards to the competence of Mr. Young as a drilling con-  
22 tractor?

23 A They expressed to me on the telephone that  
24 they were familiar with -- with his company and they had  
25 talked to their division in the north that has used him on

1  
2 numerous occasions and found that he was a very competent  
3 contractor, and so they expressed no reasons to me that they  
4 couldn't accept him as the drilling contractor.

5 Q Attached in the packet of exhibits, Three-A,  
6 Mr. Broome, is the Mesa AFE of March 25th. I'd like you to  
7 pull that out and I will show you what we've marked as  
8 McElvaia Exhibit Number Four, which is your proposed AFE of  
9 April 1st.

10 Exhibit Number Four, Mr. Broome, is this  
11 the AFE you tendered to Mesa?

12 A Yes, it is.

13 Q I'd like you to go through some of the  
14 main points in comparing the two AFE's, Mr. Broome.

15 First of all, you can summarize again the  
16 difference between the day rate and the turnkey price on the  
17 contract.

18 A Well, we went through the AFE and picked  
19 out what we considered to be the Mesa -- the Mesa AFE, we  
20 picked out what we considered to be the costs that were in-  
21 cluded in this turnkey arrangement with Young Drilling Com-  
22 pany, and we came out with approximately \$146,500 as their  
23 AFE costs on these items.

24 Now our turnkey price at that time was  
25 \$130,000, showing a savings of \$16,500, which we felt was

1  
2 pretty substantial and should be addressed.

3 Q You heard Mr. Martechin's testimony that  
4 the daily rate charged by Mr. Brown has dropped in the recent  
5 months. In your opinion is there still a significant dif-  
6 ference between the turnkey contract and the daily costs in-  
7 volved in the two proposed AFE's?

8 A Well, I feel there is a very significant  
9 difference in that the drilling prices are going to be lower  
10 with the turnkey arrangement and the contractor is sharing  
11 the risk. If we have any problems, that the contractor is  
12 going to stand for a lot of that, and he's -- he's the type  
13 of contractor that can stand for it. He's -- he's very well  
14 established. He's been drilling for years and years and he  
15 has a lot of expertise in drilling and he's willing to make  
16 these arrangements because he knows that he can handle them  
17 and he has been able to stand behind his situation in the  
18 past.

19 Q Let me direct your attention to that por-  
20 tion of your AFE, to Mesa's AFE, with regards to the itemiza-  
21 tion of an intermediate string.

22 Do you propose the use of an intermediate  
23 string for this well?

24 A No, we never proposed the use of an inter-  
25 mediate string and we propose to run an 8-5/8ths inch surface

1  
2 string to 950 feet to seal the fresh water off and cement it  
3 back to the surface, and then we propose to drill 7-7/8ths  
4 hole to TD.

5 Q Are other operators in this area currently  
6 using this intermediate string for the drilling of the wells?

7 A No, they aren't. I checked the wells in  
8 the immediate area around our location here, and I found that  
9 Nasa was the only operator that has used this intermediate  
10 string and there -- there have been wells completed by, numer-  
11 ous wells by Yates, and Western Reserves, and Viking Petroleum,  
12 and Flag-Bedfern, and none of them have used the intermediate  
13 string other than Nasa, and possibly it was used because of  
14 their air drilling technique and I believe that their testi-  
15 mony will show that they've found that that's not efficient  
16 anymore in this particular area, which we believed for a long  
17 time.

18 Q I show you Exhibit Five and ask you to  
19 identify that exhibit.

20 A Now this is the tabulation of the casing  
21 depths on the various wells surrounding the contested location  
22 and all of the wells with the casing set in the 17-to-1800  
23 foot range do have a surface string set at approximately 900  
24 feet, so the surface string was either 10-3/4 or in most cases  
25 it was 13-3/8ths, and some of these wells were completed as

1  
2 early as -- early part of this year, so Mesa's changing tech-  
3 nique has occurred in recent -- recently. We were not able  
4 to document that, a change in this particular area.

5 Q In your opinion, Mr. Broome, is it ne-  
6 cessary to budget a contingency in here for an intermediate  
7 string, as Mr. Miertschin proposes?

8 A I don't feel that it's necessary. I --  
9 with our drilling arrangement we feel that we have adequate  
10 insurance that we are going to be able to get a leggable hole  
11 and control the cost of that hole by having this turnkey ar-  
12 rangement.

13 Q Let me direct your attention to the  
14 casing and tubular prices reflected on both the AFE's and  
15 ask you what, if any, differences are there between the two?

16 A Well, we found that -- that casing prices  
17 set out on the Mesa AFE are considerably higher than we've  
18 been able to purchase API pipe for, and we have received  
19 quotes for the prices set out on our AFE and we have found  
20 that some of those prices have softened even more in the last  
21 three or four months to where we could probably save a few  
22 thousand dollars more there.

23 Q Would you describe for us, Mr. Broome,  
24 what your practice is with regards to your actual supervision  
25 at the wellsite for the drilling of the well, and what you

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would propose to go for this well?

A Well, our -- our normal supervision is either myself or Mr. McElvain are present during the drilling and completion of the well, and sometimes we're both present, and so we -- we directly supervise the drilling and completion.

We drill several wells a year but we don't drill so many that we can't get personally involved in each one, and we do. We're -- we're there to supervise.

Q What, if any, response did you receive from Mesa with regards to your proposal that Mr. McElvain be the operator for this well?

A Well, our first response was that they indicated some -- some definite interest in the proposal and in our drilling contract with Mr. Young, and they indicated that they would like to see how we came out on our offset to the west, and we told them that we'd keep them well informed and furnish them information as we went along, and then --

Q This is the Rattlesnake State Well?

A This is the Rattlesnake State Well in the southeast southeast of Section 7.

So as we drilled the well, we -- we did keep Mesa informed. We sent them a set of logs and on May 3rd, I believe it was, we went to Midland. We called Mark Hannifin and told him we'd like to come down and talk about



1  
2 this well, and the operation of the well.

3                   So we went to Midland and met with Mr.  
4 Jeffers, the Division Geologist, and Mark Hannifin, and a  
5 Mr. Miertschin was there, and several other people.

6                   We sat around the table and discussed the  
7 logs of our well with their wells drilled off to the east of  
8 us, and we all agreed that the well was a drillable prospect  
9 and we stated our objections to their AFE and they indicated  
10 to us then at that time that they could possibly revise that  
11 AFE, and then they also indicated that they would consider our  
12 operation proposal and that it would have to go to Amarillo  
13 and be approved there.

14                   So we left the meeting with the feeling  
15 that they were considering our offer to operate and they asked  
16 us to furnish them actual cost figures, which we did. We  
17 went back and made copies of every invoice that we had on the  
18 well and we sent them down to Mark Hannifin.

19                   And on the 24th of May we -- I talked to  
20 Mark and told him that we had some flow rates on the well.  
21 We had completed it by then and we had some flow rates on the  
22 well, and he so much as indicated to me at that time that  
23 Mesa just did not want to allow anyone else to operate their  
24 properties and that there was no chance that Mesa would con-  
25 sider us as the operator, after they had led us to believe

1  
2 that they -- they were seriously considering our offer.

3 And we supplied them with all of their  
4 requests.

5 Q Mr. Broome, do you have a proposed overhead  
6 charge while drilling and during production to be assessed  
7 against any non-consenting working interest owners if Mr.  
8 McElvain is designated the operator of this unit?

9 A Yes, we do. We would propose \$3500 a  
10 month and \$350 a month for operation of the well.

11 Q Are you aware of the charges that Mesa  
12 has proposed?

13 A Yes. They're slightly higher than that.  
14 They're in the ballpark but they're higher, and their district  
15 expense, and all, would be considerably higher than ours.

16 Q Do you have an opinion, Mr. Broome, of the  
17 risk factor that you would recommend be included in a pooling  
18 order?

19 A I believe that the risk factor should be  
20 300 percent. I believe that the Abo wells are risky, even  
21 as can be testified by the dry hole in Section 12, I believe  
22 that the 200 percent penalty would be applicable here.

23 Q That's recovery of a proportionate share  
24 of the actual cost plus the 200 percent?

25 A The 200 percent penalty, yes, sir.

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2 Q When would Mr. McElvain be ready to com-  
3 mence this well, Mr. Broome?

4 A Well, we could commence as soon as we could  
5 get our paperwork in order and we would have to have a desig-  
6 nation of operator for the Federal lease from Mesa and its  
7 partners.

8 But our drilling contractor would be ready  
9 within a week to ten days, so we could commence immediately.

10 Q Mr. Broome, would you summarize for me  
11 your reasons why you think Mr. McElvain ought to be the oper-  
12 ator for this unit as opposed to Mesa?

13 A Well, we feel that -- that we can complete  
14 the well for substantially less than -- than Mesa and we feel  
15 we can do a good job.

16 We give our wells a lot of attention and  
17 we don't have so many wells that we can't spend a lot of time  
18 supervising and making sure that each thing is done properly,  
19 and we also feel that -- that we can operate it more reasonably  
20 on the monthly basis, and efficiently, also, because of our  
21 size. We think we keep very close track of all of our pro-  
22 duction and feel like we -- we can do a very adequate job  
23 there.

24 Q Have you or Mr. McElvain ever been involved  
25 in a compulsory pooling hearing before?

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A No, sir, we haven't.

Q What type of operating agreement would you propose to use for this proration unit?

A We would propose to use the same Model Form as furnished by Mesa. It's the Model 610-1977.

Q And was that furnished to Mesa?

A Yes, it was. We furnished that operating agreement to Mesa and they received it without -- without comment. I assume they received it.

Q Have you received a proposed operating agreement from Mesa?

A Yes, we did.

Q What, if any, objections do you have to that?

A Well, we did object to the -- to a clause they added in Article Fifteen, which states that -- it starts on line 51 of Article Fifteen, it goes through line 63, it's on page 14, and it states that should a non-operator neglect to pay for thirty days, they would have the right to notify the non-operator and if he didn't answer, if he didn't pay within an additional ten days, he would automatically go non-consent for all remaining -- for all owed amounts, plus remaining expenses.

So we felt that that's an unreasonable

1  
2 sort of a clause and the first time we'd seen it in an oper-  
3 ating agreement, and we object to that, in that someone could  
4 inadvertently get -- lose 300 percent penalty on the basis of  
5 a past due bill.

6 Q Do you operate any other oil and gas  
7 properties in which Mesa has a non-operating working interest?

8 A We don't -- we're proposing a unit that  
9 Mesa has indicated that they would -- they would participate  
10 in. We're -- it's in the stages of formation at the present  
11 time, the Corn Ranch Working Interest Unit.

12 We have a letter indicating that they  
13 would commit an interest to our unit.

14 Q Mr. Broome, have you made any estimate of  
15 the recoverable reserves that might be produced by an Abo  
16 well in relation to the costs of that well?

17 A Our figures would -- would indicate that  
18 the recoverable reserves are in the neighborhood of three to  
19 four times the cost of the well, and we feel -- now I'm --  
20 I'm speaking here of some of our particular interests. We  
21 feel that it could be better and it could be worse, but if  
22 the costs are excessive on the well, it's going to definitely  
23 affect the return on investment considerably, because these  
24 are low volume gas wells and it is a fairly new reservoir.  
25 Nobody knows how long they're going to hold up. The bottom

1  
2 hole pressures have been decreasing rather dramatically in  
3 some of the wells that -- that we have access to. It would  
4 indicate that the reserves could be fairly limited in this  
5 reservoir and so we feel that every -- every dollar counts.  
6 It's a very cost-conscious type play where every penny is very  
7 important, especially to a small operator.

8 Q You heard Mr. Miertschin summarize the  
9 stimulation technique, fracture treatment he would propose  
10 for this Abo well. Do you have any disagreement with Mesa  
11 over that?

12 A Well, we feel that using a slick water  
13 type high volume treatment is the most effective way to treat  
14 the Abo. I think there's a lot of contention and disagreement  
15 about what the most effective way is, but we have found it to  
16 be very effective in the situations we've been in, and some  
17 of the situations we've studied in the area.

18 We presently would propose to not use any  
19 CO<sub>2</sub> and just swab the well back after we run tubing because  
20 we feel like a CO<sub>2</sub> would be a waste, and if we're fracing  
21 down the casing and then we'd have to turn around and condi-  
22 tionally kill the well to get the tubing back in the hole, so  
23 our current feeling is definitely that we should run a slick  
24 water type frac with a high rate of injection and try to get  
25 a fairly high volume of sand.

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2 Q Were Exhibits One through Five compiled  
3 under your direction and supervision, except obviously, the  
4 correspondence from Mesa?

5 A Yes. They were all compiled under my  
6 supervision.

7 MR. KELLAHIN: We move the introduction of  
8 McElvain Exhibits One through Five.

9 MR. STAMETS: These exhibits will be ad-  
10 mitted.

11 MR. KELLAHIN: That concludes our examin-  
12 ation of Mr. Broome.

13 MR. STAMETS: Mr. James, do you have some  
14 questions?

15 MR. JAMES: Yes, I do.

16  
17 CROSS EXAMINATION

18 BY MR. JAMES:

19 Q Mr. Broome, looking at Mesa's Exhibit Two,  
20 which is the working interest ownership schedule, I believe  
21 you've stated that Mr. McElvain would like to be designated  
22 operator of the proposed unit, is that correct?

23 A Yes, sir.

24 Q Would you please tell us again what is his  
25 interest in the proration unit?

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A His individual interest is 21.875 percent.

Q Now, if you were evaluating the risk in terms of dollars spent, out of each dollar how many cents would Mr. McElvain be spending?

A 21.875 cents, although his group would be spending 50 cents, because we're all a group in this lease, and as I stated previously, everybody works for Mr. McElvain except Mr. Friedman, who is a close personal friend, so you know, it's definitely a tight group.

Q I note from your Exhibit Number Four, which is an Authority for Expenditure, it's dated April the 1st, 1982. I'm looking at the date next to your signature on Exhibit Number Four submitted by yourself.

The April 6th letter transmitting an AFE to Mesa was actually accompanied by an April 6th, 1982, AFE, was it not?

A That's possible, because I didn't keep a signed copy of the -- I had the originally signed copy that I had dated 4-1 here and sent out to some of these other owners.

Now, the Mesa copy might have been dated April the 6th, when I sent the letter to Mesa.

Q Now, with respect in that same Exhibit Number Four, the signature of J. Roger Friedman on his Authority for Expenditure, Mr. Broome, did you witness Mr. Friedman's



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signature to that AFE?

A Yes, I -- no, I didn't witness his actual signature. He -- he did not date the AFE and I dated it when it came back into the office.

It was accompanied, when it came back into the office, he had left it undated and I placed the date on it when it returned to our office.

Q Do you actually have signed operating agreements from Mr. Friedman or Miss Harvey, or Mr. Hickey, or Miss Sweeney?

A Yes, sir, I do. I have -- this is our operating agreement dated April the 30th and it's been executed by all parties. Mr. Friedman's name is on a different page. It was sent to --

Q Do you have a signed agreement with Corona Oil Company?

A No, we don't.

Q I notice on your Exhibit Number Two that apparently Mr. McElvain has only drilled one of the three wells submitted, is that correct?

A We have only operated one of the three wells submitted, yes, sir.

Q I notice on the other two wells drilled that day work drilling contracts were involved, is that cor-

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rect?

A Yes, sir. They were in effect at that time. Day work drilling was the only contract he could get when those wells were drilled.

Q In accordance with your letter of March 30, 1982, contained in Exhibit Three, I believe it's the fourth page of your Exhibit Three, I believe you state there that -- that your offer to drill was a counter proposal to Mesa's offer to drill. Is that correct?

A Let me see that again just a moment, please.

Q It would be your Exhibit Number Three, the fourth page.

A Okay, here we go.

Q Your Exhibit Three was -- began with a summary, I believe, of your communications with Mesa.

A Right. Okay.

Q I'll hand you my copy of it and you can just turn to page -- the fourth page.

And the first paragraph is what I'm directing your attention to.

A Right. Right. We made a counter-proposal at that -- at that point in time because we were not aware that Mesa had even proposed the well. Mesa notified us on March 26th, I believe it was, by telephone that they were

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2 proposing to drill this well and they had previously indicated  
3 in November of 1981, this letter from Kevin Dentzer, indicated  
4 that once we have drilled our Lodewick No. 1 Well in the  
5 southeast quarter of 8 and have had an opportunity to evaluate  
6 the immediate area, we will then make a decision as to further  
7 activity in this area.

8           Mesa appreciates your call and will contact  
9 you further once we have had an adequate opportunity to study  
10 the area.

11           Well, nobody contacted us until the loca-  
12 tion was staked and had been surveyed on March the 1st, and  
13 we were notified on March 26th, so nobody contacted us until  
14 you were ready to drill.

15           Q           I notice from your Exhibit Three there,  
16 did you make any further written formal proposals during that  
17 time period to Mesa concerning the well?

18           A           I don't understand your question. I --

19           Q           Between the period of -- from Mr. Dentzer's  
20 letter advising you that we would -- Mesa would study the  
21 area, did you make a formal written proposal to Mesa asking  
22 to drill the well and be named operator?

23           A           No, because Mesa indicated to us that they  
24 would get back to us after they had had a chance to study  
25 the area and complete their Lodewick No. 1 Well, so we were

1  
2 waiting to hear from Mesa before we made any proposal as to  
3 their intentions in that area.

4 We -- our normal dealings have been to make  
5 a contact with the company over the telephone and get some  
6 sort of consent or some sort of interest indication from the  
7 company man as to their interest in the project before we pro-  
8 ceed with all of the paperwork involved, and we try to get all  
9 the parties in interest in verbal agreement at least prior  
10 to attempting to put the package together.

11 Q From your previous testimony, you are aware  
12 that Mesa's lease is a Federal lease?

13 A Yes, sir.

14 Q I notice that your proposed location is the  
15 same as Mesa's on Mesa's lease, isn't that correct?

16 A Well, that -- we have no objection to that  
17 location. We -- we feel that there are other locations within  
18 the proration unit that would be just as good geologically.

19 We -- we did not object to that unit, but  
20 you notice on our plat, we didn't put in any proposed well  
21 location. We would agree to that particular drilling unit  
22 but, I mean to that particular location. Geologically we don't  
23 think it's an invalid spot to drill, but we do feel like  
24 there's other places that would -- would give us just as good  
25 a well.

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2 Q In the operating agreement that you sent  
3 to Mesa Petroleum Co. I believe that your proposed location  
4 was the same as Mesa's, isn't that correct?

5 A Yes, sir, I believe that is correct.

6 Q Have you asked Mesa for the Federally re-  
7 quired designation of operator?

8 A No, sir, because Mesa has not indicated  
9 to us that they would be willing to let us operate the lease.

10 Q Have you asked Mesa for a communitization  
11 agreement in order to allow you to operate on the Federal  
12 lease?

13 A No, there again we haven't because Mesa  
14 has indicated numerous times that they wouldn't agree to us  
15 operating the lease, so we haven't asked for those things,  
16 because we have no agreement from Mesa that -- that we can  
17 operate the lease.

18 Q Have you obtained the bond required of  
19 all operators on Federal leases?

20 A Yes, we have a statewide bond on Federal  
21 leases.

22 Q Have you obtained the necessary bonds re-  
23 quired by this Division with respect to the well?

24 A Not -- not with respect to this well, no.

25 Q Have you obtained a drilling title opinion

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for whatever location you would propose to drill?

A Not at this time.

Q Have you approached the surface lessee concerning access to the tract?

A Not at this time, no, sir.

Q Have you surveyed the tract and staked a location?

A No, sir.

Q Mr. Brooms, State Land Office Rule 1.052 requires a record owner of a State lease to give the State Commissioner of Public Lands ten days notice prior to a compulsory pooling hearing such as this.

Did you give the Commissioner such a notice?

A I don't know. Did we? You'll have to refer that --

MR. KELLAHIN: You can give your best answer.

Q Have you obtained any type of archeological clearance report with respect to the proposed --

A No, we haven't, because there again, we don't have Mesa's agreement, so we don't proceed on without an agreement among the parties. We wouldn't go out and do all those things without an agreement among the parties. We just

1  
2 don't do business that way.

3 Q Have you attempted to obtain an approved  
4 drilling permit for the proration unit?

5 A No, sir, we have not.

6 Q Do you, or anyone of the proposed parties  
7 that you're associated with, have an office in Roswell?

8 A No, sir, we have our office here in Santa  
9 Fe.

10 Q Do you have any permanent employees living  
11 in the Roswell area?

12 A No, we do not have permanent employees  
13 there.

14 Q I notice on the exhibit you submitted  
15 with reference to the wells you had participated in, a number  
16 of Roswell area consultants were used on those wells. Do  
17 you anticipate paying and using such consultants?

18 A We do our own engineering and geological  
19 consulting, and so on the well we just completed, we -- Mr.  
20 McElvain and I did the consulting work.

21 Q How many wells has Mr. McElvain drilled  
22 in the Abo play?

23 A We've drilled the one well as operator.

24 Q And how many do you have, how many does  
25 Mr. McElvain have actually producing into a pipeline from this

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Abc play?

A We don't have our well in the pipeline yet, at this time.

Q Would such a history qualify you as an expert with respect to completion techniques in this play?

A Well, we feel that we are qualified in that we consult with a lot of other operators in the area and a lot of service company personnel and people that have worked the play consistently and we have formed a completion technique that we feel is very effective and I think our well will stand up to any well in the area.

I think we've completed it with our own techniques and we certainly did not come up with a well that would indicate that we did anything wrong in the completion of it.

Q Do you have a local production foreman in the Roswell area and pumpers living in that area with respect to the future --

A We have a contract --

Q -- production?

A We have a contract pumper in the area.

Q A contract pumper?

A Yes, sir.

Q How many rigs do you keep continuously



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drilling in this Abo play?

A We don't keep any rigs continuously drilling.

Q In the event that Mesa Petroleum Co. is designated operator today, and based on the evidence you've heard today, would you elect to participate in the well to be drilled by Mesa?

A Well, we would have to see what Mesa came up with for a present cost estimate. I think we would -- we would want to see -- Mr. Stamets indicated that Mesa was going to have to revise their costs to a current estimate. I think that would -- I feel that that would -- we would cross that bridge when we came to it.

MR. JAMES: I have --

A And I speak -- each -- each person would have the right, in our group, each person would have the right to make his own decision.

MR. JAMES: I have no further questions.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Broome, somewhere in your testimony I believe I heard you say that the \$130,000 turnkey price on your AFE, which is Exhibit Four, would now be closer to \$115,000, is that correct?

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2           A           Yes, sir. I have a letter dated July the  
3 15th that's included with that packet, and it indicates that  
4 our contractor would agree to \$115,000 turnkey price, and  
5 it's effective for sixty days from July the 14th, '82.

6           Q           Okay. I see that is the last page of  
7 Exhibit Three.

8                        If we take that \$15,000 off, then you've  
9 got a dry hole cost of roughly \$202,000; a completion cost  
10 of \$313,000, more or less.

11           A           330. 333.

12           Q           333, okay. Now, we have heard from Mr.  
13 Miertschin his, I guess it would be his educated guess, that  
14 their AFE on this well might now be \$350,000 for a completed  
15 well and \$200,000. Would you consider those figures pretty  
16 close figures or do you think there are significant differ-  
17 ences between those two AFE's?

18           A           Well, I would think that they should be  
19 able to do it for \$350,000. I -- I don't -- I don't have a  
20 revised AFE from Mesa, because Mesa hasn't ever revised their  
21 original AFE to us, so I would -- I would think they should  
22 be able to do it for \$350,000 at the present time.

23           Q           On Mesa's Exhibit Eleven, they showed a  
24 number of completions which they said were appropriate for  
25 comparison purposes. I see, oh, just one well on that exhibit

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2 which exceeded a well cost of \$383,000. The rest of those  
3 are all just about your estimate or less.

4 If Mesa could complete the well at one of  
5 those lower figures, would you be happy with that kind of a  
6 well cost?

7 A That's what we would expect. That's --  
8 we would expect a completion between \$300-and-\$350,000 and we  
9 feel that that's what it should cost. They indicate that  
10 they have now gone to drilling with fluids and using some of  
11 the same techniques that we've been advocating all along here,  
12 but Mesa has never indicated to us that they were going to use  
13 any of these techniques until today.

14 Q Do you feel that if Mesa were named the  
15 operator of the well and they submitted an AFE for the figures  
16 we've discussed here today, \$200,000, \$350,000, that the  
17 group represented by you would go consent on drilling such a  
18 well?

19 A Well, it would be hard for me to speak  
20 for everybody just here in this situation.

21 I feel that it would be much more in line  
22 with what it should be than the -- what Mesa has represented  
23 to us up to this point. I feel that if they -- if they had  
24 showed us an AFE like that prior to this, we might not be here  
25 today.

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Q Assuming that these costs were the types of costs that Mesa might submit to you, do you have any reason to feel that Mesa could not successfully drill and operate such a well to the financial benefit of all the parties?

A We do strongly feel that we could operate it for less on the -- on the long term average than -- than Mesa, in that we're a small company and we do not charge a large district expense and benefits and things of that sort that a large company like Mesa does charge.

So we feel that we could -- we would be an adequate operator. We feel we would look after everybody's best interest and take -- be a prudent operator throughout the history of the well.

I don't have anything against Mesa as an -- as an operator. We've been involved in some units with Mesa and the cost overrun has been pretty excessive in the past, and that scares us about Mesa as an operator. I think they're an adequate company. I don't have anything against them, as far as that.

Q The types of costs that you're referring to would be what, the cost of pumping the well, workovers, or any supervision that would have to be done outside a normal operation?

A You mean as far as --

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2 Q I'm trying to figure out what types of  
3 costs you're referring to here that would be -- that Mesa  
4 would be considerably higher.

5 A Well, just normal monthly operating costs  
6 would -- would be the thing that would be consistently higher  
7 than ours, in that a large company charges back a lot more  
8 to the non-operators than we do as a small operator.

9 Q What costs are we referring to other than  
10 this \$370 figure that was submitted earlier?

11 A We would be referring to district expense  
12 and wages and benefits and things of that sort that are charged  
13 back in the operating agreement on a monthly charge, and  
14 those are items that we just absorb in the company and don't  
15 charge back. It's a very small operation in that we don't  
16 charge back those types of costs, and so I'm just saying that  
17 over the long pull that would -- that would amount to quite  
18 a bit to the joint account, as far as monthly operations.

19 Q Could you give me an estimate of what  
20 you would consider your monthly costs might be versus Mesa's?

21 A I couldn't give you an estimate of what --  
22 what Mesa's costs are, but our monthly charges would consist  
23 of the fixed rate and direct expense to the operation of the  
24 well, and a charge for -- an overhead on a fixed rate basis,  
25 and a charge for the contract pumper would be on a monthly

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2 charge, but I couldn't give you an estimate of --

3 Q I'm trying to get a handle on whether  
4 we're talking about tens of dollars a month, hundreds of  
5 dollars a month, or thousands of dollars a month.

6 A I would say in the range of hundreds of  
7 dollars a month in the operation. I would say it would be  
8 that range. I'm sorry that I'm not able to give you a more  
9 accurate figure.

10 MR. STAMETS: Are there any other ques-  
11 tions of the witness?

12 MR. KELLAHIN: Yes, sir.

13  
14 REDIRECT EXAMINATION

15 BY MR. KELLAHIN:

16 Q Mr. Stamets asked you some questions with  
17 regards to the acceptability of Mesa as an operator under a  
18 revised AFE. In that line, let me ask you, Mr. Broome,  
19 whether or not you see it as a significant factor that you  
20 proposed a turnkey contract as opposed to Mesa's daily rate  
21 drilling contract?

22 A Well, we definitely feel that. We feel  
23 that there's a lot more at risk for all of the working interest  
24 owners with a day rate contract, and we feel very confident in  
25 our drilling contractor. We've worked with him for twenty

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2 plus years in the San Juan Basin and in this area now, and  
3 we feel very comfortable and very adequate working with him,  
4 in that he closely supervises all his operations and we have  
5 a very close handle on what's going on at all times, and so --

6 Q Are you aware of any wells in which Mesa  
7 has drilled on a daily rate basis that encountered difficulty  
8 that resulted in greater charges than would otherwise be  
9 charged if it had been on a fixed rate, turnkey contract?

10 A Yes, I am. We -- we were in that area  
11 of our lease and we came across their Camack No. 6 Well, located  
12 in the -- it's located in the northeast quarter of Section  
13 12 of 5 South, 24 East, and that was drilled with air. We  
14 came across the rig and they were stuck in the hole and I  
15 later checked with the Commission records and found that they  
16 did have to run a cement plug back to the surface and convert  
17 to mud and drill the surface -- the 900 foot of surface with-  
18 out -- with mud, and it took four days to set surface on that  
19 particular well. So I'm sure -- I don't have the cost docu-  
20 mented, but I'm sure they ran over their projected AFE on  
21 that particular situation.

22 Q Would a turnkey contract insulate working  
23 interest owners from payment for that kind of difficulty?

24 A Yes, in this -- our contract would.

25 MR. KELLAHIN: Nothing further.

1  
2 MR. STAMETS: Any other questions? Mr.  
3 Broome may be excused.

4 Do you have anything further, Mr. Kellahin?

5 MR. KELLAHIN: A brief closing statement.

6 MR. STAMETS: Do you have anything further?

7 MR. JAMES: A brief closing statement.

8 MR. STAMETS: Mr. Kellahin, you may go  
9 first.

10 MR. KELLAHIN: Mr. Stamets, you've seen  
11 that Mesa is a very large company, actively drilled in the Abo  
12 play in this area, intensely financed and lots of people  
13 everywhere doing these things, and despite all that money and  
14 talent they can't come to the hearing today with a revised  
15 AFE.

16 This is a substantial difficulty for my  
17 client and it is what precipitated the entire problem.

18 We called them up and proposed the drilling  
19 of the well and they've strung us along while they're out  
20 staking locations and filing permits and doing all the magic  
21 gobbledy-gook you've got to do, they won't tell us what they  
22 were doing.

23 They've weeded us for information; we  
24 sent them our logs, our costs, everything else, trying to get  
25 this done, and they sent us back an AFE for some \$60,000 that



1  
2 the well ought to cost back in April of this year.

3 We sent them our turnkey proposed contract  
4 and all our stuff to show that we ought to have a cheaper  
5 price on this well. We're still negotiating with them, Jewing  
6 them down on a price, for crying out loud, I don't think we  
7 ought to have to operate that way.

8 We come in here today and we're faced with  
9 still an unknown as to what these actual costs are, and I  
10 don't think the case ought to be decided that way. I think  
11 this is an easy case to decide. We proposed it first. There  
12 is no magic about the location. We've not asked for an unorthodox  
13 location or any special pooling order. This is a  
14 standard location, we're drilling on a State lease. We're  
15 fighting them about drilling on a Federal lease, but that's  
16 not the subject of this hearing.

17 What we think we've established for you  
18 is not only have we been first to suggest this well, we have  
19 consistently been lowering the price on our estimates.

20 Mesa's given us some ballpark figures on  
21 what ought to happen to these different things. I don't think  
22 it matters a great deal to their advantage. I think the turn-  
23 key contract that Mr. Broome has with Young Drilling Company  
24 is the deciding factor. We're removing from the working in-  
25 terest a substantial risk; a competent contractor is going

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to drill this at a substantial savings to everyone else, and despite Mesa's activity in this area, we deserve the chance, and we believe that we've provided sufficient justification today to have you allow us to operate this proration unit.

MR. JAMES: There is certainly in the record no more evidence of communications between the parties than -- in other words, Broome's does not outweigh ours by any great extent. We've certainly submitted a revised AFE -- I mean the materials to -- to Mr. McElvain and others. We don't have a revised AFE from Mr. Broome or anyone else, either. They've never submitted us with a turnkey contract, until today, and I do kind of object to saying that the evidence shows that.

If you'll -- since I did not choose to put on other evidence, I do believe that a reference to Case 7513 previously heard by this same Examiner will discuss the costs of the No. 6 Canack Well, which was a well in which Mr. Grynberg was a non-operator, and clearly our costs are in line with other costs in that area.

To get down to the basics, Mesa is the owner of the single greatest interest in the proposed well. We were clearly the first to make a formal written proposal for the well. When all parties fail to reach an agreement for whatever reasons, we promptly sought a compulsory pooling,

1  
2 put it in your hands.

3 We have a locally owned and operated rig  
4 ready to go, ready to drill, with the best crews available.  
5 We've -- we can drill the proposed well in a short period of  
6 time after participation decision of all non-operators have  
7 been made.

8 Certainly there is -- has been no indication  
9 today of the risks that you run with a turnkey contract.  
10 It's not all said and done when you just say, well, we have  
11 a turnkey contract. There are a number of problems that can  
12 be involved when a turnkey driller encounters problems and  
13 simply walks away from the job.

14 Mesa has 24-hour supervision of drilling  
15 operations with highly qualified staff personnel who reside  
16 in Roswell and work in Mesa's Roswell office.

17 Our experience in the area and our con-  
18 tinuing commitment to the development of this Abo play are  
19 beyond question. We've drilled 219 wells in this area alone  
20 and we still have three drilling rigs running. As Mesa's  
21 recent cost experience has demonstrated, our experience pays  
22 off for all parties involved.

23 Mesa prides itself on our contributions  
24 to the development of the resources of the State of New  
25 Mexico, and we would ask that you grant Mesa's application

1  
2 today and allow us to continue these contributions.

3 MR. STANLEY: If there is nothing further,  
4 the case will be taken under advisement and the hearing is  
5 adjourned.

6  
7 (Hearing concluded.)  
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing Before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7633 heard by me on 8/14 19. 82  
Richard L. [Signature], Examiner  
Oil Conservation Division

SALLY W. BOYD, C.S.R.  
Box 193-B  
Santa Fe, New Mexico 87701  
Phone (505) 433-7409

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**T. H. McELVAIN OIL & GAS PROPERTIES**

**T. H. McELVAIN, JR., MANAGER**

**220 SHELLEY STREET**

**P. O. Box 2148**

**SANTA FE, NEW MEXICO 87501**

**CATHERINE B. McELVAIN**

**CATHERINE M. HANFIF**

**T. H. McELVAIN, JR.**

**TELEPHONE 922-1922**

**AREA CODE 505**

**August 17, 1982**

**Mesa Petroleum Company  
Vaughn Building  
Suite 1000  
Midland, Texas 79701**

**Re: Revised AFE  
Mesa #5 Lodewick Fed. Com.  
Pecos Slope Prospect  
Chaves County, New Mexico  
Mesa OP 05-NM-1038-227**

**Attn: Mark Hannifin**

**Dear Mr. Hannifin:**

We are receipt of your revised AFE for the above captioned well, dated August 6, 1982, and we have decided to join Mesa in the drilling of this Abo well, subject to our phone conversation of this date, as follows:

Mesa agrees that line 53 of Article 15 on page 14 of your Operating Agreement, dated April 2, 1982, shall be revised as follows:  
".... Operator may notify Non-Operator by certified mail, restricted delivery, of its election to ..."

McElvain, et.al., requests Mesa furnish a revised copy of page 14 indicating their approval of this change.

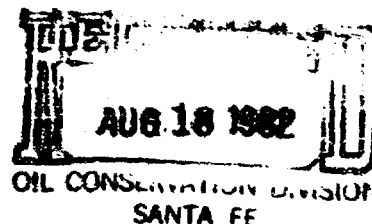
As I explained on the telephone, we will not be able to secure execution of your revised AFE by all parties in our group, which represents 50% of the unit, until early next week. We will forward executed AFE's and signature pages as soon as possible.

Very truly yours,

  
George B. Broome

GBB/k

cc: NM OCD  
P.O. Box 2088  
Santa Fe, NM 87501  
Attn: R. L. Stamets ✓





STATE OF NEW MEXICO  
**ENERGY AND MINERALS DEPARTMENT**  
 OIL CONSERVATION DIVISION

**BRUCE KING**  
 GOVERNOR  
**LARRY KENDE**  
 SECRETARY

POST OFFICE BOX 8086  
 STATE LAND OFFICE BUILDING  
 SANTA FE, NEW MEXICO 87501  
 (505) 827-5484

October 1, 1982

Mr. Thomas Kellahin  
 Kellahin & Kellahin  
 Attorneys at Law  
 Post Office Box 1769  
 Santa Fe, New Mexico

Re: CASE NO. 7633  
 ORDER NO. R-7088

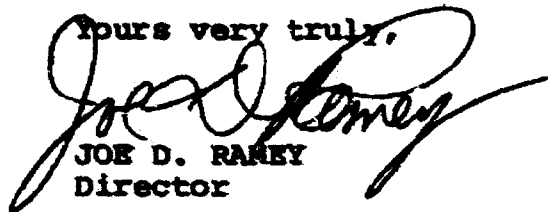
Applicant:

T. H. McElvain, Jr.

Dear Sir:

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

Yours very truly,

  
 JOE D. RANEY  
 Director

JDR/fd

Copy of order also sent to:

Hobbs OCO x  
 Artesia OCD x  
 Artec OCD           

Other Steven James, William F. Carr

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 7633  
Order No. R-7088

APPLICATION OF T. H. McELVAIN,  
JR. FOR COMPULSORY POOLING,  
CHAVES COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on August 4, 1982, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 30th day of September, 1982, the Division Director, having considered the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

That the applicant's request for dismissal should be granted.

IT IS THEREFORE ORDERED:

That Case No. 7633 is hereby dismissed.

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

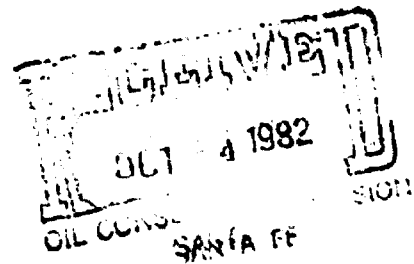
  
JOE D. RAMEY,  
Director

  
S E A L





September 28, 1982



State of New Mexico  
Energy & Minerals Department  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe NM 87501

Gentlemen:

Subject: Cases 7620 and 7630

As you know, by letter of September 2, 1982, to your attention, I requested dismissals of the two above referenced compulsory pooling cases. The dismissals were requested due to the fact that all parties involved agreed to participate and did participate in Mesa Petroleum Co.'s Lodewick Fed. #5 well located on the acreage for which compulsory pooling was sought. I would appreciate copies of the dismissal orders, if any, so that I may close my file on this matter. If there will be a delay in obtaining the orders, please let me know.

Very truly yours,

*Steven C. James*  
Steven C. James

1d

cc: Mr. W. Thomas Kellahin  
Kellahin & Kellahin  
P. O. Box 1769  
Santa Fe NM 87501

*Mailed October 1*

**KELLAHIN AND KELLAHIN**

*Attorneys at Law*

El Patio, 117 Guadalupe

Post Office Box 1769

Santa Fe, New Mexico 87501

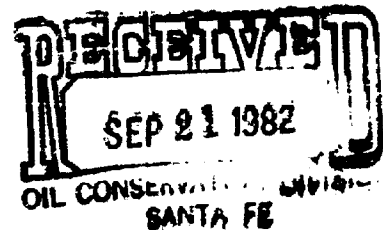
Telephone (505) 982-4285

Jason Kellahin  
W. Thomas Kellahin

Karen Aubrey  
James B. Grant

September 20, 1982

Mr. Richard L. Stamets  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, N. M. 87501



Re: OCD Case 7633

Dear Dick:

On behalf of T. H. McElvain, Jr., please  
dismiss the Division Case 7633 heard by you on  
August 4, 1982.

Very truly yours,

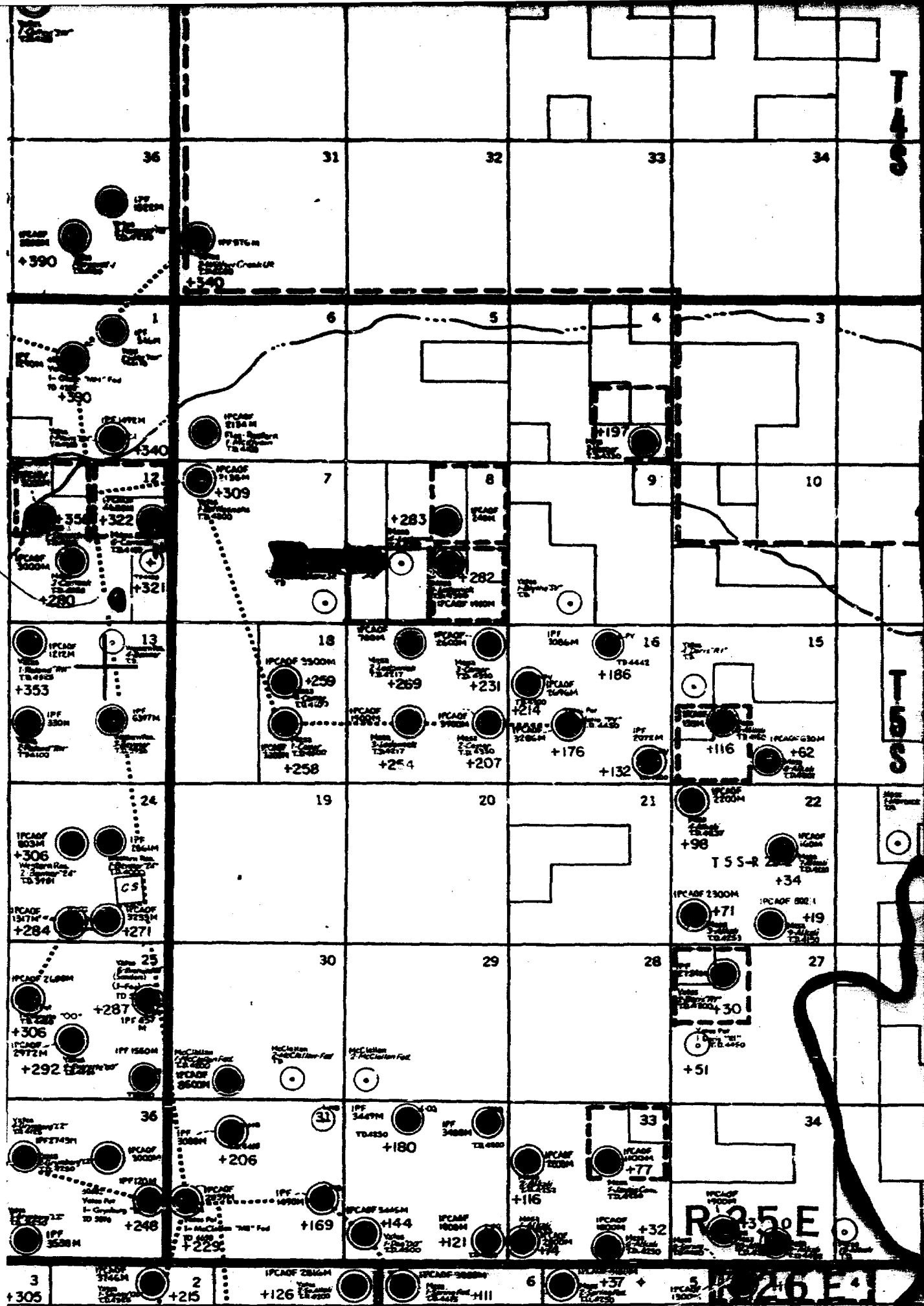
KELLAHIN & KELLAHIN

W. Thomas Kellahin

WTK:mm

cc: Mr. George Broome

Corner & Fred Conn 2/9  
 2/19/80



**INDEX MAP**  
**PORTION OF CHAVES COUNTY, NEW MEXICO**  
**SCALE: 1" = 4000'**

BEFORE EXAMINER STAMETS  
 OIL CONSERVATION DIVISION  
 EXHIBIT NO. 1  
 CASE NO. 7620  
 Submitted by Mesa  
 Hearing Date 8-4-82

- IPCAOF
- + 390
- 
- 
- 
- POTENTIAL TEST OF WELL
- ABO DATUM
- LOCATION
- ABO COMPLETION
- MESA OPERATED ACREAGE

SCHEDULE

Working Interest Ownership

	<u>Before Payout</u>	<u>After Payout</u>
Mesa Petroleum Co. } <i>signed up</i>	<u>50.0000%</u>	<u>25.0000%</u>
Corona Oil Company }	0	25.0000%
J. Roger Friedman } <i>Contracted</i>	25.0000%	25.0000%
T. H. McElvain, Jr. } <i>Unassigned</i>	21.8750%	21.8750%
Catherine M. Harvey }	1.5625%	1.5625%
George B. Broome }	.5210%	.5210%
Barbara B. Sweeney }	.5210%	.5210%
Thomas E. Hickey }	<u>.5205%</u>	<u>.5205%</u>
TOTAL	100%	100%

*50% committed to McElvain*

BEFORE EXAMINER STAMETS	
OIL CONSERVATION DIVISION	
EXHIBIT NO.	<u>2</u>
CASE NO.	<u>7620</u>
Submitted by	<u>Mesa</u>
Hearing Date	<u>8-4-82</u>



March 29, 1982

Paul Creson  
Corona Oil Company  
4835 LBJ Freeway Suite 635  
Dallas, TX 75234

Dear Mr. Creson:

Subject: Well Proposal  
#5 Lodewick Fed. Com.  
Pecos Slope Prospect  
Chaves County, New Mexico  
Mesa OP 05-NM-0138-227

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION EXHIBIT NO. <u>3</u> CASE NO. <u>7620</u> Submitted by <u>Mesa</u> Hearing Date <u>8-4-82</u>
--

Pursuant to that certain Letter Agreement and Operating Agreement dated July 20, 1979, by and between Mesa Petroleum Co., and Public Lands Exploration, Inc., Mesa as Operator hereby proposes the drilling of the captioned well. Please indicate your intentions to join or go non-consent under the terms of the Operating Agreement by executing and returning a copy of this letter along with an executed AFE on behalf of Corona Oil Company.

Yours very truly,

Mark Hannifin

sl

Enclosures

Mesa #5 Lodewick Federal Com.            Join            Go Non-Consent

CORONA OIL COMPANY

BY: \_\_\_\_\_



over to MEC

AFE/COST ESTIMATE

01/35/OPERATIONS  
Co./Div./Subsid./Dept.

AFE # 82-408  
ID # 01-05-NM-0138-0060-005-0  
Code General Account #  
Exploratory \_\_\_\_\_ Development X

LEASE, WELL NAME, AND LOCATION LODEWICK FED COM #5  
1980' FSL & 1650' FVL, SEC 8, T5S, R25E, CRAVES COUNTY, NEW MEXICO  
DESCRIPTION COST ESTIMATE TO DRILL AND COMPLETE A 4300' FLOWING ABO WELL, INCLUDING  
PRODUCTION EQUIPMENT

Sub Acct. Codes	ITEM DESCRIPTION	Units	Rate	Dry Hole Cost	Completion Cost	Producer/Other
X01	DRILLING—FOOTAGE	Ft. At \$	/Ft.	\$	\$	\$
X02	DRILLING or COMPLETION RIG MI-RU. RD-MO			16,000		16,000
	(A) DAY WORK 12/6	DAYS At \$	6500/1500 /DAY	78,000	9,000	87,000
X03	DRILLING or COMPLETION RIG					
	(A) BOILER	DAYS At \$	/DAY			
	(B) CAMP & CATERING	DAYS At \$	/DAY			
	(C) OTHER	DAYS At \$	/DAY			
X04	CEMENTING SERVICES, CEMENT & ACCESSORIES			16,000	7,000	23,000
X05	MUD, CHEMICALS, SERVICES & EQUIP. (A) MUD, CHEM., OIL			20,000		20,000
	(B) WATER			10,000	3,000	13,000
X06	LOGS, TESTING & MUD LOGGING UNIT			10,000	3,000	13,000
X07	DRILL STEM TEST & RELATED TESTING EQUIPMENT					
X08	PERFORATING, WELL STIMULATION SERVICES				60,000	60,000
X09	LOCATION, ROADS, SURVEYS, AIRSTRIPS			15,000	2,000	17,000
X10	COMPANY LABOR, SUPERVISION, ENGINEERING & OVERHEAD			4,000	2,000	6,000
X11	RENTAL EQUIPMENT & TOOLS			3,000	3,000	6,000
X12	ROCK BITS, HOLE OPENERS, REAMERS, STABILIZERS			11,000		11,000
X13	HAULING & FREIGHT			5,000	4,000	9,000
X14	MOBILIZATION - INSTALLATION					
X15	DEMOBILIZATION - DISMANTLING & SALVAGE					
X16	SUPPLYBOATS, CREWBOATS, BARGES, TUGS					
X17	FUEL, LUBES, POWER			6,000		6,000
X18	SHOREBASE, OFFICE, DOCK FEE & CRANES					
X19	AIRCRAFT RENTALS—HELICOPTERS, FIXED WING					
X20	DIVERS AND RELATED EQUIPMENT					
X21	MISCELLANEOUS			6,000	3,000	9,000
X22	COST TO ABANDON (NOT INCLUDED IN PRODUCER TOTAL)*			* 8,000		
X23	MUD ENGINEER 10	DAYS At \$	250 /DAY	2,500		2,500
X24	CONSULTING ENGINEER					
	(A) DRILLING	DAYS At \$	/DAY			
	(B) COMPLETION	DAYS At \$	/DAY			
X25	GEOLOGICAL CONSULTANT 2	DAYS At \$	250 /DAY	500		500
	Total Intangible & Non-Controllable Costs			\$ 211,000	\$ 96,000	\$ 299,000
X41	BUOYS AND MARKERS					
X42	CASING/TUBULARS					
	(A) 900 FT. OF 10 3/4 " OD	\$ 21.00 /FT.		18,900		18,900
	(B) 1,700 FT. OF 7 5/8 " OD	\$ 14.00 /FT.		23,800		23,800
	(C) 4,300 FT. OF 4 1/2 " OD	\$ 6.50 /FT.			28,000	28,000
	(D) 4,000 FT. OF 2 3/8 " OD	\$ 4.00 /FT.			16,000	16,000
	(E) FT. OF " OD	\$ /FT.				
X43	WELL HEAD & GUIDE STRUCTURE			2,300	5,200	7,500
X44	SUB-SURFACE WELL EQUIPMENT					
X45	SURFACE WELL EQUIPMENT					
X46	OTHER MAJOR EQUIPMENT					
	(A) SEPARATOR				8,000	8,000
	(B) 210-BBL FIBERGLASS TANK				3,000	3,000
	(C)					
X47	BUILDINGS					
X48	ELECTRICAL & INSTRUMENTATION EQUIPMENT					
X49	INSTALLATION, MATERIALS, & SERVICES				3,800	3,800
	Total Tangible Controllable & Non-Controllable Costs			\$ 45,000	\$ 64,000	\$ 109,000
	Total Costs			\$ 256,000	\$ 160,000	\$ 408,000

Prepared by William R. Muntachin DIV DRIG SPV 3-25-82 Meso WI  
Michael P. Houston DIV OPS MGR 3-25-82 Others WI  
 Approved subject to the terms of the July 20, 1979 agreement as amended April 1, 1982  
 Corona Oil Company 25.00  
R. E. Wilson President 4-7-82

## EXHIBIT "A"

FOR AFE/COST ESTIMATE DATED MARCH 25, 1982  
 WELL NAME LODEWICK FED COM #5  
 LOCATION 1980' FSL & 1650' FWL, SEC 8, T5S, R25E  
 COUNTY CHAVES COUNTY, NEW MEXICO

Under present market conditions, Mesa may be required to purchase tubulars directly from our supplier's warehouse at a price which exceed the published mill price (currently by 6-10%). Mesa may also elect to utilize company inventory in an effort to avoid premium prices. These tubulars are purchased and warehoused in advance to avoid paying out-of-stock premiums to the suppliers. This practice sometimes necessitates shipping material from storage points more distant than the "nearest railhead".

The values for tubulars on the attached AFE have been adjusted to show these increased costs. Although Mesa is of the opinion that in most instances the purchase of tubulars which are covered by the attached AFE from the supplier's warehouse will not be purchased at "Premium Prices," as that term is defined in Article IV, Paragraph 3, or require added transportation cost as outlined in Article IV, Paragraph 2A(1) of the Accounting Procedure, Mesa is hereby giving you the option to furnish your share of the tubulars in kind. Please advise within ten days if you elect to furnish your share of tubulars in kind.

Your approval of this AFE without notice to furnish tubulars in kind will constitute approval to pay the price invoices from the vendor in the event that Mesa is required to purchase tubulars directly from the supplier's warehouse at their out-of-stock price. If tubulars are used from Mesa inventory, it will necessitate charging freight calculated from Mesa's yard rather than equalized freight from the nearest railhead. However, the current market value, plus actual freight, should not exceed out-of-stock premium prices plus equalized freight.

Contact either Bob Rowe or Mike Houston at 1000 Vaughn Building, Midland, Texas 79701, or phone (915) 683-5391.

March 5, 1981



April 12, 1982

Corona Oil Company  
4835 LBJ Freeway  
Suite 635  
Dallas, Texas 75234

Gentlemen:

Subject: Operating Agreement  
#5 Lodewick Federal Com.  
Pecos Slope Prospect  
Chaves County, New Mexico  
Mesa OP 05-NM-0138-227

Enclosed herewith for your review and execution is the Operating Agreement on the above captioned well. We will circulate signature pages on behalf of all parties as available. Please sign and return two (2) copies of the signature page at your earliest convenience.

Yours very truly,

  
Kevin Dentzer

sl

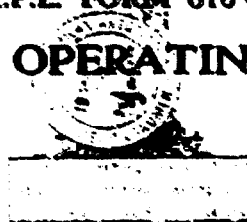
Enclosures

BEFORE EXAMINER STAMETS CIL CONSERVATION DIVISION EXHIBIT NO. <u>4</u> CASE NO. <u>7620</u> Submitted by <u>Mesa</u> Hearing Date <u>8-4-82</u>
--



A.A.P.L. FORM 610 - 1977

**MODEL FORM OPERATING AGREEMENT**



Mesa Petroleum Co., as Operator,  
J. Roger Friedman, T. H. McElvain, Jr.,  
Catherine M. Harvey, George B. Broome,  
Barbra B. Sweeney, Thomas E. Hickey and  
Corona Oil Company as Non-Operators

MESA #5 LODEWICK FEDERAL COM.

**OPERATING AGREEMENT**

**DATED**

April 2, 1982,

OPERATOR MESA PETROLEUM CO.

CONTRACT AREA SW/4 Section 8, T-5-S, R-25-E, N.M.P.M.

\_\_\_\_\_

\_\_\_\_\_

COUNTY OR PARISH OF CHAVES STATE OF NEW MEXICO

COPYRIGHT 1977 — ALL RIGHTS RESERVED  
AMERICAN ASSOCIATION OF PETROLEUM LANDMEN  
APPROVED FORM. A.A.P.L. NO. 610 - 1977 REVISED  
MAY BE ORDERED DIRECTLY FROM THE PUBLISHER  
KRAFTBILT PRODUCTS, BOX 800, TULSA, OK 74101

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OPERATING AGREEMENT

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THIS AGREEMENT, entered into by and between Mesa Petroleum Co., 1000 Vaughn Building Midland, Texas 79701, hereinafter designated and referred to as "Operator", and the signatory party or parties other than Operator, sometimes hereinafter referred to individually herein as "Non-Operator", and collectively as "Non-Operators",

WITNESSETH:

WHEREAS, the parties to this agreement are owners of oil and gas leases and/or oil and gas interests in the land identified in Exhibit "A", and the parties hereto have reached an agreement to explore and develop these leases and/or oil and gas interests for the production of oil and gas to the extent and as hereinafter provided:

NOW, THEREFORE, it is agreed as follows:

ARTICLE I. DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them:

A. The term "oil and gas" shall mean oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.

B. The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas leases covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

C. The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Contract Area which are owned by parties to this agreement.

D. The term "Contract Area" shall mean all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".

E. The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Contract Area or as fixed by express agreement of the Drilling Parties.

F. The term "drillsite" shall mean the oil and gas lease or interest on which a proposed well is to be located.

G. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

H. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

ARTICLE II. EXHIBITS

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

- A. Exhibit "A", shall include the following information:
  - (1) Identification of lands subject to agreement,
  - (2) Restrictions, if any, as to depths or formations,
  - (3) Percentages or fractional interests of parties to this agreement,
  - (4) Oil and gas leases and/or oil and gas interests subject to this agreement,
  - (5) Addresses of parties for notice purposes.
- B. ~~Exhibit "B", Form of Lease.~~
- C. Exhibit "C", Accounting Procedure. Schedule I attached.
- D. Exhibit "D", Insurance.
- E. Exhibit "E", Gas Balancing Agreement.
- F. Exhibit "F", Non-Discrimination and Certification of Non-Segregated Facilities.

If any provision of any exhibit, except Exhibit "E", is inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

**ARTICLE III.  
INTERESTS OF PARTIES**

**A. Oil and Gas Interests:**

If any party owns an unleased oil and gas interest in the Contract Area, that interest shall be treated for the purpose of this agreement and during the term hereof as if it were a leased interest under the form of oil and gas lease attached as Exhibit "B". As to such interest, the owner shall receive royalty on production as prescribed in the form of oil and gas lease attached hereto as Exhibit "B". Such party shall, however, be subject to all of the provisions of this agreement relating to lessees, to the extent that it owns the lessee interest.

**B. Interest of Parties in Costs and Production:**

Exhibit "A" lists all of the parties and their respective percentage or fractional interests under this agreement. Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and material acquired in operations on the Contract Area shall be owned by the parties as their interests are shown in Exhibit "A". All production of oil and gas from the Contract Area, subject to the payment of lessor's royalties ~~which will be borne by the Joint Account~~, shall also be owned by the parties in the same manner during the term hereof; provided, however, this shall not be deemed an assignment or cross-assignment of interests covered hereby.

**ARTICLE IV.  
TITLES**

**A. Title Examination:**

Title examination shall be made on the drillsite of any proposed well prior to commencement of drilling operations or, if the Drilling Parties so request, title examination shall be made on the leases and/or oil and gas interests included, or planned to be included, in the drilling unit around such well. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable leases. At the time a well is proposed, each party contributing leases and/or oil and gas interests to the drillsite, or to be included in such drilling unit, shall furnish to Operator all abstracts (including Federal Lease Status Reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each party hereto. The cost incurred by Operator in this title program shall be borne as follows:

Option No. 1: Costs incurred by Operator in procuring abstracts and title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be a part of the administrative overhead as provided in Exhibit "C," and shall not be a direct charge, whether performed by Operator's staff attorneys or by outside attorneys.

Option No. 2: Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A". Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with leases or oil and gas interests contributed by such party. The Operator shall be responsible for the preparation and recording of Pooling Designations or Declarations as well as the conduct of hearings before Governmental Agencies for the securing of spacing or pooling orders. This shall not prevent any party from appearing on its own behalf at any such hearing.

No well shall be drilled on the Contract Area until after (1) the title to the drillsite or drilling unit has been examined as above provided, and (2) the title has been approved by the examining attorney or title has been accepted by all of the parties who are to participate in the drilling of the well.

**B. Loss of Title:**

**1. Failure of Title:** Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a reduction of interest from that shown on Exhibit "A", this agreement, nevertheless, shall continue in force as to all remaining oil and gas leases and interests, and (a) The party whose oil and gas lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development

1 or operating costs which it may have theretofore paid, but there shall be no monetary liability on its  
 2 part to the other parties hereto for drilling, development, operating or other similar costs by reason of  
 3 such title failure; and

4 (b) There shall be no retroactive adjustment of expenses incurred or revenues received from the  
 5 operation of the interest which has been lost, but the interests of the parties shall be revised on an acre-  
 6 age basis, as of the time it is determined finally that title failure has occurred, so that the interest of  
 7 the party whose lease or interest is affected by the title failure will thereafter be reduced in the Contract  
 8 Area by the amount of the interest lost; and

9 (c) If the proportionate interest of the other parties hereto in any producing well theretofore drilled  
 10 on the Contract Area is increased by reason of the title failure, the party whose title has failed shall  
 11 receive the proceeds attributable to the increase in such interests (less costs and burdens attributable  
 12 thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well;  
 13 and

14 (d) Should any person not a party to this agreement, who is determined to be the owner of any in-  
 15 terest in the title which has failed, pay in any manner any part of the cost of operation, development,  
 16 or equipment, such amount shall be paid to the party or parties who bore the costs which are so refund-  
 17 ed; and

18 (e) Any liability to account to a third party for prior production of oil and gas which arises by  
 19 reason of title failure shall be borne by the party or parties in the same proportions in which they shared  
 20 in such prior production; and

21 (f) No charge shall be made to the joint account for legal expenses, fees or salaries, in connection  
 22 with the defense of the interest claimed, by any party hereto, it being the intention of the parties  
 23 hereto that each shall defend title to its interest and bear all expenses in connection therewith.

24  
 25 2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight,  
 26 any rental, shut-in well payment, minimum royalty or royalty payment, is not paid or is erroneously  
 27 paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against  
 28 the party who failed to make such payment. Unless the party who failed to make the required payment  
 29 secures a new lease covering the same interest within ninety (90) days from the discovery of the fail-  
 30 ure to make proper payment, which acquisition will not be subject to Article VIII.B., the interests of  
 31 the parties shall be revised on an acreage basis, effective as of the date of termination of the lease in-  
 32 volved, and the party who failed to make proper payment will no longer be credited with an interest in  
 33 the Contract Area on account of ownership of the lease or interest which has terminated. In the event  
 34 the party who failed to make the required payment shall not have been fully reimbursed, at the time of  
 35 the loss, from the proceeds of the sale of oil and gas attributable to the lost interest, calculated on an  
 36 acreage basis, for the development and operating costs theretofore paid on account of such interest, it  
 37 shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the  
 38 cost of any dry hole previously drilled or wells previously abandoned) from so much of the following  
 39 as is necessary to effect reimbursement:

40 (a) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost  
 41 interest, on an acreage basis, up to the amount of unrecovered costs;

42 (b) Proceeds, less operating expenses, thereafter accrued attributable to the lost interest on an  
 43 acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production  
 44 from any wells thereafter drilled) which, in the absence of such lease termination, would be attributable  
 45 to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said  
 46 portion of the oil and gas to be contributed by the other parties in proportion to their respective in-  
 47 terests; and

48 (c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or  
 49 becomes, the owner of the interest lost, for the privilege of participating in the Contract Area or be-  
 50 coming a party to this agreement.

51  
 52 3. Other Losses: All losses incurred, other than those set forth in Articles IV.B.1. and IV.B.2.  
 53 above, shall not be considered failure of title but shall be joint losses and shall be borne by all parties  
 54 in proportion to their interests. There shall be no readjustment of interests in the remaining portion of  
 55 the Contract Area.

56  
 57 **ARTICLE V.**  
 58 **OPERATOR**

59  
 60 **A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR:**

61  
 62 Mesa Petroleum Co. shall be the  
 63 Operator of the Contract Area, and shall conduct and direct and have full control of all operations on  
 64 the Contract Area as permitted and required by, and within the limits of, this agreement. It shall con-  
 65 duct all such operations in a good and workmanlike manner, but it shall have no liability as Operator  
 66 to the other parties for losses sustained or liabilities incurred, except such as may result from gross  
 67 negligence or willful misconduct.

68  
 69  
 70

1 **B. Resignation or Removal of Operator and Selection of Successor:**

2  
3 1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice  
4 thereof to Non-Operators. If Operator terminates its legal existence, no longer owns an interest in the  
5 Contract Area, or is no longer capable of serving as Operator, it shall cease to be Operator without any  
6 action by Non-Operator, except the selection of a successor. Operator may be removed if it fails or  
7 refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership,  
8 by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on owner-  
9 ship as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting  
10 interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M.  
11 on the first day of the calendar month following the expiration of ninety (90) days after the giving of  
12 notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor  
13 Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effect-  
14 ive date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of  
15 a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary,  
16 parent or successor corporation shall not be the basis for removal of Operator.  
17

18 2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Op-  
19 erator shall be selected by the Parties. The successor Operator shall be selected from the parties owning  
20 an interest in the Contract Area at the time such successor Operator is selected. If the Operator that  
21 is removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the  
22 affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown  
23 on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of the  
24 Operator that was removed.  
25

26 **C. Employees:**

27  
28 The number of employees used by Operator in conducting operations hereunder, their selection,  
29 and the hours of labor and the compensation for services performed, shall be determined by Operator,  
30 and all such employees shall be the employees of Operator.  
31

32 **D. Drilling Contracts:**

33  
34 All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual  
35 rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the  
36 drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area and the rate  
37 of such charges shall be agreed upon by the parties in writing before drilling operations are com-  
38 menced, and such work shall be performed by Operator under the same terms and conditions as are  
39 customary and usual in the area in contracts of independent contractors who are doing work of a sim-  
40 ilar nature.  
41

42 **ARTICLE VI.**  
43 **DRILLING AND DEVELOPMENT**

44  
45 **A. Initial Well:**

46  
47 On or before the 1st day of September, 1982, Operator shall commence the drill-  
48 ing of a well for oil and gas at the following location:

49  
50 1980' FSL & 1650' FWL, Sec. 8, T-5-S, R-25-E, N.M.P.M.  
51 Chaves County, New Mexico  
52

53 and shall thereafter continue the drilling of the well with due diligence to

54  
55 a depth sufficient to test the Abo Formation or 4,300' whichever  
56 is lesser  
57

58 unless granite or other practically impenetrable substance or condition in the hole, which renders  
59 further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or  
60 abandon the well at a lesser depth.  
61

62 Operator shall make reasonable tests of all formations encountered during drilling which give in-  
63 dication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited  
64 in its application to a specific formation or formations, in which event Operator shall be required to  
65 test only the formation or formations to which this agreement may apply.  
66

67 If, in Operator's judgment, the well will not produce oil or gas in paying quantities, and it wishes  
68 to plug and abandon the well as a dry hole, it shall first secure the consent of all parties and shall  
69 plug and abandon same as provided in Article VI.E.1. hereof.  
70

1 **B. Subsequent Operations:**

2  
 3 1. Proposed Operations: Should any party hereto desire to drill any well on the Contract Area  
 4 other than the well provided for in Article VI.A., or to rework, deepen or plug back a dry hole drilled  
 5 at the joint expense of all parties or a well jointly owned by all the parties and not then producing  
 6 in paying quantities, the party desiring to drill, rework, deepen or plug back such a well shall give the  
 7 other parties written notice of the proposed operation, specifying the work to be performed, the loca-  
 8 tion, proposed depth, objective formation and the estimated cost of the operation. The parties receiv-  
 9 ing such a notice shall have thirty (30) days after receipt of the notice within which to notify the  
 10 parties wishing to do the work whether they elect to participate in the cost of the proposed operation.  
 11 If a drilling rig is on location, notice of proposal to rework, plug back or drill deeper may be given  
 12 by telephone and the response period shall be limited to forty-eight (48) hours, exclusive of Saturday,  
 13 Sunday or legal holidays. Failure of a party receiving such notice to reply within the period above fixed  
 14 shall constitute an election by that party not to participate in the cost of the proposed operation. Any  
 15 notice or response given by telephone shall be promptly confirmed in writing.

16  
 17 2. Operations by Less than All Parties: If any party receiving such notice as provided in Article  
 18 VI.B.1. or VI.E.1. elects not to participate in the proposed operation, then, in order to be entitled to  
 19 the benefits of this article, the party or parties giving the notice and such other parties as shall elect  
 20 to participate in the operation shall, within sixty (60) days after the expiration of the notice period of  
 21 thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period  
 22 where the drilling rig is on location, as the case may be) actually commence work on the proposed  
 23 operation and complete it with due diligence. Operator shall perform all work for the account of the  
 24 Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Op-  
 25 erator is a Non-Consenting Party, the Consenting Parties shall either: (a) request Operator to perform  
 26 the work required by such proposed operation for the account of the Consenting Parties, or (b) desig-  
 27 nate one (1) of the Consenting Parties as Operator to perform such work. Consenting Parties, when  
 28 conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms  
 29 and conditions of this agreement.

30  
 31 If less than all parties approve any proposed operation, the proposing party, immediately after the  
 32 expiration of the applicable notice period, shall advise the Consenting Parties of (a) the total interest  
 33 of the parties approving such operation, and (b) its recommendation as to whether the Consenting Par-  
 34 ties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48)  
 35 hours (exclusive of Saturday, Sunday or legal holidays) after receipt of such notice, shall advise the  
 36 proposing party of its desire to (a) limit participation to such party's interest as shown on Exhibit "A",  
 37 or (b) carry its proportionate part of Non-Consenting Parties' interest. The proposing party, at its  
 38 election, may withdraw such proposal if there is insufficient participation, and shall promptly notify  
 39 all parties of such decision.

40  
 41 The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in  
 42 the proportions they have elected to bear same under the terms of the preceding paragraph. Consenting  
 43 Parties shall keep the leasehold estates involved in such operations free and clear of all liens and  
 44 encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such  
 45 an operation results in a dry hole, the Consenting Parties shall plug and abandon the well at their sole  
 46 cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions  
 47 of this Article results in a producer of oil and/or gas in paying quantities, the Consenting Parties shall  
 48 complete and equip the well to produce at their sole cost and risk, and the well shall then be turned  
 49 over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties.  
 50 Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such  
 51 well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party  
 52 shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and  
 53 be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's  
 54 interest in the well and share of production therefrom until the proceeds of the sale of such share,  
 55 calculated at the well, or market value thereof if such share is not sold (after deducting production  
 56 taxes, royalty, overriding royalty and other interests existing on the effective date hereof, payable out of  
 57 or measured by the production from such well accruing with respect to such interest until it reverts)  
 58 shall equal the total of the following:

59  
 60 (a) 100% of each such Non-Consenting Party's share of the cost of any newly acquired surface  
 61 equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators,  
 62 treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the  
 63 cost of operation of the well commencing with first production and continuing until each such Non-  
 64 Consenting Party's relinquished interest shall revert to it under other provisions of this Article, it being  
 65 agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which  
 66 would have been chargeable to each Non-Consenting Party had it participated in the well from the be-  
 67 ginning of the operation; and

68  
 69 (b) 300% of that portion of the costs and expenses of drilling reworking, deepening, or plugging  
 70 back, testing and completing, after deducting any cash contributions received under Article VIII.C., and

1 300% of that portion of the cost of newly acquired equipment in the well (to and including the well-  
2 head connections), which would have been chargeable to such Non-Consenting Party if it had partici-  
3 pated therein.

4  
5 Gas production attributable to any Non-Consenting Party's relinquished  
6 interest shall be sold, at the election of the Consenting Party, either to the  
7 Consenting Party's purchaser or to the Non-Consenting Party's purchaser. If  
8 any sale is made to the Non-Consenting Party's purchaser, such Non-Consenting  
9 Party shall direct its purchaser to remit the proceeds receivable from such  
10 sale direct to the Consenting Parties until the amounts provided for in this  
11 Article are recovered from the Non-Consenting Party's relinquished interest.

12  
13  
14 During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share  
15 of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of  
16 all production, severance, gathering and other taxes, and all royalty, overriding royalty and other  
17 burdens applicable to Non-Consenting Party's share of production.

18  
19 In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall  
20 be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership  
21 all such equipment shall remain unchanged; and upon abandonment of a well after such reworking,  
22 plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the  
23 owners thereof, with each party receiving its proportionate part in kind or in value, less cost of  
24 salvage.

25  
26 Within sixty (60) days after the completion of any operation under this Article, the party con-  
27 ducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an in-  
28 ventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling,  
29 deepening, plugging back, testing, completing, and equipping the well for production; or, at its option,  
30 the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed  
31 statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being  
32 reimbursed as provided above, the Party conducting the operations for the Consenting Parties shall furn-  
33 ish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the  
34 operation of the well, together with a statement of the quantity of oil and gas produced from it and the  
35 amount of proceeds realized from the sale of the well's working interest production during the preceding  
36 month. In determining the quantity of oil and gas produced during any month, Consenting Parties  
37 shall use industry accepted methods such as, but not limited to, metering or periodic well tests. Any  
38 amount realized from the sale or other disposition of equipment newly acquired in connection with any  
39 such operation which would have been owned by a Non-Consenting Party had it participated therein  
40 shall be credited against the total unreturned costs of the work done and of the equipment purchased,  
41 in determining when the interest of such Non-Consenting Party shall revert to it as above provided;  
42 and if there is a credit balance, it shall be paid to such Non-Consenting party.

43  
44 If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest  
45 the amounts provided for above, the relinquished interests of such Non-Consenting Party shall auto-  
46 matically revert to it, and, from and after such reversion, such Non-Consenting Party shall own the same  
47 interest in such well, the material and equipment in or pertaining thereto, and the production there-  
48 from as such Non-Consenting Party would have been entitled to had it participated in the drilling,  
49 reworking, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be  
50 charged with and shall pay its proportionate part of the further costs of the operation of said well in  
51 accordance with the terms of this agreement and the Accounting Procedure, attached hereto.

52  
53 Notwithstanding the provisions of this Article VI.B.2., it is agreed that without the mutual consent  
54 of all parties, no wells shall be completed in or produced from a source of supply from which a well  
55 located elsewhere on the Contract Area is producing, unless such well conforms to the then-existing  
56 well spacing pattern for such source of supply.

57  
58 The provisions of this Article shall have no application whatsoever to the drilling of the initial  
59 well described in Article VI.A. except (a) when Option 2, Article VILD.1., has been selected, or (b)  
60 to the reworking, deepening and plugging back of such initial well, if such well is or thereafter shall  
61 prove to be a dry hole or non-commercial well, after having been drilled to the depth specified in Article  
62 VI.A.

63  
64 **C. Right to Take Production in Kind:**

65  
66 Each party shall have the right to take in kind or separately dispose of its proportionate share of  
67 all oil and gas produced from the Contract Area, exclusive of production which may be used in de-  
68 velopment and producing operations and in preparing and treating oil for marketing purposes and  
69 production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate dispo-  
70 sition by any party of its proportionate share of the production shall be borne by such party. Any



1 party taking its share of production in kind shall be required to pay for only its proportionate share  
 2 of such part of Operator's surface facilities which it uses.

3  
 4 Each party shall execute such division orders and contracts as may be necessary for the sale of its  
 5 interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled  
 6 to receive payment direct from the purchaser thereof for its share of all production.

7  
 8 In the event any party shall fail to make the arrangements necessary to take in kind or separately  
 9 dispose of its proportionate share of the oil and gas produced from the Contract Area, Operator shall have  
 10 the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase each  
 11 oil and gas or sell it to others at any time and from time to time, for the account of the non-taking  
 12 party at the best price obtainable in the area for such production. Any such purchase or sale by Op-  
 13 erator shall be subject always to the right of the owner of the production to exercise at any time its  
 14 right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a  
 15 purchaser. Any purchase or sale by Operator of any other party's share of oil and gas shall be only for  
 16 such reasonable periods of time as are consistent with the minimum needs of the industry under the  
 17 particular circumstances, but in no event for a period in excess of one (1) year. Notwithstanding the  
 18 foregoing, Operator shall not make a sale, including one into interstate commerce, of any other party's  
 19 share of gas production without first giving such other party thirty (30) days notice of such intended  
 20 sale.

21  
 22 In the event one or more parties' separate disposition of its share of the gas causes split-stream de-  
 23 liveries to separate pipelines and/or deliveries which on a day-to-day basis for any reason are not  
 24 exactly equal to a party's respective proportionate share of total gas sales to be allocated to it, the  
 25 balancing or accounting between the respective accounts of the parties shall be in accordance with  
 26 any Gas Balancing Agreement between the parties hereto, whether such Agreement is attached as  
 27 Exhibit "E", or is a separate Agreement.

28  
 29 **D. Access to Contract Area and Information:**

30  
 31 Each party shall have access to the Contract Area at all reasonable times, at its sole risk to inspect  
 32 or observe operations, and shall have access at reasonable times to information pertaining to the de-  
 33 velopment or operation thereof, including Operator's books and records relating thereto. Operator, upon  
 34 request, shall furnish each of the other parties with copies of all forms or reports filed with govern-  
 35 mental agencies, daily drilling reports, well logs, tank tables, daily gauge and run tickets and reports  
 36 of stock on hand at the first of each month, and shall make available samples of any cores or cuttings  
 37 taken from any well drilled on the Contract Area. The cost of gathering and furnishing information to  
 38 Non-Operator, other than that specified above, shall be charged to the Non-Operator that requests the  
 39 information.

40  
 41 **E. Abandonment of Wells:**

42  
 43 1. Abandonment of Dry Holes: Except for any well drilled pursuant to Article VI.B.2., any well  
 44 which has been drilled under the terms of this agreement and is proposed to be completed as a dry hole  
 45 shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent  
 46 effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours  
 47 (exclusive of Saturday, Sunday or legal holidays) after receipt of notice of the proposal to plug and  
 48 abandon such well, such party shall be deemed to have consented to the proposed abandonment. All  
 49 such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost,  
 50 risk and expense of the parties who participated in the cost of drilling of such well. Any party who ob-  
 51 jects to the plugging and abandoning such well shall ~~have the right to~~ take over the well and conduct  
 52 further operations in search of oil and/or gas subject to the provisions of Article VI.B.

53  
 54 2. Abandonment of Wells that have Produced: Except for any well which has been drilled or re-  
 55 worked pursuant to Article VI.B.2. hereof for which the Consenting Parties have not been fully reim-  
 56 bursed as therein provided, any well which has been completed as a producer shall not be plugged and  
 57 abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall  
 58 be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense  
 59 of all the parties hereto. If, within thirty (30) days after receipt of notice of the proposed abandonment  
 60 of such well, all parties do not agree to the abandonment of any well, those wishing to continue its op-  
 61 eration shall tender to each of the other parties its proportionate share of the value of the well's salvable  
 62 material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated  
 63 cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall  
 64 assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity,  
 65 quality, or fitness for use of the equipment and material, all of its interest in the well and related equip-  
 66 ment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the  
 67 formation or formations then open to production. If the interest of the abandoning party is or includes  
 68 an oil and gas interest, such party shall execute and deliver to the non-abandoning party or parties an  
 69 oil and gas lease, limited to the interval or intervals of the formation or formations then open to produc-  
 70 tion, for a term of one year and so long thereafter as oil and/or gas is produced from the interval or inter-

1 val of the formation or formations covered thereby, such lease to be on the form attached as Exhibit  
 2 "B". The assignments or leases so limited shall encompass the "drilling unit" upon which the well is  
 3 located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon  
 4 the relationship of their respective percentages of participation in the Contract Area to the aggregate of  
 5 the percentages of participation in the Contract Area of all assignees. There shall be no readjustment  
 6 of interest in the remaining portion of the Contract Area.

7  
 8 Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the op-  
 9 eration of or production from the well in the interval or intervals then open other than the royalties  
 10 retained in any lease made under the terms of this Article. Upon request, Operator shall continue to  
 11 operate the assigned well for the account of the non-abandoning parties at the rates and charges con-  
 12 templated by this agreement, plus any additional cost and charges which may arise as the result of  
 13 the separate ownership of the assigned well.

14  
 15 **ARTICLE VII.**  
 16 **EXPENDITURES AND LIABILITY OF PARTIES**

17  
 18 **A. Liability of Parties:**

19  
 20 The liability of the parties shall be several, not joint or collective. Each party shall be responsible  
 21 only for its obligations, and shall be liable only for its proportionate share of the costs of developing  
 22 and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are  
 23 given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall  
 24 this agreement be construed as creating, a mining or other partnership or association, or to render the  
 25 parties liable as partners. It is not the intention of the parties that this contract is  
 26 made or intended for the benefit of any third person.

27 **B. Liens and Payment Defaults:**

28  
 29 Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a  
 30 security interest in its share of oil and/or gas when extracted and its interest in all equipment, to secure  
 31 payment of its share of expense, together with interest thereon at the rate provided in the Accounting  
 32 Procedure attached hereto as Exhibit "C". To the extent that Operator has a security interest under the  
 33 Uniform Commercial Code of the State, Operator shall be entitled to exercise the rights and remedies  
 34 of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator  
 35 for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien  
 36 rights or security interest as security for the payment thereof. In addition, upon default by any Non-  
 37 Operator in the payment of its share of expense, Operator shall have the right, without prejudice to  
 38 other rights or remedies, to collect from the purchaser the proceeds from the sale of such Non-Operator's  
 39 share of oil and or gas until the amount owed by such Non-Operator plus interest has been paid. Each  
 40 purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any de-  
 41 fault. Operator grants a like lien and security interest to the Non-Operators to secure payment of Op-  
 42 erator's proportionate share of expense.

43  
 44 If any party fails or is unable to pay its share of expense within sixty (60) days after rendition of  
 45 a statement therefor by Operator, the non-defaulting parties, including Operator, shall, upon request by  
 46 Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the in-  
 47 terest of all such parties. Each party so paying its share of the unpaid amount shall, to obtain reimburse-  
 48 ment thereof, be subrogated to the security rights described in the foregoing paragraph.

49  
 50 **C. Payments and Accounting:**

51  
 52 Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses  
 53 incurred in the development and operation of the Contract Area pursuant to this agreement and shall  
 54 charge each of the parties hereto with their respective proportionate shares upon the expense basis pro-  
 55 vided in the Accounting Procedure attached hereto as Exhibit "C". Operator shall keep an accurate  
 56 record of the joint account hereunder, showing expenses incurred and charges and credits made and  
 57 received.

58  
 59 Operator, at its election, shall have the right from time to time to demand and receive from the  
 60 other parties payment in advance of their respective shares of the estimated amount of the expense to  
 61 be incurred in operations hereunder during the next succeeding month, which right may be exercised only  
 62 by submission to each such party of an itemized statement of such estimated expense, together with  
 63 an invoice for its share thereof. Each such statement and invoice for the payment in advance of esti-  
 64 mated expense shall be submitted on or before the 20th day of the next preceding month. Each party  
 65 shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such es-  
 66 timate and invoice is received. If any party fails to pay its share of said estimate within said time, the  
 67 amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustments shall be  
 68 made monthly between advances and actual expense to the end that each party shall pay its  
 69 proportionate share of actual expenses incurred, and no more.

1 D. Limitation of Expenditures:

2  
3 1. Drill or Deepen: Without the consent of all parties, no well shall be drilled or deepened, ex-  
4 cept any well drilled or deepened pursuant to the provisions of Article VI.B.2. of this Agreement, it being  
5 understood that the consent to the drilling or deepening shall include:

6  
7  Option No. 1: All necessary expenditures for the drilling or deepening, testing, completing and  
8 equipping of the well, including necessary tankage and/or surface facilities.

9  
10  Option No. 2: All necessary expenditures for the drilling or deepening and testing of the well. When  
11 such well has reached its authorized depth, and all tests have been completed, Operator shall give im-  
12 mediate notice to the Non-Operators who have the right to participate in the completion costs. The parties  
13 receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holi-  
14 days) in which to elect to participate in the setting of casing and the completion attempt. Such election,  
15 when made, shall include consent to all necessary expenditures for the completing and equipping of such  
16 well, including necessary tankage and/or surface facilities. Failure of any party receiving such notice  
17 to reply within the period above fixed shall constitute an election by that party not to participate in  
18 the cost of the completion attempt. If one or more, but less than all of the parties, elect to set pipe and  
19 to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening or  
20 plugging back" as contained in Article VI.B.2. shall be deemed to include "completing") shall apply to  
21 the operations thereafter conducted by less than all parties.

22  
23 2. Rework or Plug Back: Without the consent of all parties, no well shall be reworked or plugged  
24 back except a well reworked or plugged back pursuant to the provisions of Article VI.B.2. of this agree-  
25 ment, it being understood that the consent to the reworking or plugging back of a well shall include  
26 consent to all necessary expenditures in conducting such operations and completing and equipping of  
27 said well, including necessary tankage and/or surface facilities.

28  
29 3. Other Operations: Operator shall not undertake any single project reasonably estimated to require  
30 an expenditure in excess of Twenty-Five Thousand - - - - - Dollars (\$ 25,000.00 )  
31 except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plug-  
32 ging back of which has been previously authorized by or pursuant to this agreement; provided, how-  
33 ever, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different  
34 nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with  
35 the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emer-  
36 gency to the other parties. If Operator prepares "Authority for Expenditures" for its own use,  
37 Operator, upon request, shall furnish copies of its "Authority for Expenditures" for any single project  
38 costing in excess of Fifteen Thousand - - - - - Dollars (\$ 15,000.00 ).

39  
40 E. Royalties, Overriding Royalties and Other Payments:

41  
42 Each party shall pay or deliver, or cause to be paid or delivered, all royalties to the extent of  
43 20% of 8/8 due on its share of production and shall hold the other parties free  
44 from any liability therefor. If the interest of any party in any oil and gas lease covered by this agree-  
45 ment is subject to any royalty, overriding royalty, production payment, or other charge over and above  
46 the aforesaid royalty, such party shall assume and alone bear all such obligations and shall account  
47 for or cause to be accounted for, such interest to the owners thereof.

48  
49 No party shall ever be responsible, on any price basis higher than the price received by such party,  
50 to any other party's lessor or royalty owner; and if any such other party's lessor or royalty owner should  
51 demand and receive settlements on a higher price basis, the party contributing such lease shall bear the  
52 royalty burden insofar as such higher price is concerned.

53  
54 F. Rentals, Shut-in Well Payments and Minimum Royalties:

55  
56 Rentals, shut-in well payments and minimum royalties which may be required under the terms of  
57 any lease shall be paid by the party or parties who subjected such lease to this agreement at its or their  
58 expense. In the event two or more parties own and have contributed interests in the same lease to this  
59 agreement, such parties may designate one of such parties to make said payments for and on behalf of all  
60 such parties. Any party may request, and shall be entitled to receive, proper evidence of all such pay-  
61 ments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum  
62 royalty through mistake or oversight where such payment is required to continue the lease in force,  
63 any loss which results from such non-payment shall be borne in accordance with the provisions of Article  
64 IV.B.2.

65  
66 Operator shall notify Non-Operator of the anticipated completion of a shut-in gas well, or the shut-  
67 ting in or return to production of a producing gas well, at least five (5) days (excluding Saturday, Sun-  
68 day and holidays), or at the earliest opportunity permitted by circumstances, prior to taking such action,  
69 but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-  
70 Operator, the loss of any lease contributed hereto by Non-Operator for failure to make timely payments

1 of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article  
2 IV.B.3.

3  
4 **G. Taxes:**

5  
6 Beginning with the first calendar year after the effective date hereof, Operator shall render for ad  
7 valorem taxation all property subject to this agreement which by law should be rendered for such  
8 taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the ren-  
9 dition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be  
10 limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests con-  
11 tributed by such Non-Operator. If the assessed valuation of any leasehold estate is reduced by reason of its  
12 being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in  
13 ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such leasehold  
14 estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such  
15 reduction. Operator shall bill other parties for their proportionate share of all tax payments in the man-  
16 ner provided in Exhibit "C".

17  
18 If Operator considers any tax assessment improper, Operator may, at its discretion, protest within  
19 the time and manner prescribed by law, and prosecute the protest to a final determination, unless all  
20 parties agree to abandon the protest prior to final determination. During the pendency of administrative  
21 or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and  
22 penalty. When any such protested assessment shall have been finally determined, Operator shall pay  
23 the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then  
24 be assessed against the parties, and be paid by them, as provided in Exhibit "C".

25  
26 Each party shall pay or cause to be paid all production, severance, gathering and other taxes im-  
27 posed upon or with respect to the production or handling of such party's share of oil and/or gas pro-  
28 duced under the terms of this agreement.

29  
30 **H. Insurance:**

31  
32 At all times while operations are conducted hereunder, Operator shall comply with the Workmen's  
33 Compensation Law of the State where the operations are being conducted; provided, however, that Op-  
34 erator may be a self-insurer for liability under said compensation laws in which event the only charge  
35 that shall be made to the joint account shall be an amount equivalent to the premium which would have  
36 been paid had such insurance been obtained. Operator shall also carry or provide insurance for the  
37 benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made a part hereof.  
38 Operator shall require all contractors engaged in work on or for the Contract Area to comply with the  
39 Workmen's Compensation Law of the State where the operations are being conducted and to maintain  
40 such other insurance as Operator may require.

41  
42 In the event Automobile Public Liability Insurance is specified in said Exhibit "D", or subsequently  
43 receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for  
44 such insurance for Operator's fully owned automotive equipment.

45  
46 **ARTICLE VIII.**  
47 **ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST**

48  
49 **A. Surrender of Leases:**

50  
51 The leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall  
52 not be surrendered in whole or in part unless all parties consent thereto.

53  
54 However, should any party desire to surrender its interest in any lease or in any portion thereof, and  
55 other parties do not agree or consent thereto, the party desiring to surrender shall assign, without express  
56 or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and  
57 equipment which may be located thereon and any rights in production thereafter secured, to the parties  
58 not desiring to surrender it. If the interest of the assigning party includes an oil and gas interest, the as-  
59 signing party shall execute and deliver to the party or parties not desiring to surrender an oil and gas  
60 lease covering such oil and gas interest for a term of one year and so long thereafter as oil and/or gas  
61 is produced from the land covered thereby, such lease to be on the form attached hereto as Exhibit "B".  
62 Upon such assignment, the assigning party shall be relieved from all obligations thereafter accruing,  
63 but not theretofore accrued, with respect to the acreage assigned and the operation of any well thereon,  
64 and the assigning party shall have no further interest in the lease assigned and its equipment and pro-  
65 duction other than the royalties retained in any lease made under the terms of this Article. The parties  
66 assignee shall pay to the party assignor the reasonable salvage value of the latter's interest in any wells  
67 and equipment on the assigned acreage. The value of all material shall be determined in accordance  
68 with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plug-  
69 ging and abandoning. If the assignment is in favor of more than one party, the assigned interest shall  
70

1 be shared by the parties assignee in the proportions that the interest of each bears to the interest of all  
2 parties assignee.

3  
4 Any assignment or surrender made under this provision shall not reduce or change the assignor's or  
5 surrendering parties' interest, as it was immediately before the assignment, in the balance of the Contract  
6 Area; and the acreage assigned or surrendered, and subsequent operations thereon, shall not thereafter  
7 be subject to the terms and provisions of this agreement.

8  
9 **B. Renewal or Extension of Leases:**

10  
11 If any party secures a renewal of any oil and gas lease subject to this Agreement, all other parties  
12 shall be notified promptly, and shall have the right for a period of thirty (30) days following receipt  
13 of such notice in which to elect to participate in the ownership of the renewal lease, insofar as such  
14 lease affects lands within the Contract Area, by paying to the party who acquired it their several proper  
15 proportionate shares of the acquisition cost allocated to that part of such lease within the Contract Area,  
16 which shall be in proportion to the interests held at that time by the parties in the Contract Area.

17  
18 If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it  
19 shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of  
20 their respective percentage of participation in the Contract Area to the aggregate of the percentages  
21 of participation in the Contract Area of all parties participating in the purchase of such renewal lease.  
22 Any renewal lease in which less than all parties elect to participate shall not be subject to this agreement.

23  
24 Each party who participates in the purchase of a renewal lease shall be given an assignment of its  
25 proportionate interest therein by the acquiring party.

26  
27 The provisions of this Article shall apply to renewal leases whether they are for the entire interest  
28 covered by the expiring lease or cover only a portion of its area or an interest therein. Any renewal lease  
29 taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after  
30 the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted  
31 for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal  
32 lease and shall not be subject to the provisions of this agreement.

33  
34 The provisions in this Article shall apply also and in like manner to extensions of oil and gas  
35 leases.

36  
37 **C. Acreage or Cash Contributions:**

38  
39 While this agreement is in force, if any party contracts for a contribution of cash toward the drilling  
40 of a well or any other operation on the Contract Area, such contribution shall be paid to the party who  
41 conducted the drilling or other operation and shall be applied by it against the cost of such drilling or  
42 other operation. If the contribution be in the form of acreage, the party to whom the contribution is  
43 made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling  
44 Parties in the proportions said Drilling Parties shared the cost of drilling the well. If all parties hereto  
45 are Drilling Parties and accept such tender, such acreage shall become a part of the Contract Area and  
46 be governed by the provisions of this agreement. If less than all parties hereto are Drilling Parties and  
47 accept such tender, such acreage shall not become a part of the Contract Area. Each party shall promptly  
48 notify all other parties of all acreage or money contributions it may obtain in support of any well or  
49 any other operation on the Contract Area.

50  
51 If any party contracts for any consideration relating to disposition of such party's share of substances  
52 produced hereunder, such consideration shall not be deemed a contribution as contemplated in this  
53 Article VIII.C.

54  
55 **D. Subsequently Created Interest:**

56  
57 Notwithstanding the provisions of Article VIII.E. and VIII.G., if any party hereto shall, subsequent  
58 to execution of this agreement, create an overriding royalty, production payment, or net proceeds inter-  
59 est, which such interests are hereinafter referred to as "subsequently created interest", such subsequently  
60 created interest shall be specifically made subject to all of the terms and provisions of this agreement, as  
61 follows:

- 62  
63 1. If non-consent operations are conducted pursuant to any provision of this agreement, and the  
64 party conducting such operations becomes entitled to receive the production attributable to the interest  
65 out of which the subsequently created interest is derived, such party shall receive same free and clear  
66 of such subsequently created interest. The party creating same shall bear and pay all such subsequently  
67 created interests and shall indemnify and hold the other parties hereto free and harmless from any and  
68 all liability resulting therefrom.

2. If the owner of the interest from which the subsequently created interest is derived (1) fails to pay, when due, its share of expenses chargeable hereunder, or (2) elects to abandon a well under provisions of Article VI.E. hereof, or (3) elects to surrender a lease under provisions of Article VIII.A. hereof, the subsequently created interest shall be chargeable with the pro rata portion of all expenses hereunder in the same manner as if such interest were a working interest. For purposes of collecting such chargeable expenses, the party or parties who receive assignments as a result of (2) or (3) above shall have the right to enforce all provisions of Article VII.B. hereof against such subsequently created interest.

**E. Maintenance of Uniform Interest:**

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, and notwithstanding any other provisions to the contrary, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Contract Area and in wells, equipment and production unless such disposition covers either:

- 1. the entire interest of the party in all leases and equipment and production; or
- 2. an equal undivided interest in all leases and equipment and production in the Contract Area.

Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement, and shall be made without prejudice to the right of the other parties.

If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion, may require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interests within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds hereof.

**F. Waiver of Right to Partition:**

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest therein.

~~**G. Preferential Right to Purchase:**~~

~~Should any party desire to sell all or any part of its interests under this agreement, or its rights and interests in the Contract Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent company or to a subsidiary or a parent company, or to any company in which any one party owns a majority of the stock.~~

**ARTICLE IX.  
INTERNAL REVENUE CODE ELECTION**

This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provisions herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for Federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No

1 such party shall give any notices or take any other action inconsistent with the election made hereby.  
2 If any present or future income tax laws of the state or states in which the Contract Area is located or  
3 any future income tax laws of the United States contain provisions similar to those in Subchapter "K",  
4 Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, under which an election similar to that  
5 provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as  
6 may be permitted or required by such laws. In making the foregoing election, each such party states that  
7 the income derived by such party from Operations hereunder can be adequately determined without the  
8 computation of partnership taxable income.

9  
10 **ARTICLE X.**  
11 **CLAIMS AND LAWSUITS**

12  
13 Operator may settle any single damage claim or suit arising from operations hereunder if the ex-  
14 penditure does not exceed Seven Thousand Five Hundred - - - - - Dollars  
15 (\$ 7,500.00) and if the payment is in complete settlement of such claim or suit. If the amount  
16 required for settlement exceeds the above amount, the parties hereto shall assume and take over the  
17 further handling of the claim or suit, unless such authority is delegated to Operator. All costs and ex-  
18 pense of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense  
19 of the parties. If a claim is made against any party or if any party is sued on account of any matter  
20 arising from operations hereunder over which such individual has no control because of the rights given  
21 Operator by this agreement, the party shall immediately notify Operator, and the claim or suit shall  
22 be treated as any other claim or suit involving operations hereunder.

23  
24 **ARTICLE XI.**  
25 **FORCE MAJEURE**

26  
27 If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations  
28 under this agreement, other than the obligation to make money payments, that party shall give to all  
29 other parties prompt written notice of the force majeure with reasonably full particulars concerning it;  
30 thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure,  
31 shall be suspended during, but no longer than, the continuance of the force majeure. The affected party  
32 shall use all reasonable diligence to remove the force majeure situation as quickly as practicable.

33  
34 The requirement that any force majeure shall be remedied with all reasonable dispatch shall not  
35 require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its  
36 wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party  
37 concerned.

38  
39 The term "force majeure", as here employed, shall mean an act of God, strike, lockout, or other  
40 industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood,  
41 explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment,  
42 and any other cause, whether of the kind specifically enumerated above or otherwise, which is not  
43 reasonably within the control of the party claiming suspension.

44  
45 **ARTICLE XII.**  
46 **NOTICES**

47  
48 All notices authorized or required between the parties, and required by any of the provisions of  
49 this agreement, unless otherwise specifically provided, shall be given in writing by United States mail  
50 or Western Union telegram, postage or charges prepaid, or by teletype, and addressed to the party to  
51 whom the notice is given at the addresses listed on Exhibit "A". The originating notice given under any  
52 provision hereof shall be deemed given only when received by the party to whom such notice is directed,  
53 and the time for such party to give any notice in response thereto shall run from the date the originat-  
54 ing notice is received. The second or any responsive notice shall be deemed given when deposited in  
55 the United States mail or with the Western Union Telegraph Company, with postage or charges prepaid,  
56 or when sent by teletype. Each party shall have the right to change its address at any time, and from  
57 time to time, by giving written notice hereof to all other parties.

58  
59 **ARTICLE XIII.**  
60 **TERM OF AGREEMENT**

61  
62 This agreement shall remain in full force and effect as to the oil and gas leases and/or oil and gas in-  
63 terests subjected hereto for the period of time selected below; provided, however, no party hereto shall  
64 ever be construed as having any right, title or interest in or to any lease, or oil and gas interest con-  
65 tributed by any other party beyond the term of this agreement.

66  
67  **Option No. 1:** So long as any of the oil and gas leases subject to this agreement remain or are con-  
68 tinued in force as to any part of the Contract Area, whether by production, extension, renewal or other-  
69 wise, and/or so long as oil and/or gas production continues from any lease or oil and gas interest.

1  Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled  
2 under any provision of this agreement, results in production of oil and or gas in paying quantities, this  
3 agreement shall continue in force so long as any such well or wells produce, or are capable of produc-  
4 tion, and for an additional period of 120 days from cessation of all production; provided, however,  
5 if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in  
6 drilling or reworking a well or wells hereunder, this agreement shall continue in force until such op-  
7 erations have been completed and if production results therefrom, this agreement shall continue in  
8 force as provided herein. In the event the well described in Article VI.A., or any subsequent well  
9 drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil  
10 and or gas from the Contract Area, this agreement shall terminate unless drilling or reworking opera-  
11 tions are commenced within 120 days from the date of abandonment of said well.

12  
13 It is agreed, however, that the termination of this agreement shall not relieve any party hereto from  
14 any liability which has accrued or attached prior to the date of such termination.

15  
16 **ARTICLE XIV.**  
17 **COMPLIANCE WITH LAWS AND REGULATIONS**

18  
19 **A. Laws, Regulations and Orders:**

20  
21 This agreement shall be subject to the conservation laws of the state in which the committed  
22 acreage is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of  
23 said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations, and  
24 orders.

25  
26 **B. Governing Law:**

27  
28 The essential validity of this agreement and all matters pertaining thereto, including, but not lim-  
29 ited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties and in-  
30 terpretation or construction, shall be governed and determined by the law of the state in which the  
31 Contract Area is located. If the Contract Area is in two or more states, the law of the state where most  
32 of the land in the Contract Area is located shall govern.

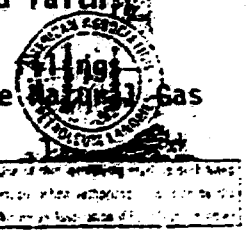
33  
34 **ARTICLE XV.**  
35 **OTHER PROVISIONS**

36 Non-Operators agree to indemnify and hold Operator harmless from any and all losses,  
37 damages, injuries, claims and causes of action arising out of, incident to or  
38 resulting directly or indirectly from Operator's interpretation or application of  
39 any statute, law, resolution or similar mandate, or any rules, rulings, regulations  
40 or orders of any regulatory agency having any jurisdiction over the Contract Area  
41 to the extent Operator's interpretation or application was made in good faith.

42 Non-Operators further agree to reimburse Operator for the Non-Operators' proportionate  
43 part of any amounts Operator may be required to refund, rebate or pay as a result  
44 of an incorrect interpretation or application of such statutes, laws, resolutions  
45 or similar mandates, rules, rulings, regulations or orders, together with the  
46 Non-Operators' proportionate part of interest and penalties owing by Operator  
47 as a result of such incorrect interpretation or application of such statutes, laws,  
48 resolutions or similar mandates, rules, rulings, regulations or orders.

49  
50  
51 Notwithstanding anything herein to the contrary, if any Non-Operator neglects or fai-  
52 to pay sums due and owing Operator hereunder for a period of thirty (30) days after  
53 receipt of invoice therefor, Operator may notify Non-Operator of its election to  
54 regard such non-operating party as a non-consenting party hereunder as to said costs  
55 if such costs would normally be costs subject to the provisions concerning  
56 operations by less than all parties under this operating agreement. If Non-  
57 operator fails to pay such amount within ten days after receipt of such notice,  
58 Operator's election shall be automatically effective. Non-Operator shall retro-  
59 actively be subject to the non-consent provisions of Article VI hereof, the same  
60 as if such party had elected to be a non-consenting party at the inception of  
61 operation, but only with respect to the sums remaining unpaid, and any future  
62 sums to be paid by such Non-Operator. This provision shall not be applicable  
63 to any sums invoiced by Operator which Non-Operator contests in good faith.

64  
65 Upon request, Operator shall furnish Non-Operator with copies of all  
66 made with any regulatory agency, including those made pursuant to the Natural Gas  
67 Policy Act of 1978, as the same may be amended or superseded.





The interest of Corona Oil Company herein is expressly made subject to that certain Amendment To Agreements effective April 1, 1982, by and between Mesa Petroleum Co., MTS Limited Partnership, Corona Oil Company, Pecos Slope Royalty Trust and Newkirk Royalty Trust.

ARTICLE XVI.  
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 2nd day of April, 1982.

OPERATOR

ATTEST:

MESA PETROLEUM CO.

By: Louella S. Porter  
Assistant Secretary

By: Marion E. Causey  
Marion E. Causey, Vice President

NON-OPERATORS

CORONA OIL COMPANY

BY: \_\_\_\_\_

J. ROGER FRIEDMAN

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

T. H. MCELVAIN, JR.

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

CATHERINE M. HARVEY

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

GOERGE B. BROOME

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

BARBRA B. SWEENEY

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

THOMAS E. HICKEY

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

Signature Page to Operating Agreement dated April 2, 1982 by and between Mesa Petroleum Co., as Operator, J. Roger Friedman, T. H. McElvain, Jr. Catherine M. Harvey, George B. Broome, Barbra B. Sweeney, Thomas E. Hickey and Corona Oil Company as Non-Operators

#5 Lodewick Federal Com.

**EXHIBIT "A"**

Attached to and made a part of that certain Operating Agreement dated April 2, 1982 by and between Mesa Petroleum Co., as Operator and J. Roger Friedman, T. H. McElvain, Jr., Catherine M. Harvey, George B. Broome, Barbra B. Sweeney, Thomas E. Hickey and Corona Oil Company as Non-Operators

**PART I.** Contract Area is defined as the SW/4 Section 8, T-5-S, R-25-E, N.M.P.M., Chaves County, New Mexico

**PART II.** Working Interest Ownership:

	Before Payout	After Payout
Mesa Petroleum Co.	50.0000%	25.0000%
Corona Oil Company	0	25.0000%
J. Roger Friedman	25.0000%	25.0000%
T.H. McElvain, Jr.	21.8750%	21.8750%
Catherine M. Harvey	1.5625%	1.5625%
George B. Broome	.5210%	.5210%
Barbra B. Sweeney	.5210%	.5210%
Thomas E. Hickey	.5205%	.5205%

**PART III.** Leases included in Contract Area subject to this Agreement:

- A. USA NY-40030  
Mesa OP 05-101-0138-0183-000  
Lessor: United States of America  
Lessee: Public Lands Exploration, Inc.  
Description: Insofar and only insofar as it covers the E/2 SW/4, Section 8, T-5-S, R-25-E, N.M.P.M., Chaves County, New Mexico
  
- B. New Mexico LG-252  
Lessor: State of New Mexico  
Lessee: J. Roger Friedman and T. H. McElvain, Jr.  
Description: Insofar and only insofar as it covers the W/2 SW/4, Section 8, T-5-S, R-25-E, N.M.P.M., Chaves County, New Mexico

**ADDRESS LIST:**

Mesa Petroleum Co.  
1000 Vaughn Building  
Midland, Texas 79701

George B. Broome  
P. O. Box 2148  
Santa Fe, New Mexico 87501

Corona Oil Company  
4835 LBJ Freeway  
Suite 635  
Dallas, Texas 75234

Barbra B. Sweeney  
P. O. Box 2148  
Santa Fe, New Mexico 87501

J. Roger Friedman  
425 Park Avenue  
New York, NY 10022

Thomas E. Hickey  
P. O. Box 2148  
Santa Fe, New Mexico 87501

T. H. McElvain, Jr.  
P. O. Box 2148  
Santa Fe, New Mexico 87501

Catherine M. Harvey  
P. O. Box 2148  
Santa Fe, New Mexico 87501

**EXHIBIT "B"**

Attached to and made a part of that certain Operating Agreement dated April 2, 1982 by and between Mesa Petroleum Co., as Operator, and J. Roger Friedman, T. H. McElvain, Jr. Catherine M. Harvey, George B. Broome, Barbara B. Sweeney, Thomas E. Hickey and Corona Oil Company as Non-Operators

There is no Exhibit "B" to this Agreement.

**EXHIBIT " C "**

Attached to and made a part of that certain Operating Agreement dated April 2, 1982 by and between Mesa Petroleum Co., as Operator, J. Roger Friedman, T. H. McElvain, Jr., Catherine M. Harvey, George B. Broome, Barbra B. Sweeney, Thomas E. Hickey and Corona Oil Company as Non-Operators.

**ACCOUNTING PROCEDURE  
JOINT OPERATIONS**

**I. GENERAL PROVISIONS**

**1. Definitions**

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

**2. Statement and Billings**

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

**3. Advances and Payments by Non-Operators**

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at a rate equal to the higher of 120% of the prime rate of interest of the Continental Illinois Bank & Trust Company or 18% per annum; provided, however, in no event shall the Non-Operator Parties be required to pay interest in excess of the federal or state statutory ceiling applicable in the jurisdiction in which the joint property is located. Non-Operators shall also be liable for attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

**4. Adjustments**

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

**5. Audits**

A. Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

**6. Approval by Non-Operators**

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

## II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

### 1. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

### 2. Labor

- A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.
- (2) Salaries of First Level Supervisors in the field.
- (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.
- B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
- C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.
- D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

### 3. Employee Benefits

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty-six percent (26%) or percent most recently recommended by the Council of Petroleum Accountants Societies of North America.

### 4. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

### 5. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

- A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.
- B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.
- C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of \$200 or less excluding accessorial charges.

### 6. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

### 7. Equipment and Facilities Furnished by Operator

- A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.
- B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

### 8. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

### 9. Legal Expense

Costs and expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, and the costs and expenses incurred in connection with hearings and other matter before governmental bodies and agencies and costs and expense incurred in examining and curing title, except that no charge for services of Operator's legal staff shall be made.

**10. Taxes**

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

**11. Insurance**

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

**12. Other Expenditures**

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

**III. OVERHEAD****1. Overhead - Drilling and Producing Operations**

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

- ( X ) Fixed Rate Basis, Paragraph 1A, or (See Schedule I attached.)  
 ( ) Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall ( ) shall not ( ) be covered by the Overhead rates.

**A. Overhead - Fixed Rate Basis**

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 3,700.00  
 Producing Well Rate \$ 370.00

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

**(a) Drilling Well Rate**

- [1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [2] Charges for offshore drilling wells shall begin on the date ~~when the drilling or completion rig is released~~ <sup>the contractual rig charges be</sup> and terminate on the date the drilling or completion equipment moves off location or rig is released, ~~whichever is later~~, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days
- [3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

**(b) Producing Well Rates**

- [1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
  - [2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
  - [3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
  - [4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
  - [5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.
- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

**B. Overhead - Percentage Basis**

(1) Operator shall charge the Joint Account at the following rates:

(a) Development

\_\_\_\_\_ Percent ( %) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

(b) Operating

\_\_\_\_\_ Percent ( %) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

(2) Application of Overhead - Percentage Basis shall be as follows:

For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, re-drilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating.

**2. Overhead - Major Construction**

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of \$ 25,000 :

- A. 5 % of total costs if such costs are more than \$ 25,000\* but less than \$ 100,000 ; plus
- B. 3 % of total costs in excess of \$ 100,000 but less than \$1,000,000; plus
- C. 2 % of total costs in excess of \$1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells shall be excluded.

**3. Amendment of Rates**

The Overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

**IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS**

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

**1. Purchases**

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

**2. Transfers and Dispositions**

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

**A. New Material (Condition A)**

- (1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.
- (2) Line Pipe
  - (a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.
  - (b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.
- (3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

**B. Good Used Material (Condition B)**

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.

(2) Material moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or

\*When design and engineering is furnished by third party contractors and charged to the Joint Account, the construction overhead charge on projects in excess of \$25,000 shall be 4 % of total cost.



(b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

**C. Other Used Material (Condition C and D)**

**(1) Condition C**

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

**(2) Condition D**

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

**D. Obsolete Material**

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

**E. Pricing Conditions**

(1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.

(2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

**3. Premium Prices**

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

**4. Warranty of Material Furnished by Operator**

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

## V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

**1. Periodic Inventories, Notice and Representation**

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

**2. Reconciliation and Adjustment of Inventories**

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable only for shortages due to lack of reasonable diligence.

**3. Special Inventories**

Special Inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

**4. Expense of Conducting Periodic Inventories**

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

## SCHEDULE I

Attached to and made a part of Exhibit "C" attached to and made a part of that certain Operating Agreement dated April 2, 1982 by and between Mesa Petroleum Co., as Operator, and J. Roger Friedman, T. H. McElvain, Jr., Catherine M. Harvey, George B. Broome, Barbra B. Sweeney, Thomas E. Hickey and Corona Oil Company as Non-Operators.

The Combined Fixed Rates, as heretofore provided under Section III, Paragraph A. of the COPAS-1974 Accounting Procedure to which this schedule is attached, shall be in lieu of all charges to the Joint Account for the indirect costs and expenses incurred by Operator in providing the joint operations with the producing and development functions and services hereinafter identified as Compensation for Administrative, Supervision, Office Services and Warehousing costs.

The following reflects a representative abridged listing of the functions and/or services which shall be considered as included in the Operator's District Expense and Warehousing, and should serve as a guide for similar functions intended to be covered by the Combined Fixed Rates even though some of the functions may be contract services performed by third parties.

### Salaries, Benefits and Related Costs of Field, Area and/or District:

Managers and/or Superintendents

Foreman - Superintendent

Drilling - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)

Production - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)

Construction - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)

Production Engineers - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)

Production Geologists - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)

Other Technical Employees - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)

Office Stenographers

Office Clerks

Time Keeping

Preparation of Boat, Automotive and Other Vehicle Reports

Local Purchasing (Field Orders)

Preparation and coding of invoices

Preparation of Material Requisitions

Preparation of Field Transfers

Preparation of Field Receiving Reports

Posting of Production Reports

Preparation of Over and Short Reports

Reading and Integration of Charts

Preparation of Field Gas Production and Consumption Report

Preparation of Field Office Reports to State and Federal

Regulatory Bodies

Miscellaneous Routine Field Office Clerical Duties

Field Office Inventory Men

Conducting Physical Inventories

Preparation of Field Inventory Records

Warehousemen and/or Clerks

Office Equipment, Supplies, Stationery and Forms

Maps, Photostats and Blueprints, when required for general District Use.

### Rentals

Rentals paid for buildings, office and storage space used by District employees.

Rentals paid in connection with sites for District production offices, camps, warehouses and other facilities used specifically for District purposes.

**Ad Valorem Taxes**

Taxes paid on buildings and equipment charged to Operator's Field, Area, and/or District Investment accounts.

**Insurance**

Net cost of all types of insurance, including workmen's compensation and public liability insurance; when such insurance is applicable to the District.

The following reflects a representative abridged listing of the functions and/or services which shall be considered as included in the Operator's Administrative Overhead, and should serve as a guide for similar functions intended to be covered by the combined Fixed Rates even though some of the functions may be contracted services performed by third parties.

**General Management**

**General Operating Administration**

Drilling Managers and/or Superintendents and Office Staffs  
Production Managers and/or Superintendents and Office Staffs  
Civil Engineers - (Except when permitted as a direct charge under Para. 1.ii, Sec. 111)  
Reservoir Analysis and Engineering  
Petroleum Engineers - (Except when permitted as a direct charge under Para. 1.ii, Sec. 111)  
Negotiation of Production and Residue Gas Sales  
Negotiation of Major Gas Sales  
Preparation and Negotiation of Joint Operation Agreements  
Preparation of General Production Records  
Traveling and Transportation Expense of Home, Division, Area, Region, or similar Administrative Office Employees

**General Accounting and Services**

Checking of invoices  
Preparation of Paychecks  
Responsibility of Account Distribution or Coding  
Payment of Vendor's Invoices  
Maintaining Property Investment Records  
Maintaining Joint Interest Cost Records  
Preparation of Joint Interest Billing  
Preparation of Royalty Checks  
Machine Accounting and Data Processing Functions  
Photostat and Other Reproduction Service  
Ad Valorem Tax Service and/or Counsel  
Systems and Procedures  
Internal Auditing

Communications Expense - Telephone, telegraph and teletype service rendered to the district; also operating expenses of radio communication systems which serve the district and which are not chargeable to any particular lease or facility operation. The costs applicable to communication service and/or equipment directly employed on and serving the joint property shall be a direct charge to the joint property.

**Area and/or District Office Utility Services**

Local Field, Area and/or District Recreational Facilities

Safety Meetings and/or Dinners

Area and/or District Office Safety Equipment

First Aid Supplies

Physical and Medical Examinations - Cost of pre-employment and medical examinations of personnel to be employed in the district, including costs of annual or periodic examinations and immunizations.

Transportation, including freight and express costs when such costs are incurred directly in the operation and/or maintenance of district offices, buildings, and facilities.

Traveling Expense of district employees when such expense is for the sole benefit of the district. Traveling and personal expenses of district employees attending oil shows, API meetings, and company training schools, etc., which are for the primary benefit of the Operator shall be borne solely by the Operator.

Moving Expenses - Costs of moving and transfer of district employees including relocation expenses such as real estate fees, closing costs, compensation for loss on sale of home, carpeting and draperies, etc., when transferred within or into the district. Costs incurred for the primary benefit of the Operator, such as transfer of trainees, shall be borne solely by the Operator.

Memberships, dues and Subscriptions for Field, Area and/or District Personnel.

Depreciation on Operator's wholly-owned Field, Area, and/or District production offices, equipment, buildings, camps, roads, fences, canals, docks, marine terminals, and slips, etc., used for District purposes.

Repair and Maintenance on Operator's wholly-owned Field, Area, and/or District production offices, equipment, buildings, camps, roads, fences, canals, docks, marine terminals, and slips, etc. including the cost of small tools and supplies used specifically for District purposes.

Warehouse - wholly-owned  
Depreciation  
Operating and Maintenance Expense  
Cost of Storing and Handling Material

Title Record and Division Order Administration  
Landmen and Titlemen  
Maintenance of Division of Interest Records  
Obtaining Royalty Signatures

Exploration Administration  
Geologists - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)  
General Research  
Geophysicists

General Purchasing Administration

Industrial and Public Relation Administration  
Employee Relation Counselor  
Safety Engineer  
Industrial Nurse and/or Doctor  
Dinners, Parties, etc.  
Safety Awards  
Incentive Awards  
Thanksgiving Turkeys or Christmas Baskets  
Contributions to Charity and/or Civic Organizations  
Special Investigators  
Administration of Benefit Plans

General Oil and Gas Well Proration and Pricing Administration  
Preparation of Reports to and Representation before Governmental Agencies

General Legal Counsel  
Preparation of Contracts  
Claims and Litigation  
Title and Other Opinions

Transportation and Traffic Administration

Insurance Administration

EXHIBIT "D" ONSHORE

Attached to and made a part of that certain Operating Agreement dated April 2, 1982 by and between Mesa Petroleum Co., as Operator, and J. Roger Friedman, T. H. McElvain, Jr., Catherine M. Harvey, George B. Broome, Barbra B. Sweeney, Thomas E. Hickey and Corona Oil Company as Non-Operators.

INSURANCE

The Operator shall carry for the benefit of the joint account insurance to cover drilling operations and producing operations on the jointly owned acreage as follows:

- I. Workmen's Compensation and Employer's Liability covering the employees of Operator engaged in operations hereunder in compliance with all applicable Federal Laws and the laws of the State of New Mexico, with Employers Liability limit of not less than \$100,000 per person and \$100,000 per occurrence.
- II. Operator shall carry of its interest and for the interest of any non-operator so electing to participate in writing, within 60 days of the date of the Operating Agreement, the following types and limits of insurance:

- (A) Comprehensive General Liability covering operations conducted hereunder by Operator for the Parties with limits of:

Combined Bodily Injury & Property Damage	\$1,000,000 per occurrence \$1,000,000 Aggregate
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- (B) Automobile Liability covering all vehicles owned, none owned, or hired and used in connection with operations conducted hereunder by Operator for the joint account with limits of:

Combined Bodily Injury & Property Damage	\$1,000,000 per occurrence \$1,000,000 Aggregate
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The premiums for all such insurance so carried in paragraph II shall be paid by Operator and may be charged directly to such non-operators as elect to participate to the extent that their interest is insured.

EXHIBIT "E"

GAS BALANCING AGREEMENT

Attached to and made a part of that certain Operating Agreement dated April 2, 1982 by and between Mesa Petroleum Co., as Operator, J. Roger Friedman, T. H. McElvain, Jr., Catherine M. Harvey, George S. Broome, Barbara B. Sweeney, Thomas E. Mickey, Corona Oil Company as Non-Operators.

The parties to the Operating Agreement to which this Agreement is attached own the working interest in the gas rights underlying the Unit Area covered by such Agreement in accordance with the percentages of participation as set forth in Exhibit "A" to the Operating Agreement.

Each Party shall have the right to take in kind its share of the gas produced from the Unit Area. However, there may be periods when one or more of the parties have no market for, or its purchaser is unable to take, or for any other reason, it may not dispose of its interest, or a portion thereof, in the gas production. Therefore, to permit each Party to produce and dispose of its interest in the gas production from the Unit Area with as much flexibility as possible, the Parties hereto agree to this Gas Balancing Agreement as hereinafter set forth:

1. DEFINITIONS:

For the purposes of this Agreement, the following terms shall be defined as hereafter set out:

- (a) "Operating Agreement" shall mean the Operating Agreement to which this Gas Balancing Agreement is attached.
- (b) "Gas" shall mean natural gas or oil well gas obtained from primary field separation.
- (c) "Liquid Hydrocarbons" are those liquids obtained from primary field separation.
- (d) "Percentage Ownership" is the percentage interest of each party as set forth in the Operating Agreement.
- (e) "Over-produced Party" is a party who has utilized or sold a greater volume of gas at any given time (individually or through its gas purchaser) than a volume determined by multiplying the total cumulative volume of gas produced and utilized or sold from a proration unit within the Unit Area by such Party's Percentage Ownership.
- (f) "Under-produced Party" is a party who has utilized or sold a lesser volume of gas at any given time (individually or through its gas purchaser) than a volume determined by multiplying the total cumulative volume of gas produced and utilized or sold from a proration unit within the Unit Area by such Party's Percentage Ownership.
- (g) "MER" is the total daily maximum efficient rate of hydrocarbon withdrawal from each separately produced proration unit, which, if exceeded for a sustained period of time, would lead to underground waste in the form of reduced ultimate recovery from the proration unit, after deducting the gas used in operations on the Unit Area or vented or lost.

2. OWNERSHIP OF PRODUCTION:

- (a) SALE BY LESS THAN ALL OWNERS: All gas produced from the Unit Area shall be produced and utilized or sold by those parties having a use or market for such gas. If fewer than all the parties are producing gas, the parties so producing shall have the right and option, but not the obligation, to produce and dispose of all or any part of such gas that may be produced up to the MER. The parties hereto shall share in and own the liquid hydrocarbons, as produced, in accordance with their respective interests, as set forth in and subject to the terms of the Operating Agreement. It is agreed that the gas attributable to the interest of each non-producing party shall remain in the reservoir for production at a later date.

(b) SALE BY UNDER-PRODUCED OWNERS: Each Under-produced Party shall, upon commencing the sale of gas, have the right to take a greater percentage of the current gas production than such Under-produced Party's Percentage Ownership, subject to the following limitations:

- (1) For the purposes of balancing gas production accounts, as soon as practical, any Over-produced Party or Parties will make available to any Under-produced Party or Parties a portion of the Over-produced Party's or Parties' share of gas production at the current MER, but Over-produced Parties shall not be liable to Under-produced Parties under this paragraph except as provided in Section 4 hereof. In no event will any Over-produced Party be required to reduce the volume of gas which it is entitled to take from a proration unit during any calendar month to less than 50% of such Over-produced Party's Percentage Ownership in the gas produced. If at any time more than one Under-produced Party is taking in excess of its gas production account, then each such Under-produced Party shall be entitled to a share of the gas production made available by the Over-produced Parties in the ratio that the under-production of each Under-produced Party bears to the total under-production of all Under-produced Parties currently taking gas.
- (2) For the purpose of balancing in the event of price increases as provided in Section 3 hereof and for the purpose of balancing production accounts as provided in Section 4 hereof, the Under-produced Party, to the extent it is taking gas in excess of that attributable to its Percentage Ownership, shall be deemed to be recovering volumes of gas offsetting prior over-production by the Over-produced Party on a last in, first out basis.
- (3) Each party's gas production account is in balance when such party has utilized or sold the same percentage of the total cumulative production from a proration unit as such party's Percentage Ownership.
- (4) It is contemplated that some of the parties may arrange to have their gas processed in a gas processing plant for the recovery of liquefiable hydrocarbons. This Gas Balancing Agreement shall not provide a basis for balancing any liquefiable hydrocarbons recovered from a gas processing plant.
- (5) Only produced gas actually utilized or sold by a party shall be owned by it and charged against its share of the total recoverable reserves.

### 3. BALANCING IN THE EVENT OF PRICE INCREASES:

In the event the price received by the Under-produced Party for gas otherwise attributable to the Over-produced Party's interest in gas production which is being delivered for the Under-produced Party's account is greater than the price received by the Over-produced Party for the equivalent volume of gas, then the Under-produced Party shall pay to the Over-produced Party in cash, on a monthly basis, the product of the volume of gas otherwise attributable to the Over-produced Party's interest in gas production which is being delivered for the Under-produced Party's account and the difference between the lawful price which the Under-produced Party currently is collecting for the gas described above (but in no event higher than the price received by the Over-produced Party at the time such production is sold by the Under-produced Party) and the lawful price which the Over-produced Party actually collected for the volume of gas described above.

### 4. BALANCING OF PRODUCTION ACCOUNTS:

When production from a proration unit permanently ceases, there shall be an accounting between the parties hereto so that any Under-produced Party shall receive a sum of money equal to the amount actually received, less applicable taxes, royalty and the cost of dehydration and compression if not participated in by the Under-produced Party, by any Over-produced Party from the sale of that part of the total cumulative volume of gas produced from the proration unit to which any Under-produced Party was entitled, but which was utilized or sold by the Over-produced Parties. For the purposes of this paragraph, the "amount actually received" shall

be the dollar amount received for the quantity of gas remaining after subtracting the quantity of any periodic under-production by an Over-produced Party from the unbalanced over-production of such party. If a portion of a party's gas is taken for its own use and a portion thereof is sold, the gas value will be based on the price received simultaneously by such party for gas being sold from the proration unit. During periods in which a party is taking all of its gas for its own use, any gas so taken will be valued at the maximum price which such party could have received for such gas if actually delivered under such party's contract, or if none, the weighted average price received simultaneously by all parties for gas sold from the proration unit. If gas is processed for the recovery of liquefiable hydrocarbons, the gas value will be based on the amount which would have been received for the sale of such gas without processing.

5. STATEMENTS:

During the term hereof, each party selling gas from a proration unit in any month will furnish or cause to be furnished to each of the other parties a statement showing the volume and value of gas utilized and the volume and proceeds if sold. The Operator under the Operating Agreement shall furnish monthly to each party a statement showing the status of the over and short accounts of all parties.

6. PRODUCTION TAXES:

Each Party taking gas shall pay any and all production taxes due on such gas.

7. PAYMENT OF ROYALTY:

At all times while gas is produced from the Unit Area, each party hereto shall make settlement with the respective royalty owners to whom they are each accountable, just as if each party were taking or delivering to its purchaser its share, and its share only, of the total gas production exclusive of gas used in lease operations, vented or lost. Each party hereto agrees to hold each other party harmless from any and all claims for royalty payments asserted by royalty owners to whom each party is accountable. The term "royalty owner" shall include owners of royalty, overriding royalties, production payments and similar interests.

8. OPERATING EXPENSES:

The operation expenses are to be borne as provided in the Operating Agreement, regardless of whether all parties are selling or using gas or whether the sales and use of each are in proportion to Percentage Ownership.

9. SCOPE AND TERM:

This Agreement shall constitute a separate agreement as to each well and as to each separately metered reservoir produced from each well within the Unit Area and shall become effective in accordance with its terms and shall remain in force and effect as long as the Operating Agreement to which it is attached remains in effect, and shall inure to the benefit of and be binding upon the parties hereto, their successors, legal representatives and assigns.

10. INDEMNITY:

Each party hereby indemnifies the other parties hereto against all liability for and agrees to defend the parties hereto against all claims which may be asserted by third parties who now or hereafter stand in a contractual relationship with such indemnifying party whenever such claims are based upon said contractual relationship and arise out of the operation of this Agreement or activities of any party under its provisions, and further agrees to save the other parties hereto harmless from all judgments or damages sustained and costs incurred in connection therewith.

11. OPERATOR'S LIABILITY:

The Operator under the Operating Agreement is authorized to carry out the provisions of this Agreement, but shall not be liable for its failure to do so as long as it acts in good faith and as would a reasonably prudent operator in the same or similar circumstances.



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EXHIBIT "F"

CONTRACTOR'S CERTIFICATION FOR  
MESA PETROLEUM CO.

A. EQUAL EMPLOYMENT OPPORTUNITY

It is hereby agreed that the following provisions, which are also set forth in Section 202 of Executive Order 11246, are made a part of each agreement and purchase order presently existing or which may be entered into hereafter, between Contractor and Mesa Petroleum Co.

1. Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: Employment, upgrading, demotion or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for the training, including apprenticeship. Contractor agrees to post in conspicuous places, available to employees and applicants of employment, notices to be provided by the contracting officer, setting forth the provisions of this nondiscrimination clause.

2. Contractor will, in all solicitations or advertisements for employees placed by or on behalf of Contractor, state that a qualified applicant will receive consideration for employment without regard to race, color, religion, sex or national origin.

3. Contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice to be provided by the agency contracting officer, advising the labor union or workers' representatives of the Operator's commitments under Section 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

4. Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor.

5. Contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

6. In the event of Contractor's non-compliance with the nondiscrimination clauses of this contract or with any of such rules, regulations or orders, this contract may be cancelled, terminated, or suspended in whole or in part and the Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in said Executive Order No. 11246 of September 24, 1965, or by rule, regulation or order of the Secretary of Labor, or as otherwise provided by law.

7. Contractor will include the provisions of Paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. Contractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions, including sanctions for non-compliance; provided, however, that in the event Contractor becomes involved in or is threatened with litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Contractor may request the United States to enter into such litigation to protect the interest of the United States.

B. EQUAL EMPLOYMENT OPPORTUNITY REPORTING

Contractor agrees to file with the appropriate federal agency a complete and accurate report on Standard Form 10 (EEO-1) within 30 days after the signing of this agreement or the award of any such purchase order, as the case may be (unless such a report has been filed in the last 12 months), and agrees to continue to file such reports annually, on or before March 31. (41 CFR 60-1.7(a))

C. AFFIRMATIVE ACTION COMPLIANCE PROGRAM

Contractor agrees to develop and maintain a current written affirmative action compliance program for each of establishments in accordance with the regulations of the Secretary of Labor promulgated under Executive Order No. 11246, amended. (41 CFR 60-1.40)

Attached to and made a part of that certain Operating Agreement dated April 2, 1982 by and between Mesa Petroleum Co., as Operator, J. Roger Friedman, T. H. McElvain, Jr., Catherine M. Harvey, George B. Broome, Barbra B. Sweeney, Thomas E. Hickey and Corona Oil Company as Non-Operators.

EXHIBIT "F"

CONTRACTOR'S CERTIFICATION FOR  
MESA PETROLEUM CO.

A. EQUAL EMPLOYMENT OPPORTUNITY

It is hereby agreed that the following provisions, which are also set forth in Section 202 of Executive Order 11246, are made a part of each agreement and purchase order presently existing or which may be entered into hereafter, between Contractor and Mesa Petroleum Co.

1. Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: Employment, upgrading, demotion or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for the training, including apprenticeship. Contractor agrees to post in conspicuous places, available to employees and applicants of employment, notices to be provided by the contracting officer, setting forth the provisions of this nondiscrimination clause.

2. Contractor will, in all solicitations or advertisements for employees placed by or on behalf of Contractor, state that a qualified applicant will receive consideration for employment without regard to race, color, religion, sex or national origin.

3. Contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice to be provided by the agency contracting officer, advising the labor union or workers' representatives of the Operator's commitments under Section 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

4. Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor.

5. Contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

6. In the event of Contractor's non-compliance with the nondiscrimination clauses of this contract or with any of such rules, regulations or orders, this contract may be cancelled, terminated, or suspended in whole or in part and the Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in said Executive Order No. 11246 of September 24, 1965, or by rule, regulation or order of the Secretary of Labor, or as otherwise provided by law.

7. Contractor will include the provisions of Paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. Contractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions, including sanctions for noncompliance; provided, however, that in the event Contractor becomes involved in or is threatened with litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Contractor may request the United States to enter into such litigation to protect the interest of the United States.

B. EQUAL EMPLOYMENT OPPORTUNITY REPORTING

Contractor agrees to file with the appropriate federal agency a complete and accurate report on Standard Form 10 (EEO-1) within 30 days after the signing of this agreement or the award of any such purchase order, as the case may be (unless such a report has been filed in the last 12 months), and agrees to continue to file such reports annually, on or before March 31. (41 CFR 60-1.7(a))

C. AFFIRMATIVE ACTION COMPLIANCE PROGRAM

Contractor agrees to develop and maintain a current written affirmative action compliance program for each of its establishments in accordance with the regulations of the Secretary of Labor promulgated under Executive Order No. 11246, amended. (41 CFR 60-1.40)

#### D. CERTIFICATION OF NONSEGREGATED FACILITIES

Contractor, by entering into this contract, certifies that it does not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. It certifies further that it will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it will not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained.

Contractor agrees that a breach of this certification is a violation of the Equal Opportunity clause in this contract. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, creed, color, or national origin, because of habit, local custom, or otherwise. It further agrees that (except where it has obtained identical certifications from proposed subcontractors for specific time periods), it will obtain identical certifications from proposed subcontractors prior to the award of subcontracts exceeding \$10,000 which are not exempt from the provisions of the Equal Opportunity clause; that it will retain such certifications in its files; and that it will forward the following notice to such proposed subcontractors (except where the proposed subcontractors have submitted identical certifications for specific time periods):

#### NOTICE TO PROSPECTIVE SUBCONTRACTORS OF REQUIREMENT FOR CERTIFICATIONS OF NONSEGREGATED FACILITIES

A Certification of Nonsegregated Facilities, as required by the May 9, 1967 Order (32 F.R. 7439, May 19, 1967) on Elimination of Segregated Facilities, by the Secretary of Labor, must be submitted prior to the award of a subcontract exceeding \$10,000 which is not exempt from the provisions of the Equal Opportunity Clause. The certification may be submitted either for each subcontractor or for all subcontracts during a period (i.e. quarterly, semi-annually, or annually).

#### E. EMPLOYMENT OF VETERANS

1. The Affirmative Action for Disabled Veterans and Veterans of the Vietnam Era Clause set forth at Section 60-250.4 of Title 41 Code of Federal Regulations is hereby incorporated herein by reference. (This clause is applicable to all contracts or purchase orders for \$10,000 or more.)

2. Contractor agrees further to place the above provisions in any subcontract nonexempt under the rules and regulations promulgated by the Secretary under the Vietnam Era Veterans Readjustment Assistance Act of 1974.

#### F. EMPLOYMENT OF HANDICAPPED PERSONS

1. The Affirmative Action for Handicapped Workers Clause set forth in Section 60-741.41 of Title 41 Code of Federal Regulations is hereby incorporated herein by reference. (This clause is applicable to all contracts or purchase orders for \$2,500 or more.)

2. Contractor agrees further to place the above provision in any subcontract nonexempt under the rules and regulations promulgated by the Secretary under the Rehabilitation Act of 1973.

# CORONA OIL COMPANY

4835 LBJ Freeway, Suite 635 Dallas, Texas 75234 214/385-3070

June 10, 1982

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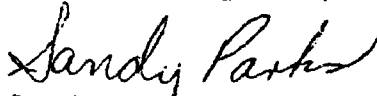
Mr. Kevin Dentzer  
Mesa Petroleum Co.  
Vaughn Building  
Suite 1000  
Midland, Texas 79701-4493

Re: Operating Agreement Dated April 2, 1982  
#5 Lodewick Federal Com.  
Pecos Slope Prospect  
Chaves County, New Mexico

Dear Mr. Dentzer:

Enclosed are two executed signature pages for the above-referenced Operating Agreement.

Very truly yours,



Sandy Parks  
Secretary for Don E. Williams

Encl.

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION
EXHIBIT NO. <u>5</u>
CASE NO. <u>7620</u>
Submitted by <u>Mesa</u>
Hearing Date <u>8-4-82</u>

ARTICLE XVI.  
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 2nd day of April, 1982.

OPERATOR

ATTEST:

MESA PETROLEUM CO.

By: Loretta G. Porter  
Assistant Secretary

By: Marion E. Causey  
Marion E. Causey, Vice President

NON-OPERATORS

CORONA OIL COMPANY

Helen Orgain  
Helen Orgain, Asst. Secretary

By: Don E. Williams  
Don E. Williams, Vice President  
J. ROGER FRIEDMAN

By: \_\_\_\_\_  
T. H. MCELVAIN, JR.

By: \_\_\_\_\_  
CATHERINE M. HARVEY

By: \_\_\_\_\_  
GOERGE B. BROOME

By: \_\_\_\_\_  
BARBRA B. SWEENEY

By: \_\_\_\_\_  
THOMAS E. HICKEY

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

Signature Page to Operating Agreement dated April 2, 1982 by and between Mesa Petroleum Co., as Operator, J. Roger Friedman, T. H. McElvain, Jr. Catherine M. Harvey, George B. Broome, Barbra B. Sweeney, Thomas E. Hickey and Corona Oil Company as Non-Operators

#5 Lodewick Federal Com.

ARTICLE XVI.  
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 2nd day of April, 1982.

OPERATOR

ATTEST:

MESA PETROLEUM CO.

By: Louella H. Porter  
Assistant Secretary

By: Marion E. Causey  
Marion E. Causey, Vice President

NON-OPERATORS

CORONA OIL COMPANY

Helen Orgain  
Helen Orgain Asst. Secretary

By: Don E. Williams  
Don E. Williams, Vice President  
J. ROGER FRIEDMAN

By: \_\_\_\_\_  
T. H. MCELVAIN, JR.

By: \_\_\_\_\_  
CATHERINE M. HARVEY

By: \_\_\_\_\_  
GOERGE B. BROOME

By: \_\_\_\_\_  
BARBRA B. SWEENEY

By: \_\_\_\_\_  
THOMAS E. HICKEY

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

Signature Page to Operating Agreement dated April 2, 1982 by and between Mesa Petroleum Co., as Operator, J. Roger Friedman, T. H. McElvain, Jr. Catherine M. Harvey, George B. Broome, Barbra B. Sweeney, Thomas E. Hickey and Corona Oil Company as Non-Operators

#5 Lodewick Federal Com.

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March 30, 1982

J. Roger Friedman  
425 Park Avenue  
New York, NY 10022

Dear Mr. Friedman:

Subject: Well Proposal  
#5 Lodewick Federal Com.  
Pecos Slope Prospect  
Chaves County, New Mexico  
Mesa OP 05-NM-0138-227

Mesa, as operator, hereby proposes the drilling of the captioned well to test the Abo Formation. Please indicate your intentions to join or go non-consent by executing and returning a copy of this letter along with an executed AFE on your behalf. An Operating Agreement is being prepared and will be forwarded when available.

Yours very truly,

Mark Hannifin

sl

Enclosures

BEFORE EXAMINER STAMETS	
OIL CONSERVATION DIVISION	
EXHIBIT NO.	<u>6</u>
CASE NO.	<u>7620</u>
Submitted by	<u>Mesa</u>
Hearing Date	<u>8-4-82</u>

Mesa #5 Lodewick Federal Com.                                 Join                                 Go Non-Consent

J. ROGER FRIEDMAN

BY: \_\_\_\_\_



March 29, 1982

T. H. McElvain, Jr.  
P. O. Box 2148  
Santa Fe, NM 87501

Dear Mr. McElvain:

Subject: Well Proposal  
#5 Lodewick Federal Com.  
Pecos Slope Prospect  
Chaves County, New Mexico  
Mesa OP 05-NM-0138-227

Mesa, as operator, hereby proposes the drilling of the captioned well to test the Abo Formation. Please indicate your intentions to join or go non-consent by executing and returning a copy of this letter along with an executed AFE on your behalf. An Operating Agreement is being prepared and will be forwarded when available.

Yours very truly,

A handwritten signature in dark ink, appearing to read 'Mark Hannifin', is written over a horizontal line.

Mark Hannifin

sl

Enclosures

Mesa #5 Lodewick Federal Com.                                 Join                                 Go Non-Consent

T. H. McELVAIN, JR.

BY: \_\_\_\_\_





March 30, 1982

Catherine M. Harvey  
P. O. Box 2148  
Santa Fe, NM 87501

Dear Ms. Harvey:

Subject: Well Proposal  
#5 Lodewick Federal Com.  
Pecos Slope Prospect  
Chaves County, New Mexico  
Mesa OP 05-NM-0138-227

Mesa, as operator, hereby proposes the drilling of the captioned well to test the Abo Formation. Please indicate your intentions to join or go non-consent by executing and returning a copy of this letter along with an executed AFE on your behalf. An Operating Agreement is being prepared and will be forwarded when available.

Yours very truly,

A handwritten signature in dark ink, appearing to read 'Mark Hannifin', is written over a horizontal line.

Mark Hannifin

si

Enclosures

Mesa #5 Lodewick Federal Com.               Join               Go Non-Consent

CATHERINE M. HARVEY

BY: \_\_\_\_\_



March 30, 1982

George B. Broome  
P. O. Box 2148  
Santa Fe, NM 87501

Dear Mr. Broome:

Subject: Well Proposal  
#5 Lodewick Federal Com.  
Pecos Slope Prospect  
Chaves County, New Mexico  
Mesa OP 05-NM-0138-227

Mesa, as operator, hereby proposes the drilling of the captioned well to test the Abo Formation. Please indicate your intentions to join or go non-consent by executing and returning a copy of this letter along with an executed AFE on your behalf. An Operating Agreement is being prepared and will be forwarded when available.

Yours very truly,

A handwritten signature in dark ink, appearing to read 'Mark Hannifin', is written over a horizontal line.

Mark Hannifin

sl

Enclosures

Mesa #5 Lodewick Federal Com.                                 Join                                 Go Non-Consent

GEORGE B. BROOME

BY: \_\_\_\_\_



March 30, 1982

Barbara B. Sweeney  
P. O. Box 2148  
Santa Fe, NM 87501

Dear Ms. Sweeney:

Subject: Well Proposal  
#5 Lodewick Federal Com.  
Pecos Slope Prospect  
Chaves County, New Mexico  
Mesa OP 05-NM-0138-227

Mesa, as operator, hereby proposes the drilling of the captioned well to test the Abo Formation. Please indicate your intentions to join or go non-consent by executing and returning a copy of this letter along with an executed AFE on your behalf. An Operating Agreement is being prepared and will be forwarded when available.

Yours very truly,

  
Mark Hannifin

sl

Enclosures

Mesa #5 Lodewick Federal Com.

BARBARA B. SWEENEY

BY: \_\_\_\_\_



March 30, 1982

Thomas E. Hickey  
P. O. Box 2148  
Santa Fe, NM 87501

Dear Mr. Hickey:

Subject: Well Proposal  
#5 Lodewick Federal Com.  
Pecos Slope Prospect  
Chaves County, New Mexico  
Mesa OP 05-NM-0138-227

Mesa, as operator, hereby proposes the drilling of the captioned well to test the Abo Formation. Please indicate your intentions to join or go non-consent by executing and returning a copy of this letter along with an executed AFE on your behalf. An Operating Agreement is being prepared and will be forwarded when available.

Yours very truly,

A handwritten signature in black ink, appearing to read 'Mark Hannifin', is written over a horizontal line.

Mark Hannifin

sl

Enclosures

Mesa #5 Lodewick Federal Com.                               Join                               Go Non-Consent

THOMAS E. HICKEY

BY: \_\_\_\_\_



April 12, 1982


J. Roger Friedman  
425 Park Avenue  
New York, NY 10022

Dear Mr. Friedman:

Subject: Operating Agreement  
#5 Lodewick Fed. Com.  
Pecos Slope Prospect  
Chaves County, New Mexico  
Mesa OP 05-NM-0138-227

Enclosed herewith for your review and execution is the Operating Agreement on the above captioned well. We will circulate signature pages on behalf of all parties as available. Please sign and return two (2) copies of the signature page at your earliest convenience.

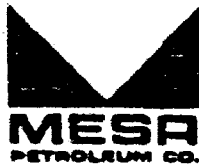
Yours very truly,

  
Kevin Dentzer

s/

Enclosures

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION EXHIBIT NO. <u>7</u> CASE NO. <u>7620</u> Submitted by <u>Mesa</u> Hearing Date <u>8-4-82</u>
--



April 12, 1982

T. H. McElvain, Jr.  
P. O. Box 2148  
Santa Fe, NM 87501

Dear Mr. McElvain:

Subject: Operating Agreement  
#5 Lodewick Fed. Com.  
Pecos Slope Prospect  
Chaves County, New Mexico  
Mesa OP 05-NM-0138-227

Enclosed herewith for your review and execution is the Operating Agreement on the above captioned well. We will circulate signature pages on behalf of all parties as available. Please sign and return two (2) copies of the signature page at your earliest convenience.

Yours very truly,

A handwritten signature in black ink, appearing to read 'Kevin Dentzer', is written over a horizontal line.

Kevin Dentzer

sl

Enclosures



April 12, 1982

Catherine M. Harvey  
P. O. Box 2148  
Santa Fe, New Mexico 87501

Dear Ms. Harvey:

Subject: Operating Agreement  
#5 Lodewick Fed. Com.  
Pecos Slope Prospect  
Chaves County, New Mexico  
Mesa OP 05-NM-0138-227

Enclosed herewith for your review and execution is the Operating Agreement on the above captioned well. We will circulate signature pages on behalf of all parties as available. Please sign and return two (2) copies of the signature page at your earliest convenience.

Yours very truly,

A handwritten signature in dark ink, appearing to read 'Kevin Dentzer', is written over the typed name.

Kevin Dentzer

sl

Enclosures



April 12, 1982

George B. Broome  
P. O. Box 2148  
Santa Fe, New Mexico 87501

Dear Mr. Broome:

Subject: Operating Agreement  
#5 Lodewick Fed. Com.  
Pecos Slope Prospect  
Chaves County, New Mexico  
Mesa OP 05-NM-0138-227

Enclosed herewith for your review and execution is the Operating Agreement on the above-captioned well. We will circulate signature pages on behalf of all parties as available. Please sign and return two (2) copies of the signature page at your earliest convenience.

Yours very truly,

A handwritten signature in black ink, appearing to read 'Kevin Dentzer', is written over a horizontal line.

Kevin Dentzer

s1

Enclosures





April 12, 1982

Barbara B. Sweeney  
P. O. Box 2148  
Santa Fe, NM 87501

Dear Ms. Sweeney:

Subject: Operating Agreement  
#5 Lodewick Fed. Com.  
Pecos Slope Prospect  
Chaves County, New Mexico  
Mesa OP 05-NM-0138-227

Enclosed herewith for your review and execution is the Operating Agreement on the above captioned well. We will circulate signature pages on behalf of all parties as available. Please sign and return two (2) copies of the signature page at your earliest convenience.

Yours very truly,

  
Kevin Dentzer

sl

Enclosures



April 12, 1982

Thomas E. Hickey  
P. O. Box 2148  
Santa Fe, NM 87501

Dear Mr. Hickey:

Subject: Operating Agreement  
#5 Lodewick Fed. Com.  
Pecos Slope Prospect  
Chaves County, New Mexico  
Mesa OP 05-NM-0133-227

Enclosed herewith for your review and execution is the Operating Agreement on the above captioned well. We will circulate signature pages on behalf of all parties as available. Please sign and return two (2) copies of the signature page at your earliest convenience.

Yours very truly,

  
Kevin Dentzer

sl

Enclosures



# NMAS

## New Mexico Archaeological Services, Inc.

P. O. Box 1341

Carlsbad, New Mexico 88220

(505) 887-7646

- Reconnaissance
- Excavation
- Analysis
- Explanation
- Curation

13 March 1982

*Original on file in  
Braden Fed #1*

Mr. R.E. Mathis  
 Regulatory Coordinator  
 MESA PETROLEUM CO.  
 1000 Vaughn Building  
 Midland, Texas 79701

Dear Mr. Mathis:

Enclosed please find NMAS' Archaeological Clearance Report for MESA PETROLEUM CO.'s proposed Braden Federal Well No. 1, Bitter Lake Federal Well No. 7, Lodewick Federal Com. Well No. <sup>(#5)</sup> Donna Federal Com. Well No. 1, and their associated access roads in Chaves County, New Mexico. Four instances of isolated cultural resources (CR) and one instance of burned limestone (BC) were recorded during this reconnaissance. These remains are attributed to en passant activities, and hence NMAS is suggesting clearance for these projects.

If you have any questions pertaining to this report, please call my office. Thank you for asking NMAS to do this reconnaissance.

Yours sincerely,

*J. Loring Haskell*  
 Dr. J. Loring Haskell

Principal Investigator

Enclosure

- cc: Mr. Lloyd Reed, Agent MESA PETROLEUM CO., Roswell  
 Ms. Ann Ramage, BLM, Roswell  
 Mr. George Stewart, USGS, Roswell  
 Mr. Curtis Schaafsma, Laboratory of Anthropology,  
 Santa Fe  
 Mr. Thomas W. Merlan, SHPO, Santa Fe

as

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MESA-882

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO. <u>8</u>
CASE NO. <u>7620</u>
Submitted by <u>Mesa</u>
Hearing Date <u>8-4-82</u>

## ABSTRACT

New Mexico Archaeological Services, Inc., representing MESA PETROLEUM CO., Midland, undertook an archaeological reconnaissance of Bureau of Land Management lands scheduled to be impacted by the construction of four drill locations and their associated access roads. The investigated areas are situated in Section 30, T5S, R24E; Section 4, T9S, R25E; Section 8, T5S, R25E, and Section 30, T6S, R25E, NMPM, Chaves County, New Mexico. Four instances of isolated cultural resources (CR), and one instance of burned limestone (BC) were recorded during the course of this reconnaissance. NMAS is suggesting clearance for all MESA projects.

Archaeological Clearance Report  
for

MESA PETROLEUM CO.

Braden Federal Well No. 1  
Bitter Lake Federal Well No. 7  
Lodewick Federal Com. Well No. 6  
Donna Federal Com. Well No. 1

Prepared

By

Dr. J. Loring Haskell

Submitted

By

Dr. J. Loring Haskell  
Principal Investigator  
New Mexico Archaeological Services, Inc.  
Carlsbad, New Mexico

13 March 1982

Permit No. 81-NM-306

Introduction

On 9, 10, and 11, March 1982, New Mexico Archaeological Services, Inc., (NMAS), Carlsbad, undertook for MESA PETROLEUM CO., Midland, an archaeological reconnaissance of federal lands administered by the Bureau of Land Management in Chaves County, New Mexico. Reconnoitered areas will be impacted by the construction of four drill locations and their associated access roads. This project was advanced by Mr. Lloyd Reed, Regulatory Agent, MESA PETROLEUM CO., and administered by Dr. J. Loring Haskell, Principal Investigator, NMAS, Inc. This reconnaissance was undertaken by Dr. Haskell and Mr. John C. Haight.

Survey Technique

For this investigation, MESA PETROLEUM CO.'s proposed locations were reconnoitered for evidence of man's past activities by walking them in a series of 25 ft wide, close interval (15° or less), zigzag transects. In addition, an added zone embracing to 20 ft on each side of the staked 400 X 400 ft locations, and hence lying outside the bounds of the proposed work areas, were reconnoitered by a similar means. As for the access roads, they were walked in two 25 ft wide transects. Methodologically, this procedure served to promote optimal conditions for the visual examination of areas to be impacted by construction-related activities.

Braden Federal Well No. 1

Location

The proposed location will measure 400 X 400 ft on federal lands and will be situated 660 ft from the north line and 660 ft from the east line of:

Section 30, T5S, R24E, NMPM, Chaves County, NM

Thus it will be situated in the:

NE $\frac{1}{4}$ NE $\frac{1}{4}$ , Section 30, T5S, R24E, NMPM, Chaves County, NM

The associated access road will measure approximately 20 X 3640 ft and will be situated in the:

NE $\frac{1}{4}$ NE $\frac{1}{4}$ , Section 30, T5S, R24E, NMPM, Chaves County, NM  
SE $\frac{1}{4}$ NE $\frac{1}{4}$ , Section 30, T5S, R24E, NMPM, Chaves County, NM  
NE $\frac{1}{4}$ SE $\frac{1}{4}$ , Section 30, T5S, R24E, NMPM, Chaves County, NM  
NW $\frac{1}{4}$ SE $\frac{1}{4}$ , Section 30, T5S, R24E, NMPM, Chaves County, NM  
SW $\frac{1}{4}$ SE $\frac{1}{4}$ , Section 30, T5S, R24E, NMPM, Chaves County, NM

Map Reference: USGS SHANNOND DRAW QUADRANGLE, 7.5 Minute Series, 1967.

### Terrain

MESA PETROLEUM CO.'s proposed Braden Federal Well No. 1 will be situated on the northeast facing slope of a broadly based-based ridge system overlooking Huggins Draw. Drainage is northeast via heavy sheetwash into a series of minor draws tributary to the aforementioned drainage. Soils are composed of moderately compacted clay loams and silty clay loams. Pedons are classified as belonging to the Calic Gypsiorthid subgroup and its intergrades.

### Floristics

Areal soils host a sparse overstory of Prosopis juliflora and Yucca glauca. Attendant forbs include Gutierrezia sarothrae, Perezia nana, and Coldenia canescens. The Gramineae is represented by Tridens pulchellus, Bouteloua sp., Scleropogon brevifolius and Hilaria mutica.

### Cultural Resources

No cultural resources were noted during this reconnaissance. This locality's lack of knappable lithic resources may be cited as the primary factor contributing to the absence of cultural resources. Prehistoric land usage focused on hunting pursuits with most usage occurring during Late Archaic (A.D. 750-950) and Jornada Mogollon (A.D. 950-1350) times.

## Recommendations

NMAS recommends clearance for MESA PETROLEUM CO.'s proposed Braden Federal Well No. 1 and its access road and suggests that work-related activities proceed in accordance with company plans. Clearance, of course, is granted by the Bureau of Land Management. If cultural resources are encountered during construction, the BLM and NMAS should be notified immediately.

### Bitter Lake Federal Well No. 7

## Location

The proposed location will measure 400 X 400 ft on federal lands and will be situated 1980 ft from the north line and 660 ft from the west line of:

Section 4, T9S, R25E, NMPM, Chaves County, NM

Thus it will be situated in the:

SW $\frac{1}{4}$ NW $\frac{1}{4}$ , Section 4, T9S, R25E, NMPM, Chaves County, NM

The associated access road will measure approximately 20 X 4600 ft and will be situated in the:

SW $\frac{1}{4}$ NW $\frac{1}{4}$ , Section 4, T9S, R25E, NMPM, Chaves County, NM

NW $\frac{1}{4}$ SW $\frac{1}{4}$ , Section 4, T9S, R25E, NMPM, Chaves County, NM

NE $\frac{1}{4}$ SW $\frac{1}{4}$ , Section 4, T9S, R25E, NMPM, Chaves County, NM

NW $\frac{1}{4}$ SE $\frac{1}{4}$ , Section 4, T9S, R25E, NMPM, Chaves County, NM

SW $\frac{1}{4}$ SE $\frac{1}{4}$ , Section 4, T9S, R25E, NMPM, Chaves County, NM

SE $\frac{1}{4}$ SE $\frac{1}{4}$ , Section 4, T9S, R25E, NMPM, Chaves County, NM

Map Reference: USGS MELENA QUADRANGLE, 7.5 Minute Series, 1962.

## Terrain

MESA PETROLEUM CO.'s proposed location will be situated north of the Dunnahoo Hills on a gently trending plain overlain by a veneer of aeolian deposits. Drainage is toward the east via sheetwash. Soils consist of silty clay loams and sandy clay loams hosting limestone, quartzite, and chert, gravel-sized inclusions. Pedons belong to the Typic



Paleorthid subgroup, its intergrades, and the Typic Torripsamment subgroup.

### Floristics

The floral overstory of this area consists of a low overstory of Prosopis juliflora, and Yucca glauca. Attendant forbs include Gutierrezia sarothrae and Perezia nana. The Gramineae is represented by low-growing Bouteloua sp., Hilaria mutica, and Tridens pulchellus. The Cactaceae is represented by Echinocactus sp.

### Cultural Resources

No cultural resources were noted during this reconnaissance. The paucity of potable water, lack of knappable lithic resources, and open nature of the landform may be cited as reasons for their absence at this locality. Hunting and gathering social units seasonally utilized the area while exploiting its food resources. Occupancies were ephemeral probably measurable in terms of less than a day.

### Recommendations

NMAS recommends clearance for MESA PETROLEUM's proposed Bitter Lake Federal Well No. 7 and its access road and suggests that work-related activities proceed in accordance with company plans. Clearance, of course, is granted by the Bureau of Land Management. If cultural resources are encountered during construction, the BLM and NMAS should be notified immediately.

Lodewick Federal Com. Well No. 6

### Location

The proposed location will measure 400 X 400 ft on federal lands and will be situated 1980 ft from the south line and 1650 ft from the west line of:

Section 8, T5S, R25E, NMPM, Chaves County, NM

Thus it will be situated in the:

NE $\frac{1}{4}$ SW $\frac{1}{4}$ , Section 8, T5S, R25E, NMPM, Chaves County, NM

The associated access road will measure approximately 20 X 1700 ft and will be situated in the:

NE $\frac{1}{4}$ SW $\frac{1}{4}$ , Section 8, T5S, R25E, NMPM, Chaves County, NM

NW $\frac{1}{4}$ SE $\frac{1}{4}$ , Section 8, T5S, R25E, NMPM, Chaves County, NM

Map Reference: USGS DEERING PLACE QUADRANGLE, 7.5 Minute Series, 1967.

### Terrain

MESA PETROLEUM's proposed location will be situated on a gently sloping plain whose surface is broken by the occurrence of small knoll-like eminences. Subject to sheetwash, areal drainage is tributary to Huggins Draw and hence the Pecos. Surficial deposits consist of slightly compacted sandy clay loams which host gravel- and cobble-sized chert, quartzite, and limestone inclusions.

### Floristics

Principal plants of this landform are Prosopis juliflora, Yucca glauca, and Atriplex canescens. Associated forbs include Gutierrezia sarothrae, Mentzelia sp., Cirsium sp., and Perezia nana. Most commonly occurring grasses are Bouteloua spp., Muhlenbergia porterii, Hilaria mutica, Scleropogon brevif. lius, and Tridens pulchellus.

### Cultural Resources

During the course of this reconnaissance, one isolated cultural resource (CR) was recorded. This CR, consisting of one quartzite primary decortication, is situated at a point 150 ft south-southwest of the center stake. It is located in the:

NW $\frac{1}{4}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$ , Section 8, T5S, R25E, NMPM, Chaves County, NM

UTM: Zone 13, N3,749,280; E560,710

Map Reference: USGS DEERING PLACE QUADRANGLE, 7.5 Minute Series, 1967.

## Recommendations

NMAS recommends clearance for MESA PETROLEUM's proposed Lodewick Federal Com. Well No. 6 and its access road and suggests that work-related activities proceed in accordance with company plans. Clearance, of course, is granted by the Bureau of Land Management. If additional cultural resources are encountered during construction, the BLM and NMAS should be notified immediately.

Donna Federal Com. Well No. 1

## Location

The proposed location will measure 400 X 400 ft on federal lands and will be situated 1980 ft from the north line and 1904 ft from the west line of:

Section 30, T6S, R25E, NMPM, Chaves County, NM

Thus it will be situated in the:

SE $\frac{1}{4}$ NW $\frac{1}{4}$ , Section 30, T6S, R25E, NMPM, Chaves County, NM

The associated access road will measure approximately 20 X 1000 ft and will be situated in the:

SE $\frac{1}{4}$ NW $\frac{1}{4}$ , Section 30, T6S, R25E, NMPM, Chaves County, NM

NE $\frac{1}{4}$ SW $\frac{1}{4}$ , Section 30, T6S, R25E, NMPM, Chaves County, NM

Map Reference: USGS SHANNON DRAW QUADRANGLE, 7.5 Minute Series, 1967.

## Terrain

The investigated location will be situated immediately north of Five-mile Draw on a generally gently trending landform whose surface is marked by a discontinuous system of minor hummocks. Overall, this locality is subject to sheetwash with a tendency for it to coalesce prior to its discharge into the Fivemile Draw catchment. Lithic material occurring on local soils tends to be of gravel size; however, occasional quartzite cobbles, generally of small size, are present as well. Pedons are dominated

by the fine separates being composed of clay loams and silty clay loams. Soils occurring in Fivemile Draw are alluvial in character.

### Floristics

Local soils are supportive of an overstory of Prosopis juliflora, and Yucca glauca. Attendant forbs include Cirsium sp., Gutierrezia sarothrae, Mentzelia sp., and Perezia nana. The Gramineae is represented by Hilaria mutica, Scleropogon brevifolius, Sporobolus airoides, and Tridens pulchellus. The Cactaceae is represented by occasional Opuntia macrocentra.

### Cultural Resources

During the course of this reconnaissance, three isolated cultural resources (CR) and one instance of burned limestone (BC) were recorded.

CR 1, consisting of one quartzite primary decortication flake is situated on the proposed access road at a point 300 ft north of the existing lease road. It is located in the:

SW  $\frac{1}{4}$  NE  $\frac{1}{4}$  SW  $\frac{1}{4}$ , Section 30, T5S, R25E, NMPM, Chaves County, NM

UTM: Zone 13, N 3,736,090; E551,460

Map Reference: USGS SHANNON DRAW QUADRANGLE, 7.5 Minute Series, 1967.

CR 2, consisting of one quartzite primary decortication flake is situated at a point 80 ft east-northeast of the center stake. It is located in the:

SW  $\frac{1}{4}$  NE  $\frac{1}{4}$  SE  $\frac{1}{4}$  NW  $\frac{1}{4}$ , Section 30, T6S, R25E, NMPM, Chaves County, NM

UTM: Zone 13, N 3,736,390; E551,570

Map Reference: USGS SHANNON DRAW QUADRANGLE, 7.5 Minute Series, 1967.

CR 3, consisting of one jasper biface, is located at a point 200 ft south-southeast of the center stake. It is located in the:

NE  $\frac{1}{4}$  SW  $\frac{1}{4}$  SE  $\frac{1}{4}$  NW  $\frac{1}{4}$ , Section 30, T6S, R25E, NMPM, Chaves County, NM

UTM: Zone 13, N 3,736,320; E551,560

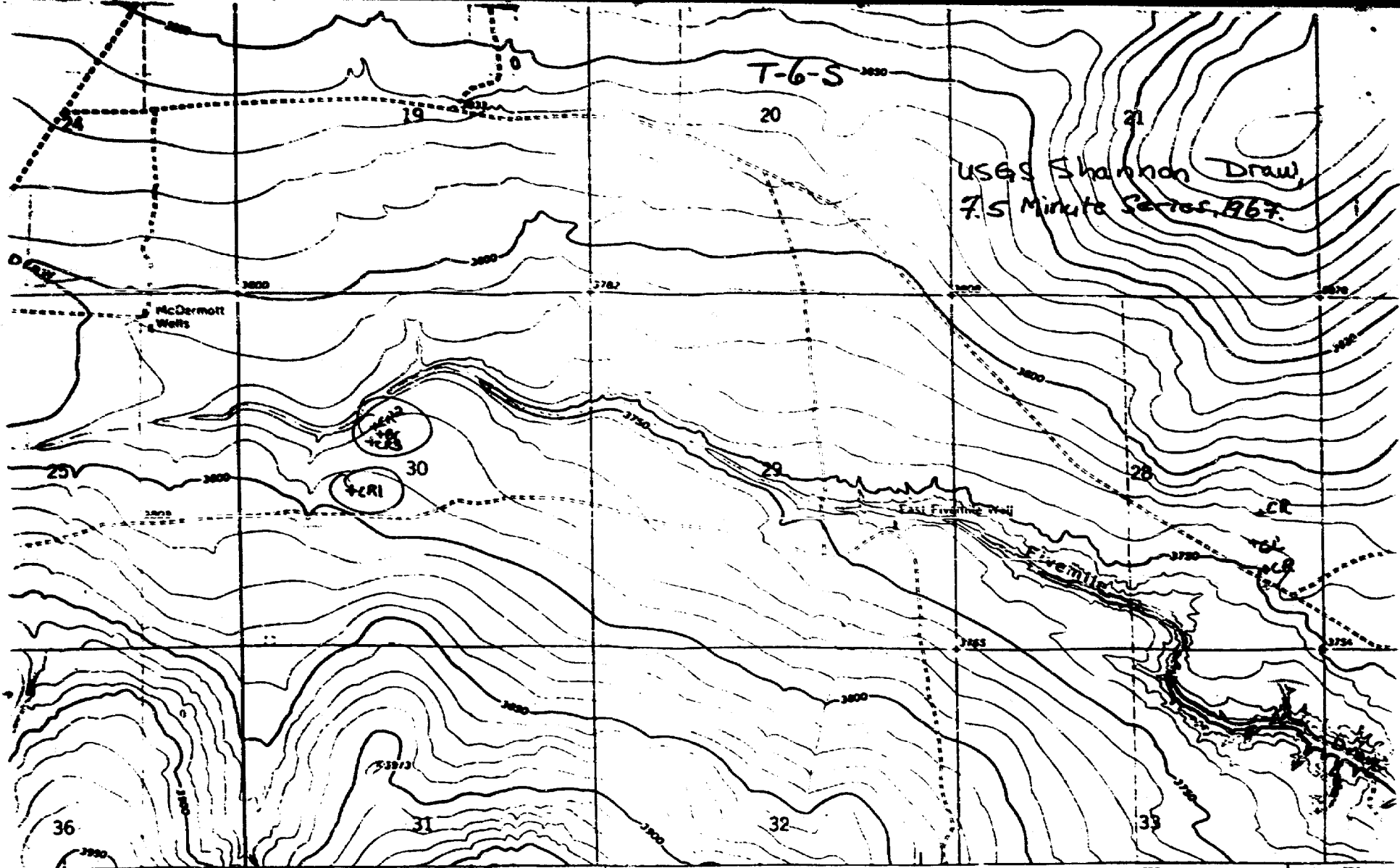
Map Reference: USGS SHANNON DRAW QUADRANGLE, 7.5 Minute Series, 1967.

**Burned Limestone (BC)**

As for the burned limestone cobble, it is situated at a point 200 ft due east of the center stake.

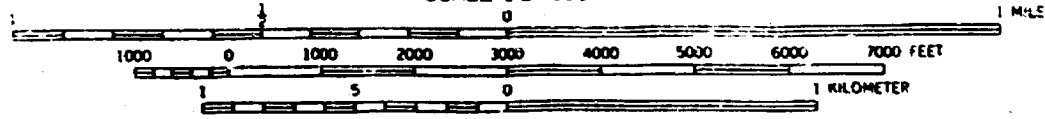
**Recommendation:**

NMAS recommends clearance for MESA PETROLEUM CO.'s proposed Donna Federal Well No. 1 and its access road and suggests that work-related activities proceed in accordance with company plans. Clearance, of course, is granted by the Bureau of Land Management. If additional cultural resources are encountered during construction, the BLM and NMA should be notified immediately.



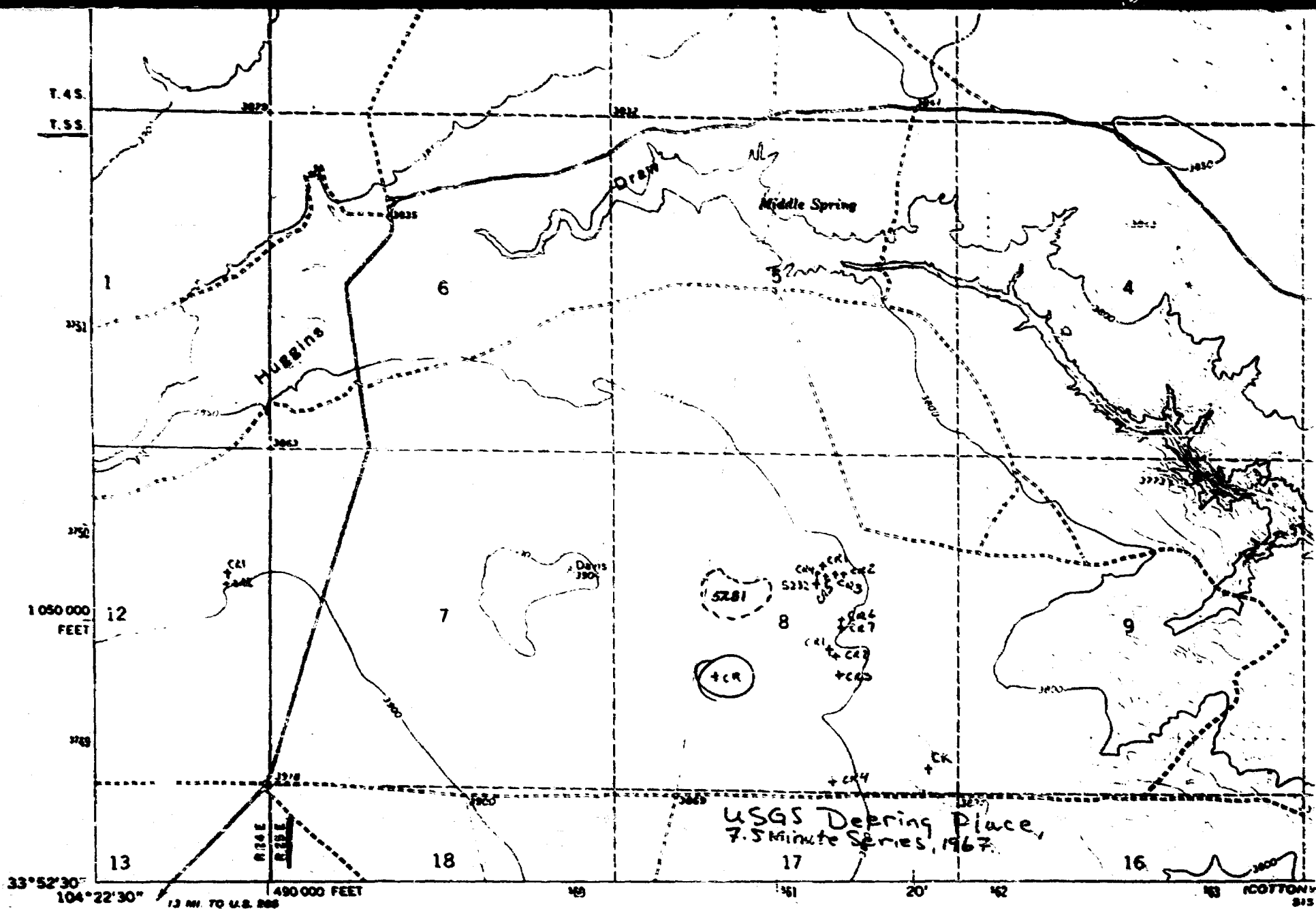
27°30" R. 24 E. R. 25 E. 25' 25' 25'

COYOTE DRAW  
S1S1 IN NW  
SCALE 1:24,000



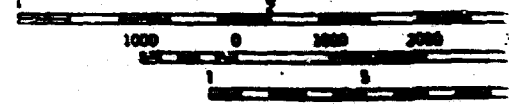
CONTOUR INTERVAL 10 FEET  
DATUM IS MEAN SEA LEVEL



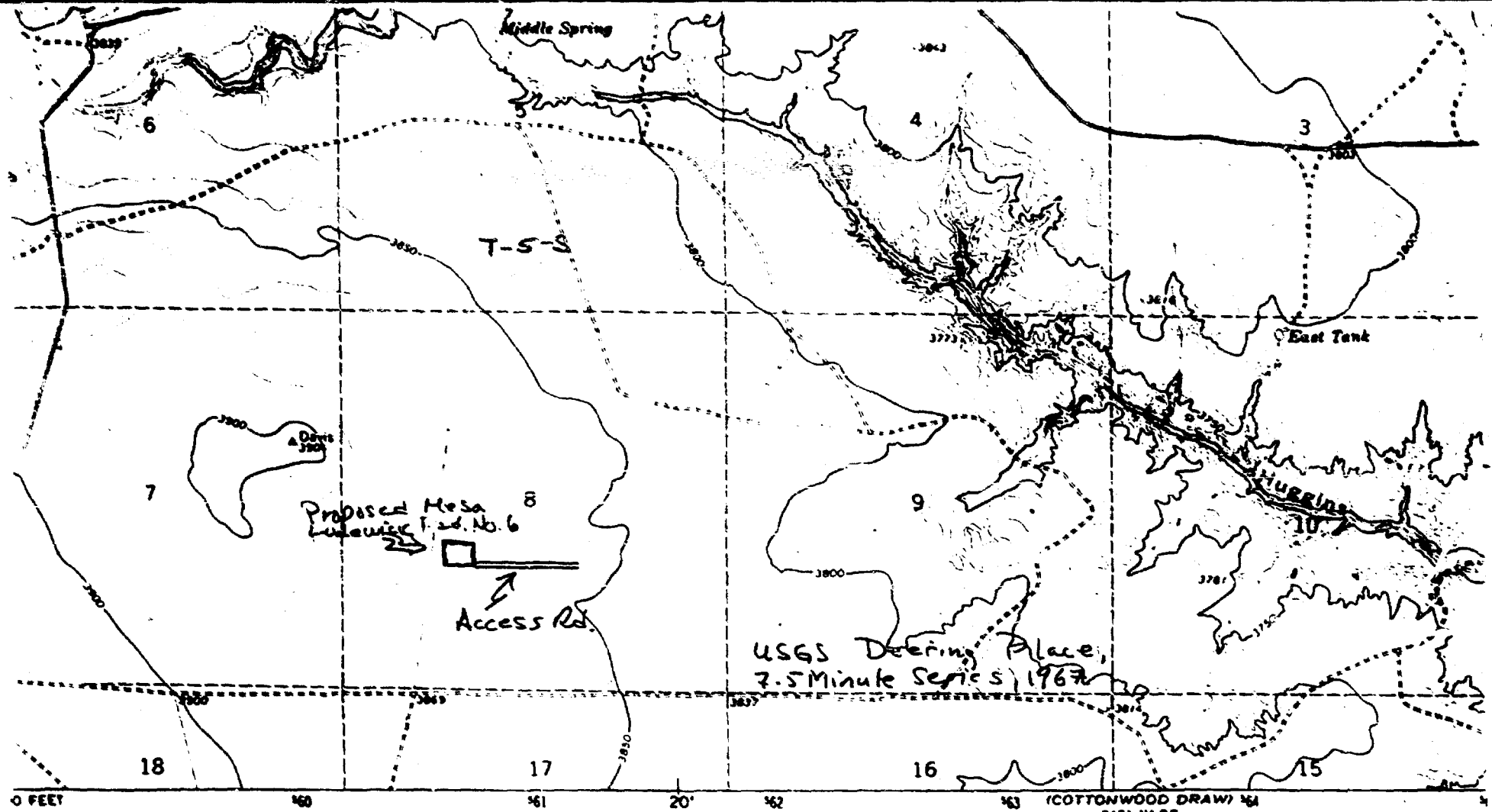


SHANNON DRAWN  
 5/21/67

Mapped, edited, and published by the Geological Survey  
 Control by USGS and USC&GS  
 Topography by photogrammetric methods from aerial  
 photographs taken 1966. Field checked 1967  
 Polyconic projection. 1927 North American datum  
 10,000-foot grid based on New Mexico coordinate system,  
 east zone  
 1000-meter Universal Transverse Mercator grid ticks.



CONTOUR INT  
 DOTTED LINES REPRESENT  
 DATUM IS ME



Map prepared by the Geological Survey

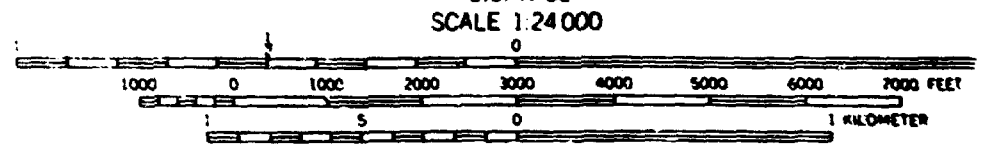
Methods from aerial photography checked 1967

Based on the North American datum and the Mexico coordinate system.

Grid lines are Mercator grid ticks.

Uninterrupted fence lines

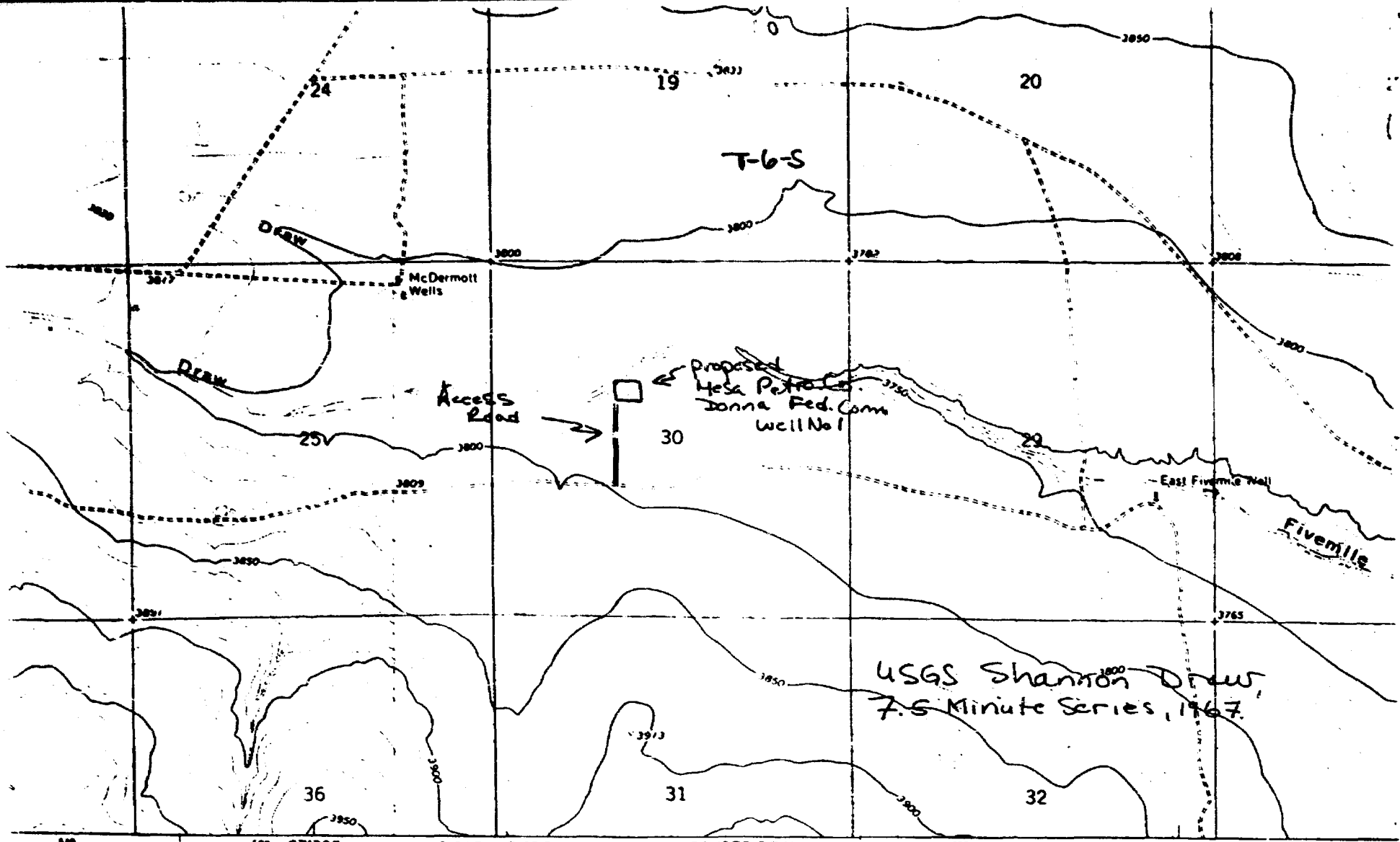
UTM GRID AND 1967 MAGNETIC NORTH DECLINATION AT CENTER OF SHEET



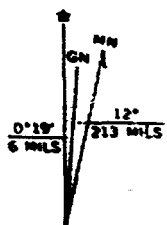
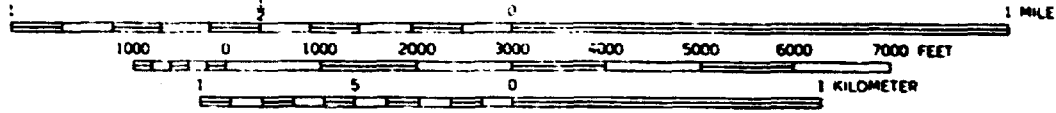
CONTOUR INTERVAL 10 FEET  
 DOTTED LINES REPRESENT 5-FOOT CONTOURS  
 DATUM IS MEAN SEA LEVEL

THIS MAP COMPLIES WITH NATIONAL MAP ACCURACY STANDARDS FOR SALE BY U.S. GEOLOGICAL SURVEY, DENVER, COLORADO 80225, OR WASHINGTON, D.C. A FOLDER DESCRIBING TOPOGRAPHIC MAPS AND SYMBOLS IS AVAILABLE ON REQUEST





(COYOTE DRAW)  
5151 III NW  
SCALE 1:24 000



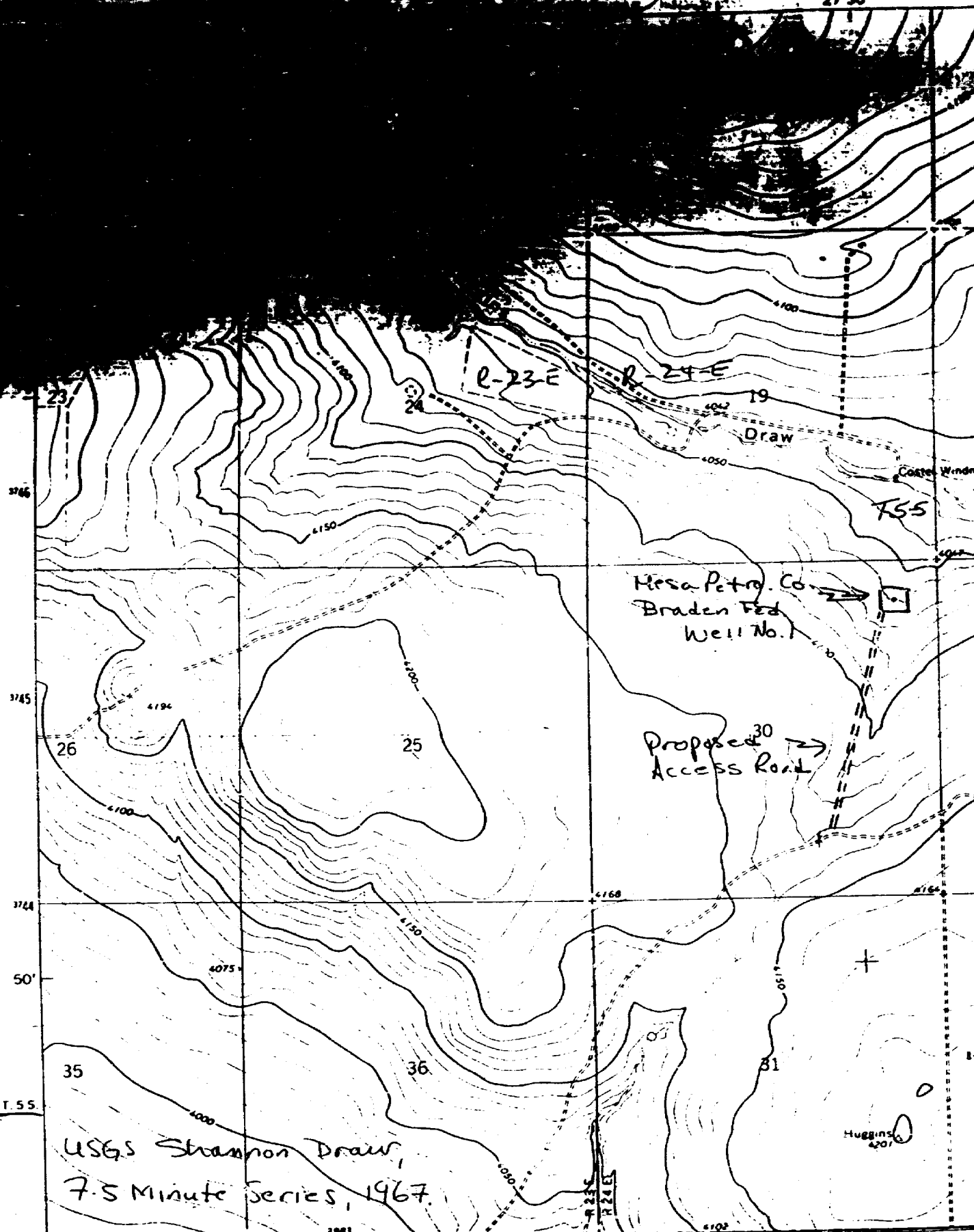
UTM GRID AND 1967 MAGNETIC NORTH  
DECLINATION AT CENTER OF SHEET

NEW ME  
QUADRANGLE I

THIS MAP COMPLIES WITH NATIONAL MAP ACCURACY STANDARDS  
FOR SALE BY U.S. GEOLOGICAL SURVEY, DENVER, COLORADO 80225, OR WASHINGTON, D. C. 20242



27°30"



USGS Shannan Draw,  
7.5 Minute Series, 1967.



February 25, 1982

Mr. James P. Ewart  
Dunlap Star Route, Box 1110  
Roswell, New Mexico 88201

Re: Well Activity  
#5 Lodewick Fed Com ✓  
Section 8, T-5-S, R-25-E  
1980 FSL, 1650 FWL  
Chaves County, New Mexico

#6 Lodewick Fed Com  
Section 8, T-5-S, R-25-E  
1980 FNL, 1650 FWL  
Chaves County, New Mexico

Dear Mr. Ewart:

As owner of a Federal Grazing lease in portions of Section 8, T-5-S, R-25-E, Chaves County, New Mexico, Mesa Petroleum Co. wishes to give you notice of their intent to survey the above captioned wells.

If you have any questions, please contact us.

Yours very truly,

Jerry W. Stephens

JWS/sa

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION EXHIBIT NO. <u>9</u> CASE NO. <u>7620</u> Submitted by <u>Mesa</u> Hearing Date <u>8-4-82</u>
--

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
GEOLOGICAL SURVEY

(Check instruction on the reverse side)

5. LEASE DESIGNATION AND SERIAL NO.

**NM-40030**

6. IF SHIPMAN, MASTER OR TRINER NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME

**Lodewick Fed Com**

9. WELL NO.

**5**

10. FIELD AND POOL, OR WILDCAT

**Undesignated ABO**

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA

**Sec 8, T5S, R25E**

12. COUNTY OR PARISH

**Chaves**

13. STATE

**New Mexico**

**APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK**

1a. TYPE OF WORK

**DRILL**

**DEEPEN**

**PLUG BACK**

b. TYPE OF WELL

**OIL WELL**

**GAS WELL**

**OTHER**

**SINGLE ZONE**

**MULTIPLE ZONE**

2. NAME OF OPERATOR

**MESA PETROLEUM CO.**

3. ADDRESS OF OPERATOR

**1000 VAUGHN BUILDING/MIDLAND, TEXAS 79701-4493**

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)\*

At surface

**1980' FSL & 1650' FWL**

At proposed prod. zone

**same**

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE\*

**43 miles North/Northeast of Roswell, New Mexico**

15. DISTANCE FROM PROPOSED LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest str. unit line, if any)

**330'/990'**

16. NO. OF ACRES IN LEASE

**680**

17. NO. OF ACRES ASSIGNED TO THIS WELL

**160**

18. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, OF THIS LEASE, FT.

**2310'**

19. PROPOSED DEPTH

**4300'**

20. ROTARY OR CABLE TOOLS

**Rotary**

21. ELEVATIONS (Show whether DP, RT, GR, etc.)

**3868' GR**

22. APPROX. DATE WORK WILL START\*

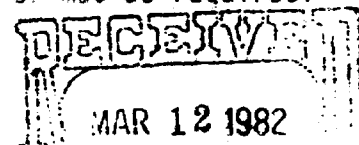
**April 13, 1982**

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17 1/2"	13 3/8"	48#	900'	SURFACE
11" or 12 1/2"	8 5/8"	24#	1600'	ISOLATE WATER, OIL & GAS
7 7/8"	4 1/2"	10.5#	4300'	COVER ALL PAY

Propose to drill 17 1/2" hole to approximately 900' to set 13 3/8" surface casing and cement to surface. Will reduce hole to 11" or 12 1/2" and drill to approximately 1600' to set 8 5/8" casing. Will nipple up RAM type BOPs, reduce hole to 7 7/8" and drill to total depth. Drilling medium will be air, foam, or mud as required.

Operator's Gas Sales Are Dedicated.



xc: MMS (6), TLS, CEN RCDS, ACCGT, MEC, LAND, PARTNERS, FILE, REM, ROSWELL

xc: Roswell (3) REM (1) 4-7-82

OIL & GAS  
U.S. GEOLOGICAL SURVEY  
ROSWELL, NEW MEXICO

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED

*R. P. Mathis*

TITLE **REGULATORY COORDINATOR**

DATE **3-10-82**

(This space for signature of District Supervisor)

PERMITTED BY

*George A. Stewart*

APPROVAL DATE

APPROVED BY

**APR 1 1982**

TITLE

CONDITIONS OF APPROVAL, IF ANY:

**JAMES A. GILLHAM  
DISTRICT SUPERVISOR**

**BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION  
EXHIBIT NO. 10**

CASE NO. 7620

Submitted by Mesa

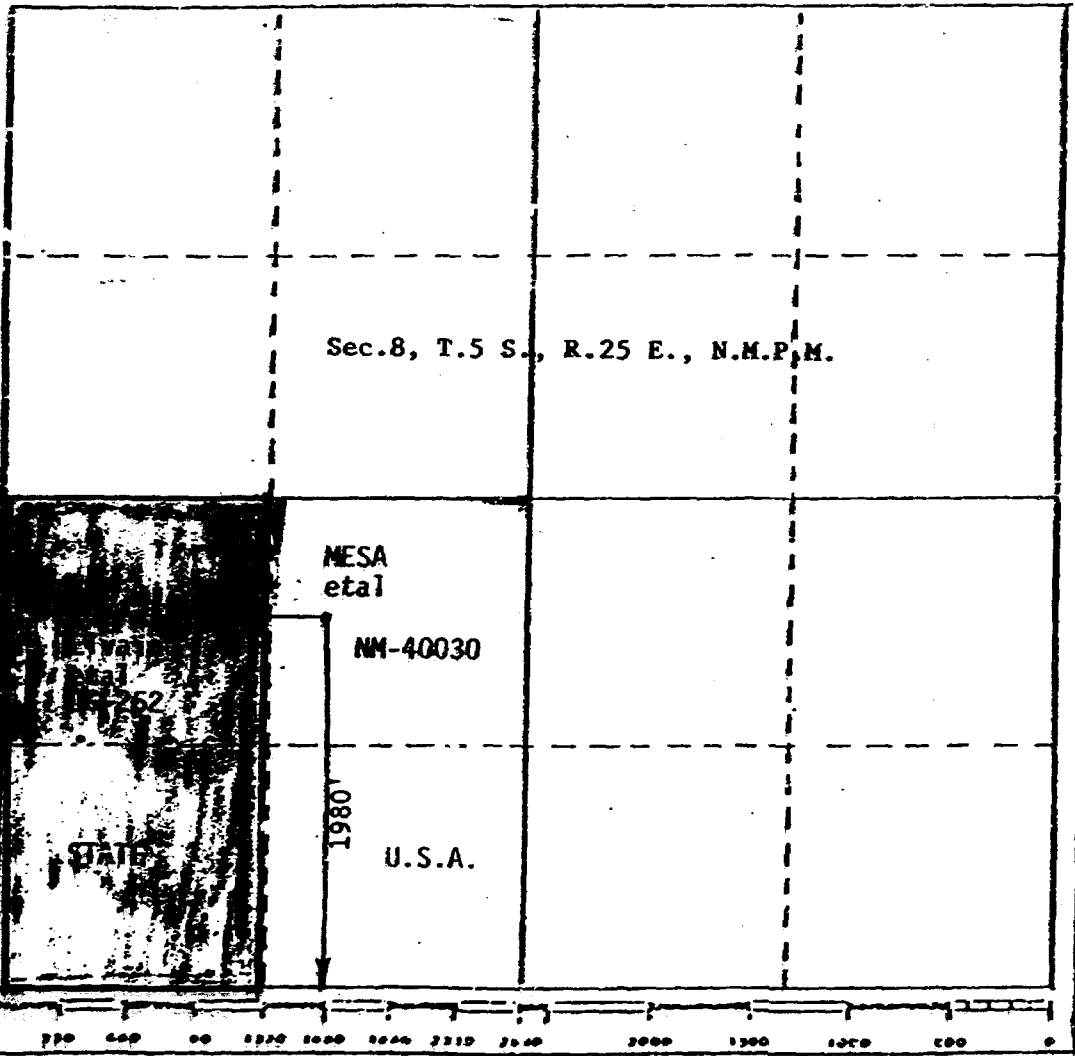
Hearing Date 8-4-82

\*See Instructions On Reverse Side

Operator <b>Mesa Petroleum Co.</b>		Lease <b>Lodewick Federal Com.</b>		Well No. <b>#5</b>
Well Letter <b>K</b>	Section <b>8</b>	Township <b>5 South</b>	Range <b>25 East</b>	County <b>Chaves</b>
Actual / Average Location of Well: <b>1980</b> feet from the <b>South</b> line and <b>1650</b> feet from the <b>West</b> line				
Ground Level Elev. <b>3868</b>	Producing Formation <b>ABO</b>	Pool <b>UNDESIGNATED</b>	Dedicated Acreage: <b>SW/4 160</b> Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?  
 Yes     No    If answer is "yes," type of consolidation Communitization in Progress

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) \_\_\_\_\_  
 No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.



**CERTIFICATION**

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

*R. E. Mathis*

Name  
**R. E. MATHIS**

Position  
**REGULATORY COORDINATOR**

Company  
**MESA PETROLEUM CO.**

Date  
**MARCH 10, 1982**

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Signed  
**March 10, 1982**

Professional Engineer and/or Land Surveyor  
**6298**

**JEAN-BAPTISTE JACQUES**  
L.S.

Certified Professional Engineer

APPLICATION FOR PERMIT TO DRILL

MESA PETROLEUM CO.  
LODGEWICK FED OGM #5  
1980' FSL & 1650' FWL, SEC 8, T5S, R25E  
CHAVES COUNTY, NEW MEXICO

LEASE NO. NM-40930

In conjunction with Form 9331-C, Application For Permit to Drill subject well, the following additional information is provided:

1. Applicable portions of the GENERAL REQUIREMENTS FOR OIL AND GAS OPERATIONS ON FEDERAL LEASES, Roswell District, Geological Survey of September 1, 1980 will be adhered to.

2. Geological markers are estimated as follows:

SEVEN RIVERS	Surface
SAN ANDRES	655
GLORIETA	1507
TUBB	2959
ABO	3595

3. Hydrocarbon bearing strata may occur in the Abo formation(s). No fresh water is expected to be encountered below 900'.

4. The Casing and Blowout Preventer Program will be determined by hole conditions as encountered. See Exhibit VI. Anticipate drilling with air or foam using ram type preventer and rotating head for well control. The 13 3/8" casing will be set at approximately 900' to protect any fresh water zones and cemented to the surface. The 8 5/8" casing will be set at approximately 1600' if water zones have been encountered or omitted if not and ram type preventers installed. Sufficient amounts and kinds of cement would be used to ensure any water, gas, or oil zones encountered are isolated and shut off down to the casing point if run. The 4 1/2" production casing will be set at total depth or shallower depending upon the depth of the deepest commercial hydrocarbon bearing strata encountered.

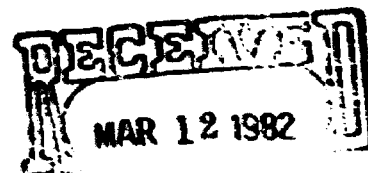
5. No drill stem test or coring program is planned. The logging program may consist of a GR-CNL from surface total depth and FDC from casing point to total depth.

6. Anticipated drilling time is ten days with completion operations to follow as soon as a completion unit is available.

**MULTI-POINT SURFACE USE AND OPERATION PLAN**

**MESA PETROLEUM CO.  
LODEVICK FED COM #5  
1980' FSL & 1650' FWL, SEC 8, T5S, R25E  
CHAVES COUNTY, NEW MEXICO**

**LEASE NO: NM-40030**



**OIL & GAS  
U.S. GEOLOGICAL SURVEY  
ROSWELL, NEW MEXICO**

This plan is submitted with the Application for Permit to Drill the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operational plan in both the actual and post drilling completion operations.

**1. Existing Roads:**

**A. Exhibit I is a portion of a highway map showing the location of the proposed well as staked. The proposed well is approximately 43 miles North/Northeast of Roswell.**

**B. Directions: Travel North from Roswell on US Highway 285 for approximately 27 miles to Mile Marker 139 and turn East on county road for 8 miles, then Northeast 5 miles then turn East (just before cattleguard) on lease road  $1\frac{1}{2}$  miles then turn North  $\frac{4}{10}$  mile to Lodewick Fed Com #1 then turn West  $\frac{1}{2}$  mile to the location.**

**2. Planned Access Road:**

**A. Length and width: The new access road will be 12' wide (20' ROW) and approximately  $\frac{1}{2}$  mile of new lease road.**

**(See Exhibit II)**

**B. Construction: The new road will be constructed by grading and topping with compacted caliche. The surface will be crowned, with drainage on both sides. (See Exhibit III)**

**C. Culverts, Gates and Cattleguards: None.**

**D. Cut and Fill: In order for the location to be level, approximately 3' will be moved from the north and west to the south and east for fill.**

**3. Location of Existing Wells:**

**Existing wells within a one-mile radius are depicted by Exhibit IV.**

**4. Location of Existing and/or Proposed Facilities:**



If the well proves to be commercial, the necessary production facilities, gas separation process equipment and tank battery, will be installed on the drilling pad.

5. Location and Type of Water Supply:

It is planned to drill the proposed well with air. If needed, water will be obtained from commercial sources and will be trucked to the wellsite over the existing roads and proposed access road shown on Exhibits I and II.

6. Source of Construction Materials:

Caliche if used for surfacing the road and wellsite pad will be obtained by the dirt contractor from an approved pit.

7. Methods of Handling Waste Disposal:

A. Drill cuttings will be disposed of in the reserve pits.

B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.

C. All pits will be fenced with normal fencing material to prevent livestock from entering the area.

D. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted to the USGS for approval.

E. Current laws and regulations pertaining to the disposal of human waste will be complied with.

F. Trash, waste paper, garbage and junk will be buried in a separate trash pit and covered with a minimum of 24 inches of dirt. All waste material will be contained to prevent scattering by the wind.

G. All trash and debris will be buried or removed from the wellsite within 30 days after finished and/or completion operations.

8. Ancillary Facilities: None required.

9. Wellsite Layout:

A. Exhibit V shows the relative location and dimensions of the well pad, reserve pits, and major rig components. The pad and pit area has been staked and flagged.

B. Some leveling of the wellsite may be required. See Exhibit III for additional details.

C. The reserve pit will not be plastic lined.

10. Plans for Re-storation of the Surface:

A. After completion of drilling and/or completion operations all equipment and other material not needed for operations will be removed. Pits will be filled and location cleaned of all trash and junk to leave the wellsite in an aesthetically pleasing a condition as possible.

B. Any unguarded pits containing fluids will be fenced until they are filled.

C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management and the United States Geological Survey will be complied with and will be accomplished as expeditiously as possible. (Subject only to Surface Owner/Operator Rehabilitation Agreement if executed.) All pits will be filled and leveled within 90 days after abandonment, if drying conditions permit.

11. Other Information:

A. Topography: See NMAS, Inc. Report

B. Soil: The topsoil at the wellsite is sandy loam.

C. Flora and Fauna: See NMAS, Inc. Archaeological Report for vegetative types.

D. Ponds and Streams: Huggins Draw is 1 3/4 miles to the North and Northeast.

E. Residences and Other Structures: None.

F. Land Use: Grazing.

G. Surface Ownership: The wellsite is on federal surface.

H. NMAS, Inc. has conducted an archaeological study of this site and provides this report to interested parties.

12. Operator's Representatives:

A. The field representatives responsible for assuring compliance with the approved surface use and operations plan are as follows:

J. James  
P. O. Box 298  
Roswell, New Mexico 88201  
(505-622-0992) - Office  
(505-622-0234) - Home

W. R. Miertschin  
1000 Vaughn Building  
Midland, Texas 79701  
(915-683-5391) - Office  
(915-682-6535) - Home

13. Certification:

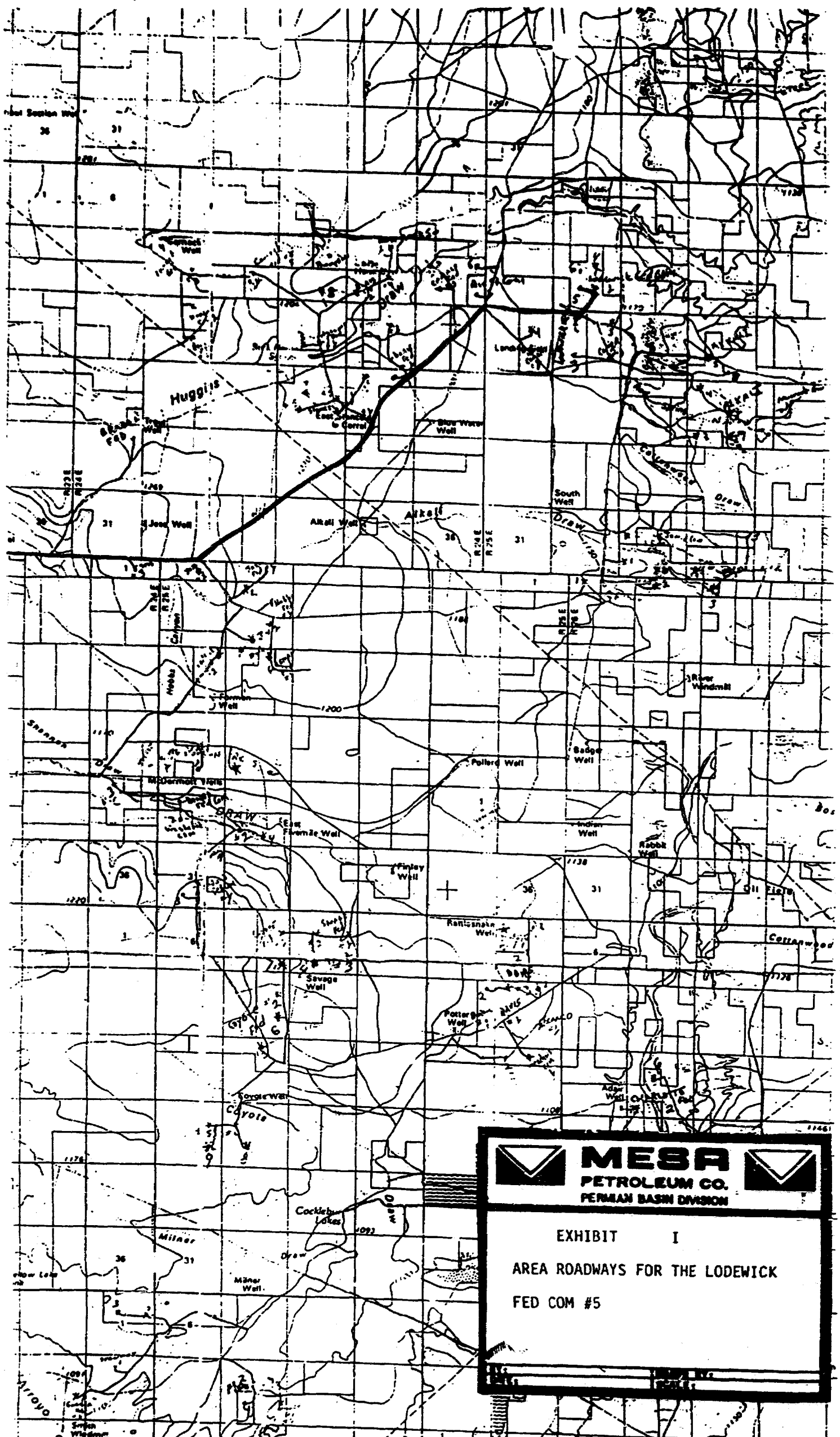
I hereby certify that I, or person under my direct supervision, have inspected the proposed drillsite and access route; that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge true and correct; and, that the work associated with the operations proposed herein will be performed by Mesa Petroleum Co. and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved.


3-11-82

DATE

*Michael P. Houston*

MICHAEL P. HOUSTON  
OPERATIONS MANAGER





**MESA**

**PETROLEUM CO.**

**PERMAN BASIN DIVISION**


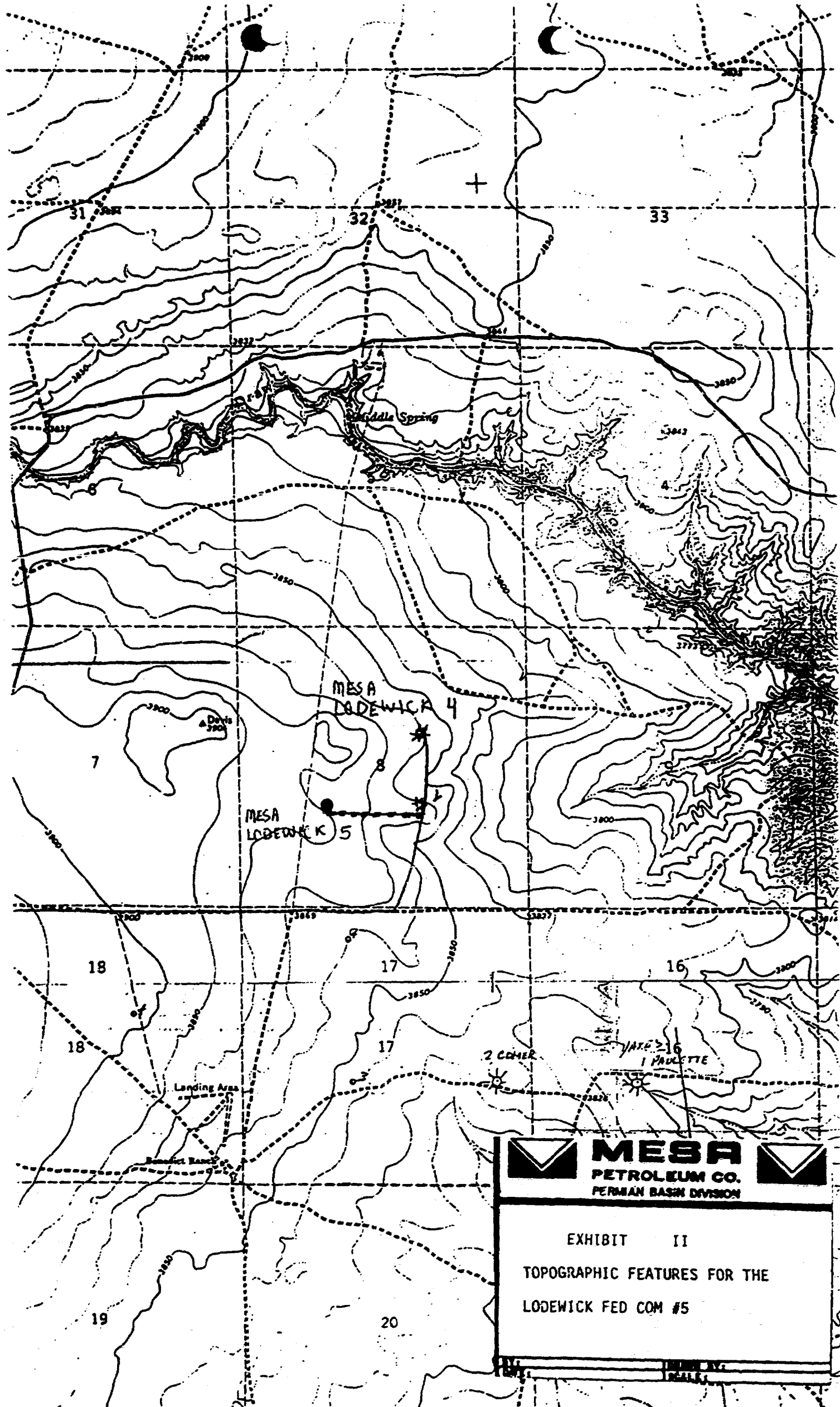


EXHIBIT I

AREA ROADWAYS FOR THE LODEWICK

FED COM #5

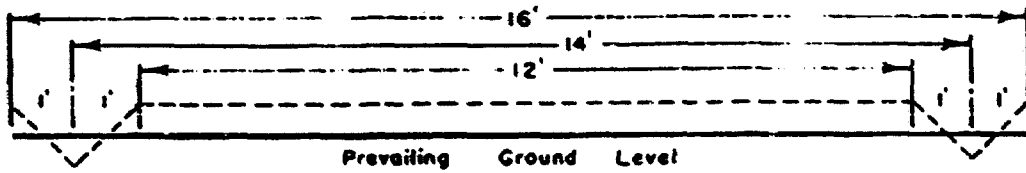


**MESA**  
PETROLEUM CO.  
PERMAN BASK DIVISION

EXHIBIT II  
TOPOGRAPHIC FEATURES FOR THE  
LODEWICK FED COM #5

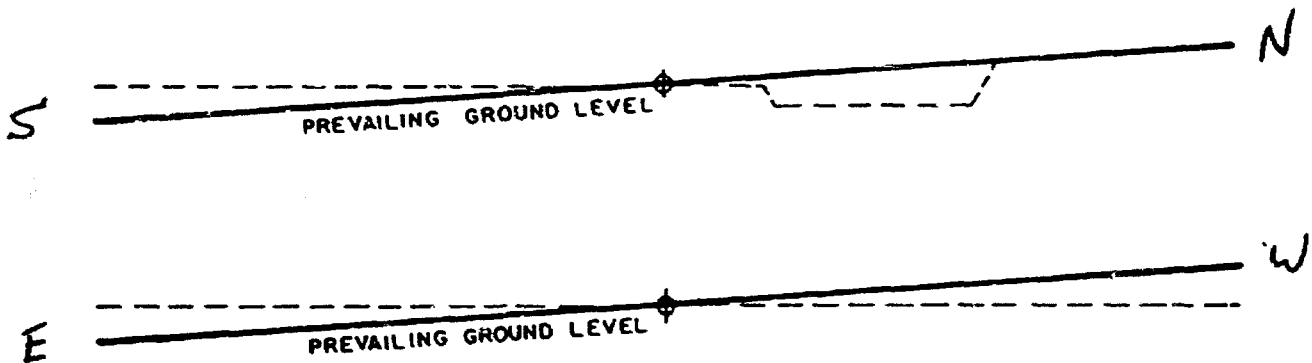
DATE: 1/11/51  
SCALE: 1" = 1 MILE

R - O - W 16'





**ROADWAY CROSS SECTION**

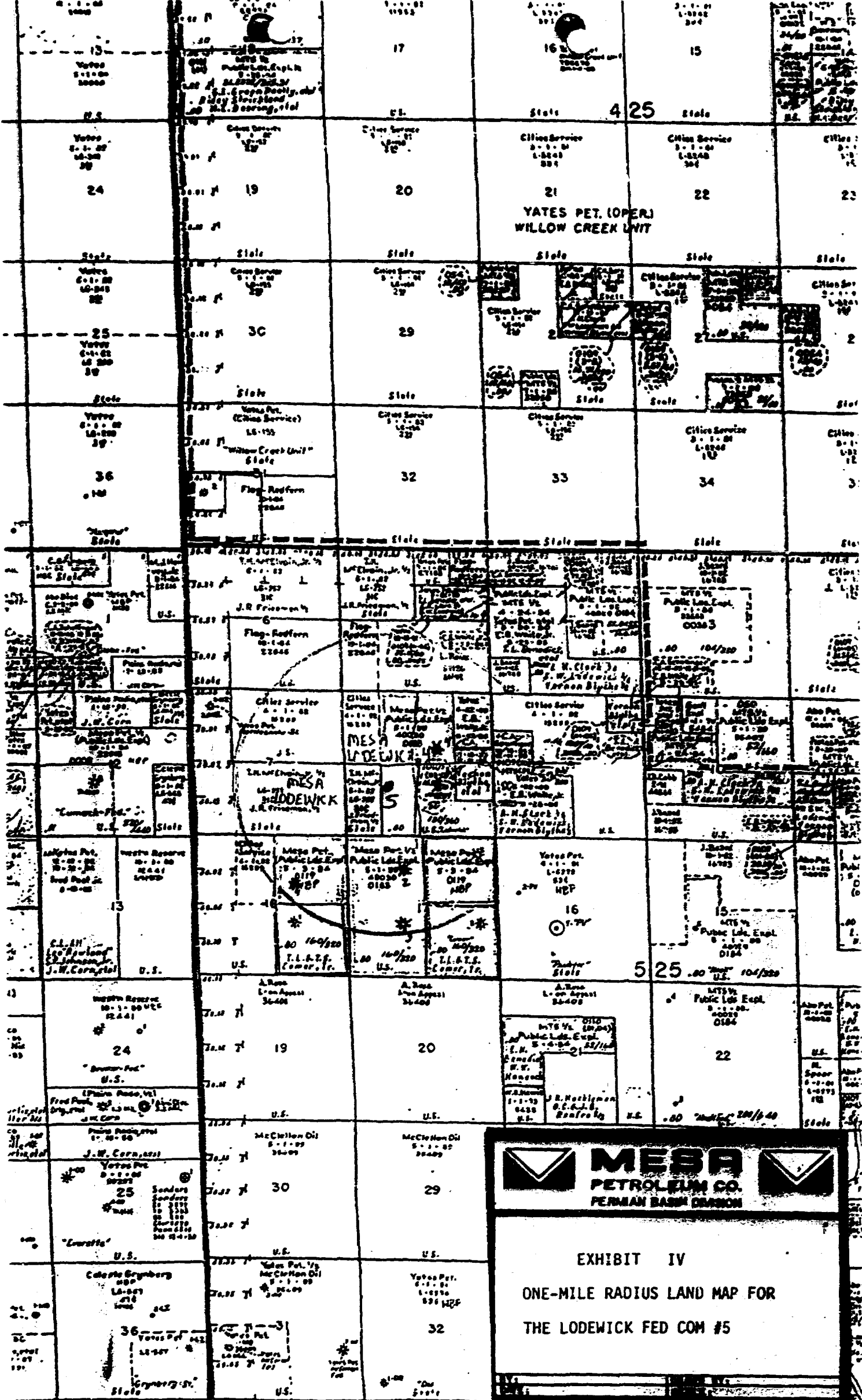
Horizontal Scale 1" = 3'



**LOCATION CROSS SECTION**

Horizontal Scale 1" = 50'

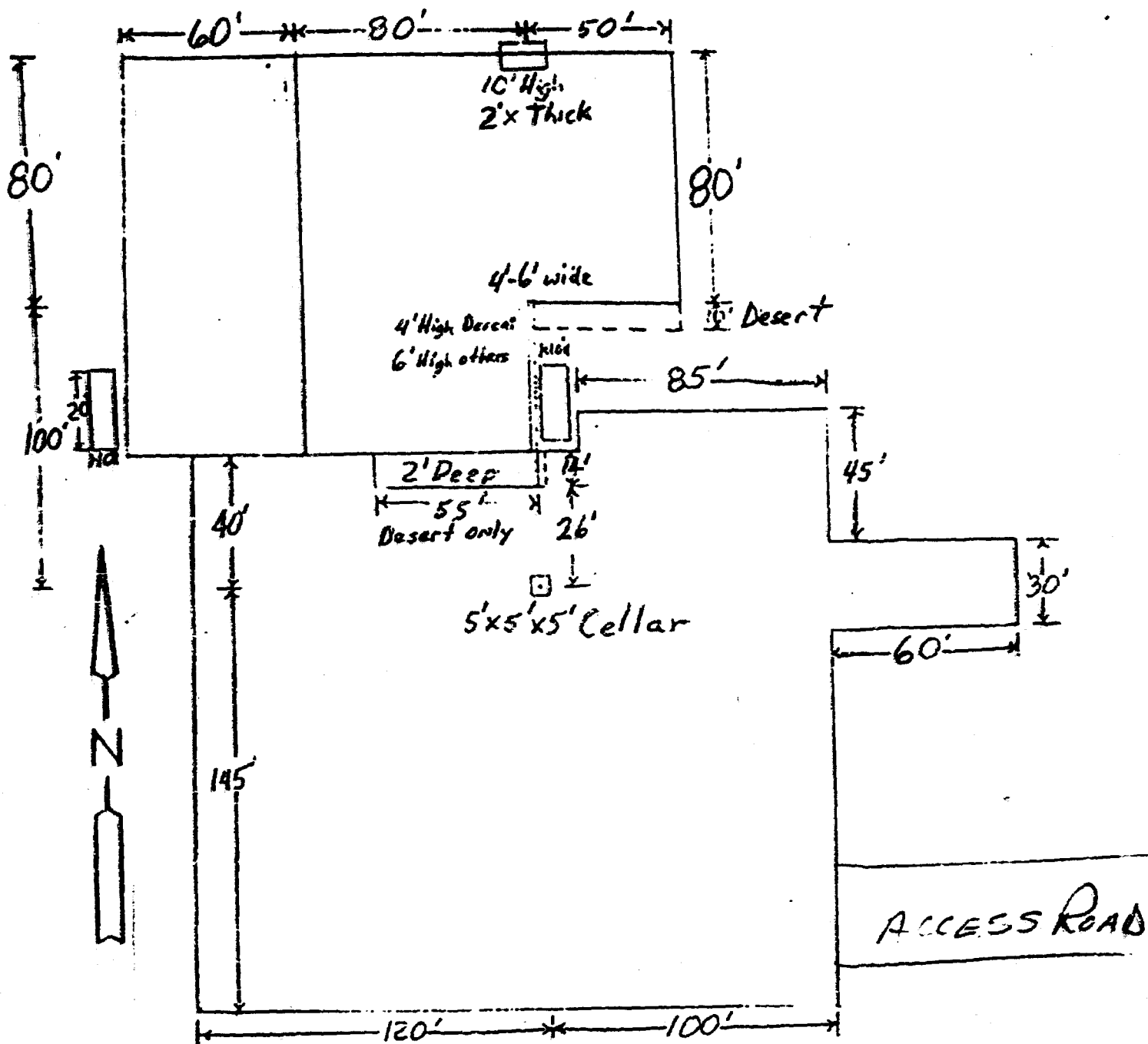
 <b>MESA</b>  PETROLEUM CO. PERMIAN BASIN DIVISION	
<b>EXHIBIT III</b> <b>LOCATION CONSTRUCTION</b>	
BY: REM DATE: 3-5-80	DRAWN BY: MLP SCALE: AS NOTED





**MESA**  
PETROLEUM CO.  
PERMAN BASIN DIVISION

EXHIBIT IV  
ONE-MILE RADIUS LAND MAP FOR  
THE LODEWICK FED COM #5



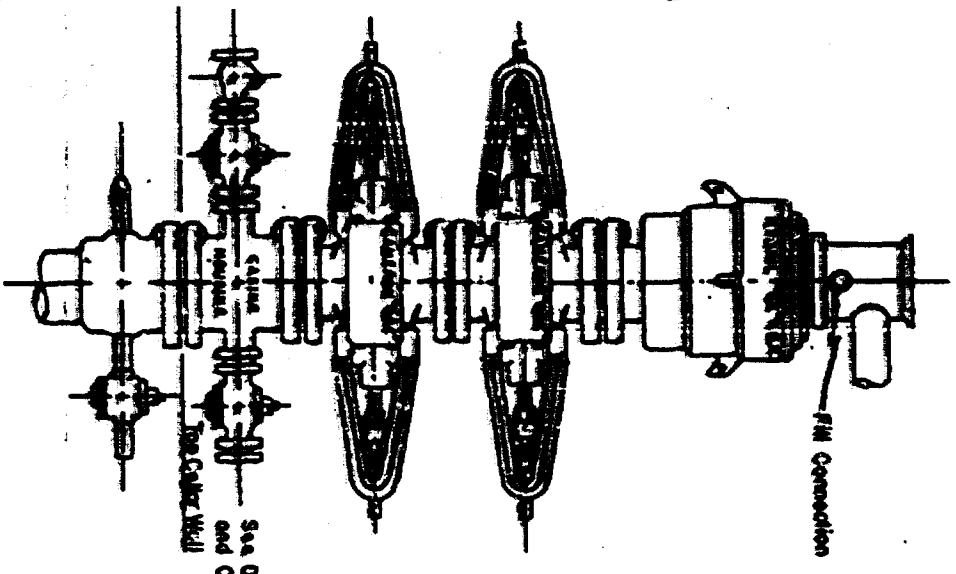
6"-8" Watered & Compacted Caliche  
ON PAD & ROAD IF NEEDED

**MESA**  
PETROLEUM CO.  
PERMAN BASIN DIVISION

EXHIBIT V  
LOCATION PAD AND ACCESS ROAD  
FOR THE LODWICK FED COM #5

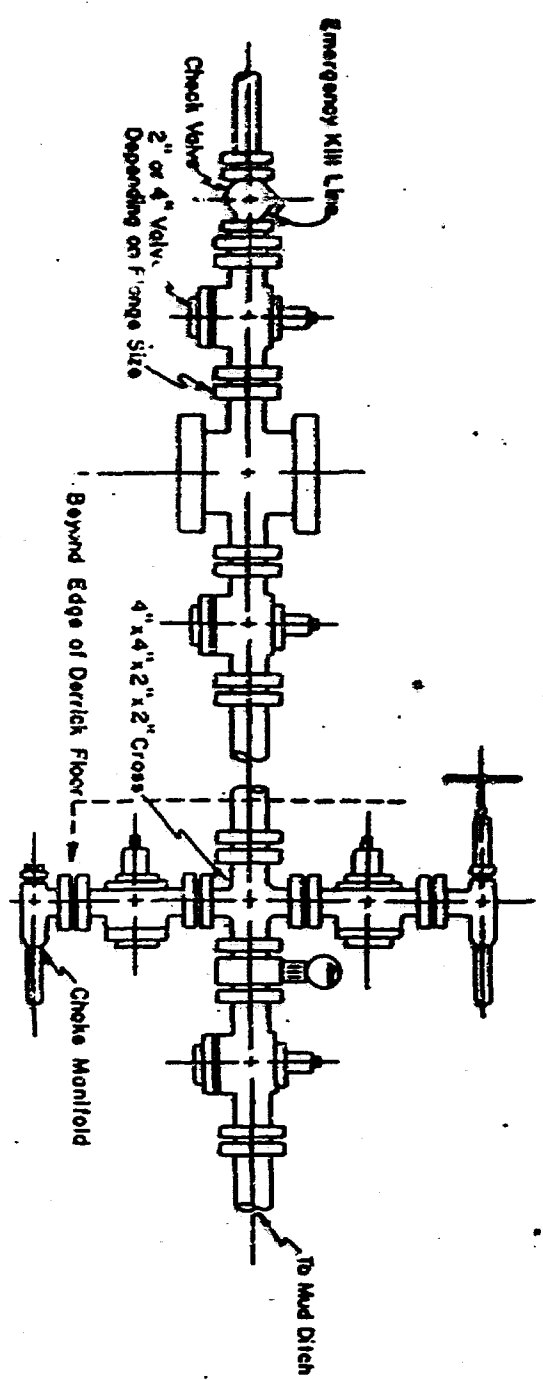


Blow-out Preventers hydril and choke manifold are of 900 Series



See Detail of 4" Flow Line and Choke Assembly

3,000 PSI WORKING PRESSURE BLOW-OUT PREVENTER HOOK-UP



3,000 PSI WORKING PRESSURE KILL, CHOKE, AND FILL CONNECTIONS

DETAIL OF 4" FLOW LINE CHOKE ASSEMBLY

Minimum assembly for 3,000 PSI working pressure will consist of three preventers. The bottom and middle preventers may be Cameron.

NOTE: HYDRIL, not installed on shallow-low pressure wells. RAM type BOPs are API 10" X 3000 PSI

**MESPA**

PETROLEUM CO.

PENNIAN BASIN DIVISION

B X H I B I T

V I



GEOLOGICAL SURVEY  
ROSWELL DISTRICT

SPECIAL APPROVAL STIPULATIONS

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

MESA PETROLEUM COMPANY  
Lodewick Fed. Com. No. 5  
NE 1/4 Sec. 8, T. 5 S., R. 25 E.  
Chaves County, New Mexico  
Lease No. MN-40030

THE SPECIAL STIPULATIONS CHECK MARKED BELOW ARE APPLICABLE TO THE ABOVE-DESCRIBED WELL AND APPROVAL OF THIS APPLICATION TO DRILL IS CONDITIONED UPON COMPLIANCE WITH SUCH STIPULATIONS. EACH PERMITTEE HAS THE RIGHT OF ADMINISTRATIVE APPEAL TO THESE SPECIAL STIPULATIONS PURSUANT TO TITLE 30 CFR 290.

- A. 13 3/8" surface casing should be set in the Rustler Anhydrite formation and cement circulated to the surface. If surface casing is set at a lesser depth, the \_\_\_\_\_ casing must be cemented from the casing shoe to the surface or cemented to the surface through a stage tool set at least 50 feet below the top of the Rustler after cementing around the shoe with sufficient cement to fill to the base of the salt section.
- B. Before drilling below the 8 7/8" casing, the blowout preventer assembly will consist of a minimum of ~~one annular type and two ram type preventers.~~
- C. Casing protectors will be run on drill pipe while drilling through the \_\_\_\_\_ casing. Protectors will be of sufficient number and of sufficient outside diameter to protect the casing.
- D. Minimum required fill of cement behind the 8 7/8" casing is to ISOLATE ALL WATER, OIL, GAS.
- E. After setting the 8 7/8" casing string and before drilling into the GLORETTA formation, the blowout preventers and related control equipment shall be pressure tested to rated working pressures ~~by an independent service company.~~ Any equipment failing to test satisfactorily shall be repaired or replaced. ~~This office should be notified in sufficient time for a representative to witness the tests and shall be furnished a copy of the pressure test report.~~
- F. Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be installed and operating before drilling into the \_\_\_\_\_ formation and used until production casing is run and cemented. Monitoring equipment shall consist of the following:
  - (1) A recording pit level indicator to determine pit volume gains and losses.
  - (2) A mud volume measuring device for accurately determining mud volume necessary to fill the hole on trips.
  - (3) A flow sensor on the flow-line to warn of any abnormal mud returns from the well.
- G. All pits containing oil and/or toxic liquids will be fenced and covered with a fine mesh netting, if necessary for the protection of livestock or wildlife.
- H. Above ground permanent structures and equipment shall be painted in accordance with the Painting Guidelines. The paint color is to simulate:
  - Sandstone Brown, Fed. Std. 595-20318 or 30318
  - Sagebrush Gray, Fed. Std. 595-26357 or 36357
  -

I. A Kelly cock will be installed and maintained in operable condition.

J. The ROSWELL District Office is to be notified in sufficient time for a representative to witness:

(a) Spudding ✓

(b) Cementing casing

13 3/8 inch

8 7/8 inch

4 1/2 inch

(c) BOP tests

K. A Communitization Agreement covering the acreage dedicated to the well must be filed for approval with the U.S. Geological Survey, P.O. Box 26124, Albuquerque, New Mexico 87125. The effective date of the agreement must be prior to any sales.

L. A Gamma Ray-Compensated Neutron log is required from the base of the salt section to the surface with cable speed not to exceed 30 feet per minute.

M. At least one working day prior to constructing the well pad, access roads and/or related facilities, the operator or dirt contractor shall notify the authorized officer (Bureau of Land Management, ROSWELL area). He shall also notify the Authorized Officer within two working days after completion of earth-moving activities.

N. All access roads constructed in conjunction with the drilling permit (APD) will be limited to a 12 foot wide driving surface, excluding turn-arounds. Surface disturbance associated with construction and/or use of the road will be limited to 20 feet in width. If well is a producer, all roads will be adequately drained to control runoff and soil erosion. Drainage facilities may include ditches, water bars, culverts and/or any other measures deemed necessary by the authorized officer of the BLM. The following is a general guide for the spacing of water bars:

% Slope

less than 2% . . . . .	200 ft.
2% to 4% . . . . .	100 ft.
4% to 5% . . . . .	75 ft.
more than 5% . . . . .	50 ft.

O. No payment or other consideration will be made to other users, licensees, permittees or lessees for any damage to or loss of natural vegetation, wildlife, mineral material, or for soil or livestock disturbances occurring on public lands, which result from operation, development or construction activities carried out under the authority of this permit to drill.

P. Chemical pesticides or any other control agent which represents a potential soil, air or water pollutant will not be utilized for any purpose on public lands without expressed written authorization from the Authorized Officer of BLM.

Q. Other special stipulations: ROAD PAD must be SURFACED



United States Department of the Interior

OFFICE OF THE SECRETARY  
Minerals Management Service  
South Central Region  
Roswell District  
P.O. Drawer 1857  
Roswell, New Mexico 88201

NOTICE

TO LESSEES AND OPERATORS

As of August 10, 1981, the oil and gas records for all federal wells and leases formerly in the U.S. Geological Survey offices in Artesia and Hobbs have been consolidated in the Roswell District office. The Roswell District covers:

*All counties in Texas having the major portion of their lands west of the 100th Meridian and all counties in New Mexico except San Juan, McKinley, Valencia, Cibola, Rio Arriba, Sandoval, Bernalillo, Santa Fe, Taos, Colfax, and Mora.*

All applications for any oil or gas activity on federal leases in the above described area should now be filed with the Minerals Management Service for approval with the Roswell District office. Such applications require six (6) copies in order to facilitate this approval process. The telephone number and mailing address is: (All sundry reports also in six copies)

(505) 622-1332

*Minerals Management Service  
P.O. Drawer 1857  
Roswell, New Mexico 88201*

The Artesia and Hobbs offices remain staffed by inspection personnel and function as support units for the District office.

*James A. Gillham*

Date: August 10, 1981

James A. Gillham  
District Supervisor  
Oil and Gas



# United States Department of the Interior

## GEOLOGICAL SURVEY

ROSWELL DISTRICT  
Drawer 1857  
Roswell, N.M. 88201

September 1, 1980

### GENERAL REQUIREMENTS FOR OIL AND GAS OPERATIONS ON FEDERAL LEASES

These General Requirements apply generally to all oil and gas operations on federal leases.

Special requirements that may be necessary for an individual well will be attached to the approved Application To Drill.

#### 1. GENERAL:

- A. Full-compliance with applicable laws and regulations, with the approved Permit To Drill, and with the approved Surface Use and Operations Plan is required. Lessee's and/or operators are fully accountable for the actions of their contractors and subcontractors.
- B. Each well shall have a well sign in legible condition from spud date to final abandonment. The sign should show the operator's name, lease or unit name, well number, location of the well and the lease serial number.
- C. A complete copy of the approved Application for Permit to Drill and the accompanying Surface Use and Operations Plan along with any conditions of approval shall be available to authorized personnel at the drillsite whenever active construction or drilling operations are underway.
- D. Operator should advise the appropriate sub-district immediately after spudding and when a casing setting depth is reached.
- E. Immediate notice is required of all blowouts, fires, spills, and accidents involving life-threatening injuries or loss of life. (See NTL-3)
- F. No construction activities, such as roads, well sites, tank battery sites, pits, or other work involving surface disturbance will be commenced until a Surface Use and Operations Plan is submitted and approval obtained.
- G. If, during operations, any archeological or historical sites, or any object of antiquity subject to the Antiquities Act of June 8, 1906, are discovered, all operations which would affect such sites are to be suspended and the discovery reported promptly to the appropriate offices of the Geological Survey and the Bureau of Land Management.
- H. Prior approval of the District Supervisor is required for variance from the approved Surface Use Plan or drilling program. Similar approval is also required before commencing plugging operations, plugback work, casing repair work, corrective cementing operations, or suspending drilling operations indefinitely. Emergency approval may be obtained orally, but such approval does not waive the written report requirements.
- I. Well area and lease premises will be maintained in a workmanlike manner with due regard to safety, conservation, and appearance. All waste associated with the drilling operations will be contained and will be buried in place (in a separate trash pit) or removed and deposited in an approved sanitary landfill. All garbage (metal containers will be crushed) and debris left on site will be buried at least two feet deep. All trash and debris will be buried or removed from the site within one month after removal of the drilling rig and/or completion rig, and the wellsite will be kept clean and in an aesthetically satisfactory condition for the life of the well.
- J. Approval of an Application for Permit to Drill will automatically expire at the end of one year if drilling operations are not commenced. An extension for the permit may be granted if a written request timely submitted.

## 2. CONSTRUCTION ACTIVITIES, (ALSO REFER TO SEC. 3, DRILLING PITS):

- A. Prior to commencing construction of road, pad, or other associated developments, operator will provide the dirt contractor with a copy of the Surface Use Plan, the conditions of approval and a copy of sec. 2 and 3 of these General Requirements.
- B. No caliche, gravel, or other related minerals from new or existing pits on Federal land will be used in construction of roads, well sites, etc., without prior approval from the Bureau of Land Management.
- C. Vegetative materials removed during construction must be disposed of in such manner that it does not detract from the aesthetics of the area and does not accelerate erosion. Vegetation removed during clearing operations should be placed in drainages, washes, gullies, etc., and "walked down" by crawler type tractor. If there are no drainages in the immediate area, the vegetation should be "walked down" in place. All trash resulting from construction activities will be disposed of. Any large rocks resulting from construction activities will not be piled or left in rows but will be left so they do not detract from the natural appearance of the area. Any available topsoil encountered during construction should be stockpiled for use in restoring the pit area after the pits are covered.
- D. Each existing fence to be crossed by the permittee will be braced and tied off before cutting so as to prevent slacking of the wire. The opening will be protected as necessary during construction to prevent the escape of livestock and upon completion of construction, the fence will be repaired back to the original standard of the existing fence. A cattleguard will be installed in any fence where a road is to be regularly traveled. A twelve foot gate will be installed adjacent to the cattleguard when necessary.

NOTE: Sec. 2-B and 2-C above apply primarily to Federal Surface. If the land is privately owned, these requirements may be varied to comply with the operator-landowner agreement.

## 3. DRILLING PITS:

- A. Mud pits will be constructed so as not to leak, break or allow discharge of liquids. Pits are not to be located in natural drainage. If plastic material is used to line pits it must be removed to below ground level before pits are covered.
- B. All unguarded pits containing liquids will be fenced.
- C. Liquids in pits will be allowed to evaporate, or be properly disposed of otherwise, before pits are broken. Under no circumstances will pits be allowed to be cut to be drained.

## 4. CASING AND CEMENTING REQUIREMENTS:

- A. Surface casing is to be set at sufficient depth to protect fresh water zones and cement circulated to the surface. In areas where the salt section (Salado) is present, surface casing should be set at least 50 feet into the Rustler Anhydrite and cement circulated to the surface. If surface casing is set at a lesser depth, the first string of casing set below the salt section must be cemented from the casing shoe to the surface or as a minimum, cemented to the surface through a stage tool set at least 50 feet below the top of the Rustler, after cementing around the shoe with sufficient cement to fill to the base of the salt section.
- B. Intermediate and production casing strings are to be set and cemented as necessary to effectively isolate and seal off all water, oil, gas or potash bearing strata encountered in the well down to the casing point. Where the salt section is present, either the intermediate or the production casing must be set below the salt section and cement circulated back to a point above the base of the salt.
- C. Prior to drilling the plug after cementing, all casing strings shall be pressure tested. Test pressure shall not be less than 600 psi for surface casing, and a minimum of 1,500 psi or 0.2 psi/ft., whichever is greater, for other casing strings. Before drilling ahead, the test pressure must not decline more than 10% in 30 minutes.
- D. After cementing but before commencing any tests, the casing string shall stand cemented under pressure until the cement has reached a compressive strength of at least 500 psi at the shoe, except that in no case shall tests be initiated until cement has been in place at least 8 hours. WOC time will be recorded in the driller's log.

5. BLOWOUT PREVENTION:

- A. Blowout prevention equipment will be installed, tested, and in good working order before drilling below the surface casing and shall be maintained until drilling operations are completed.
- B. Ram-type blowout preventers and related control equipment shall be pressure tested with water to the rated working pressure of the stack assembly (except that the annular-type preventer may be tested to 70 percent of rated working pressure): (a) when installed, (b) before drilling possible abnormally pressured zones, and (c) following repairs that require disconnecting a pressure seal in the assembly.
- C. While drill pipe is in use, ram-type blowout preventers shall be actuated to test proper functioning once each trip, but in no event less than once each day. The annular-type blowout preventer shall be actuated on the drill pipe at least once each week.
- D. Blowout preventers are to have proper rams for the operations being performed. Casing rams are required when running casing.
- E. Blowout preventers are to have handwheels installed.
- F. A choke line and a kill line are to be installed and maintained in good working order. The kill line is not to be used as a fill-up line.
- G. The accumulator system shall have a pressure capacity to provide for repeated operation of hydraulic preventers.
- H. Drill string safety valve(s) to fit all pipe in the drill string are to be maintained on the rig floor while drilling operations are in progress.
- I. Blowout prevention drills are to be conducted as necessary to assure that equipment is operational and that each crew is properly trained to carry out emergency duties. All BOP tests and drills are to be recorded in the driller's log.
- J. The maximum pressure to be allowed on blowout preventers during well control operations is to be posted for each casing string.
- K. Quantities of mud materials sufficient to insure well control shall be maintained, readily accessible for use at all times.
- L. When coming out of the hole with drill pipe, the mud level in the hole shall be maintained within 100 feet of the surface. The volume of mud required to fill the hole shall be watched, and any time there is an indication of swabbing, or influx of formation fluids, proper blowout prevention precautions must be taken. The mud shall not be circulated and conditioned except on or near bottom, unless well conditions prevent running pipe to bottom.
- M. From the time drilling operations are initiated and until drilling operations are completed, a member of the drilling crew or the toolpusher shall maintain rig floor surveillance at all times, unless the well is secured with blowout preventers or cement plugs.

6. REPORTS:

- A. The following reports shall be filed with the District Supervisor within 15 days after the work is completed:
  - (1) Five copies of Sundry Report, Form 9-331, giving complete information concerning:
    - (a) Setting of each string of casing. Show size, grade and weight of casing set, size hole, depth set, amount and type of cement used, whether cement circulated, top of cement behind casing if determined, depth of cementing tools is used, casing tests method and results, and date work was done. Show spud date on first report submitted.
    - (b) Intervals tested, perforated, acidized, or fractured and results obtained. Show date work was done.

(2) Four copies of Well Completion Report, Form 9-330. Show formation tops, drill stem test information, completion data, and production tests. Show all oil and gas zones and important water sands under item 37. Data on water sands should include rate of water inflow or hydrostatic level.

(3) Two copies of all electrical and radioactivity logs run.

7. DRILLER'S LOG:

A. The following shall be entered in the daily driller's log:

- (1) Blowout preventer pressure tests including test pressures and results.
- (2) Blowout preventer tests for proper functioning.
- (3) Blowout prevention drills conducted.
- (4) Casing run, including size, grade, weight and depth set.
- (5) How pipe was cemented, including amount of cement, type, whether cement circulated, location of cementing tools, etc.
- (6) Waiting on cement time for each casing string.
- (7) Casing pressure tests after cementing including test pressure and results.

8. DRILLSTEM TESTS:

A. Test intervals and estimated amounts of oil and gas recovered and/or produced during drillstem tests are to be shown in the driller's log and Sundry Report Form 9-331.

9. GAS FLARING:

An application for venting of gas must comply with NTL-4A. NTL-4A authorizes venting of gas from a drilling well for a period not to exceed 24 hours.

10. WATER DISPOSAL:

A. An application for approval of the disposal method for water production from all new wells must be filed with the District Supervisor pursuant to Section VII of NTL-2B.

11. SAFETY:

- A. All rig heating stoves should be the explosion-proof type.
- B. Drilling rig engines should have water cooled exhausts.
- C. Rig safety lines are to be installed.
- D. New employees should be advised of safety procedures.
- E. Hard hats must be utilized.
- F. Safety drills should be conducted on a regular schedule.

12. SUBSEQUENT OR CHANGE OF PLANS:

A. Any additional construction, re-construction, or alterations of facilities, including roads, gathering lines, batteries, etc., which will result in the disturbance of new ground, will require the filing of a suitable plan and prior approval by the Survey after clearance with the surface management agency.

13. REMOVAL OF DRILLING RIG:

A. Unless a well has been properly cased and cemented, or properly plugged, the drilling rig must not be moved from the drillsite without prior approval from the Survey.



14. ABANDONMENT:

- A. If the well is dry and is to be plugged, approval of the proposed plugging program may be obtained orally. However, oral approval must be confirmed in writing by immediately filing a Notice of Intention to Abandon on Form 9-331 in quintuplicate with the District Supervisor. The report should show the total depth reached, the reason for plugging, and the proposed intervals, by depths, where cement plugs are to be placed, type of plugging mud, etc.
- B. Upon completion of approved plugging, erect a regulation well marker which should not be less than 4 inches in diameter and extend at least 4 feet above general ground level. The top of the marker must be closed or capped. The following minimum information shall be permanently placed on the marker with a plate, cap, or welded bead:
- (1) Operator
  - (2) Well number and name
  - (3) Section - Township - Range
  - (4)  $\frac{1}{4}$  section or footage location from section lines
- C. If, upon abandonment of wells on Federal surface, the retention of the well pad and/or access road is not considered necessary for the management and multiple use of the natural resources, they will be ripped a minimum of 12" in depth. All ripped surfaces are to be protected from vehicular travel by construction of a dead-end ditch and earthen barricade at the entrance to these ripped areas. (Reseeding of the affected areas may be required.)
- D. Surface restoration after abandonment of wells on non-Federal surface normally will be in accordance with the operator - landowner agreement.
- E. Within 15 days after plugging the well, a Subsequent Report of Abandonment is to be filed on form 9-331 in quintuplicate showing the manner in which the well was plugged, including depths where casing was cut and pulled from, intervals, by depths, where cement plugs were placed, and the date plugging was completed. When all surface restoration work is completed, advise the Sub-District Office so that a field inspection of the wellsite can be made.

OIL & GAS OPERATIONS IN ROSWELL DISTRICT

DRILLING, PRODUCING OPERATIONS AND ASSOCIATED SURFACE USE & REHABILITATION

**Roswell District:**

Minerals Management Service  
Sth and Richardson  
P.O. Drawer 1857  
Roswell, New Mexico 88201

Office Hours: 7:30 a.m.-4:15 p.m.  
Office Phone: (505) 622-1332 or 1333  
After hours, Answering Service is operative

James Brasfield, Lead Petroleum Engineering Technician  
George Stewart, Supervisor, Drilling Unit

Armando Lopez, Supervisor, Production Unit  
Peter Chester, Petroleum Engineer, Production  
Jim Pettingill, Geologist  
Charles Flaherty, Lead Environmental Scientist  
James A. Gilham, District Supervisor

**Hobbs Subdistrict:**

Minerals Management Service  
414 West Taylor  
P.O. Box 1157  
Hobbs, New Mexico 88240

Office Hours: 7:30 a.m.-4:15 p.m.  
Office Phone: (505) 393-3612  
(505) 393-5146  
After hours, Answering Service is operative

Jim Graham, Supervisory Technician  
Ray Foster, Environmental Scientist

**Artesia Subdistrict:**

Minerals Management Service  
105 South Fourth Street  
P.O. Drawer U  
Artesia, New Mexico 88210

Office Hours: 7:30 a.m.-4:15 p.m.  
Office Phone: (505) 746-9838  
After hours, Answering Service is operative

John Wade, Supervisory Technician  
Brant Dickey, Environmental Scientist

SURFACE USE AND REHABILITATION

**Bureau of Land Management**

Carlsbad Area (Lea and Eddy Counties)

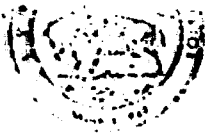
P.O. Box 1778  
Carlsbad, New Mexico 88220  
Office Phone: (505) 887-6544

G. Ben Koski  
Don Peterson

Roswell Area (Roosevelt and Chaves Counties)

P.O. Box 1397  
Roswell, New Mexico 88201  
Office Phone: (505) 622-7670

Tom Hewitt  
Lendell Greer



OFFICE OF THE SECRETARY

Minerals Management Service  
South Central Region  
Roswell District  
P.O. Drawer 1857  
Roswell, New Mexico 88201

ESPECIAL APPROVAL STIPULATION

This APD is approved subject to the requirement that, should the well be successfully completed for production, this office must be notified when it is placed in a producing status. **SUCH NOTIFICATION WILL BE BY TELEGRAM OR OTHER WRITTEN COMMUNICATION AND MUST BE RECEIVED IN THIS OFFICE BY NOT LATER THAN THE FIRST BUSINESS DAY NEXT FOLLOWING THE DATE ON WHICH THE WELL IS PLACED ON PRODUCTION.** The notification shall provide, as a minimum, the following informational items:

1. Operator name, address, and telephone number
2. Well name and number
3. Well location (1/4, 1/2, sec., T., R., and P.M.)
4. Date well was placed in a producing status
5. The nature of the well's production, i.e. crude oil, or crude oil and casinghead gas; or natural gas and entrained liquid hydrocarbons
6. The Federal or Indian lease prefix and number on which the well is located. Otherwise, the non-Federal or non-Indian land category, i.e., State or private.
7. As appropriate, the unit agreement name, number and participating area name
8. As appropriate, the communitization agreement number

MPH	4-7-82
WRM	4-6-82
ELP	
Pat	4-6-82 3 copies to well

RECEIVED  
APR 5 1982  
MESA-PBD

MESA PETROLEUM CO.  
PERMIAN BASIN DIVISION  
PECOS SLOPE ADO

COST ANALYSIS OF WELLS DRILLED BY  
TOM BROWN DRILLING ON FLUID WITH 10 3/4" SURFACE CASING

WELL NAME & NO.: Charlotte Fed Com #5  
LOCATION: NW/4, Section 29, T7S, R26E, Chaves County, New Mexico  
TOTAL DEPTH: 4406'  
AFE COST: \$422,000  
SPUD DATE: 4-12-82  
RIG RELEASE DATE: 4-21-82  
ACTUAL COST: \$338,400 (\$325,500 actual cost through potential test)

WELL NAME & NO: Crawford Fed Com #1  
LOCATION: SE/4, Section 30, T7S, R26E, Chaves County, New Mexico  
TOTAL DEPTH: 4250'  
AFE COST: \$389,000  
SPUD DATE: 5-2-82  
RIG RELEASE DATE: 5-10-82  
ACTUAL COST: \$296,000

WELL NAME & NO.: Crawford Federal #2  
LOCATION: SE/4, Section 31, T7S, R26E, Chaves County, New Mexico  
TOTAL DEPTH: 4200'  
AFE COST: \$399,000 (DHC = \$247,000)  
SPUD DATE: 5-11-82  
RIG RELEASE DATE: 5-18-82  
ACTUAL COST: \$162,300 P&A

WELL NAME & NO: Salem Com #1  
LOCATION: NE/4, Section 4, T8S, R26E, Chaves County, New Mexico  
TOTAL DEPTH: 4501'  
AFE COST: \$385,000  
SPUD DATE: 5-21-82  
RIG RELEASE DATE: 5-28-82  
ACTUAL COST: \$311,000

WELL NAME & NO.: Pete Com #1  
LOCATION: NW/4, Section 17, T7S, R26E, Chaves County, New Mexico  
TOTAL DEPTH: 4450'  
AFE COST: \$389,000  
SPUD DATE: 4-23-82  
RIG RELEASE DATE: 4-30-82  
ACTUAL COST: \$287,600

WELL NAME & NO: Sturgeon Fed Com #1  
LOCATION: NW/4, Section 8, T7S, R26E, Chaves County, New Mexico  
TOTAL DEPTH: 4350'  
AFE COST: \$389,000  
SPUD DATE: 5-25-82  
RIG RELEASE DATE: 6-7-82  
ACTUAL COST: \$383,100

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

EXHIBIT NO. 11

CASE NO. 7620

Submitted by Mesa

Hearing Date 8-4-82

WELL NAME & NO.: Bell Estate #2  
LOCATION: SW/4, Section 17, T5S, R24E, Chaves County, New Mexico  
TOTAL DEPTH: 4100'  
AFE COST: \$381,000 (DHC = \$234,000)  
SPUD DATE: 5-29-82  
RIG RELEASE DATE: 6-7-82  
ACTUAL COST: \$198,200 P&A

WELL NAME & NO.: Winston #1  
LOCATION: NW/4, Section 3, T8S, R26E, Chaves County, New Mexico  
TOTAL DEPTH: 4450'  
AFE COST: \$385,000 (DHC = \$233,000)  
SPUD DATE: 6-8-82  
RIG RELEASE DATE: 6-16-82  
ACTUAL COST: \$202,600 P&A

WELL NAME & NO.: Neal Com #1  
LOCATION: NW/4, Section 5, T7S, R26E, Chaves County, New Mexico  
TOTAL DEPTH: 4200'  
AFE COST: \$419,000  
SPUD DATE: 6-17-82  
RIG RELEASE DATE: 6-25-82  
ACTUAL COST: \$342,700

WELL NAME & NO.: Sand Com #1  
LOCATION: NW/4, Section 10, T7S, R26E, Chaves County, New Mexico  
TOTAL DEPTH: 4650'  
AFE COST: \$382,000 (DHC = \$231,000)  
SPUD DATE: 6-26-82  
RIG RELEASE DATE: 7-6-82  
ACTUAL COST: \$246,000 - WOCU - 4½" casing run & cemented

WELL NAME & NO.: Willow Creek Unit #5  
LOCATION: NW/4, Section 12, T5S, R25E, Chaves County, New Mexico  
TOTAL DEPTH: 4500'  
AFE COST: \$410,000 (DHC = \$260,000)  
SPUD DATE: 6-26-82  
RIG RELEASE DATE: 7-5-82  
ACTUAL COST: 207,700 P&A

WELL NAME & NO.: Willow Creek Unit #7  
LOCATION: SE/4, Section 7, T4S, R25E, Chaves County, New Mexico  
TOTAL DEPTH: 4350'  
AFE COST: \$392,000 (DHC = \$242,000)  
SPUD DATE: 7-14-82  
RIG RELEASE DATE: 7-25-82  
ACTUAL COST: \$290,100 - WOCU - 4½" casing run & cemented

WELL NAME & NO.: Camack Fed Com #9  
LOCATION: SE/4, Section 12, T5S, R24E, Chaves County, New Mexico  
TOTAL DEPTH: 4300'  
AFE COST: \$391,500 (DHC = \$238,700)  
SPUD DATE: 7-25-82  
RIG RELEASE DATE: 8-2-82  
ACTUAL COST: \$219,000 - WOCU - 4½" casing run & cemented

*Closest to  
Asphubwin  
well*



## MEMORANDUM

To: J. L. Farrell  
J. R. Barrett  
S. E. Dobler  
M. P. Houston

Date: June 1, 1982  
Subject: AFE Tubular Attachment

In late 1980 and all through 1981 the tubular market deteriorated to the point that all tubulars were extremely tight and some items were virtually impossible to find. In order to meet all of our demands during this period of time, we found it necessary to pay premium prices for some exotic items.

In addition, the industry was booming so strong that all freight equalization from controlling mills was dropped. All shipments were on an actual freight charge basis irregardless of mill origin.

To avoid substantial losses to Mesa, for Mesa operated properties, we advised that you should attach the subject disclaimer to your AFE, thereby advising each operator of Mesa's position and giving them the option to furnish their share of tubulars in kind. The market conditions have once again turned around suddenly and dramatically. Tubulars, for the most part, are readily available and freight equalization is back in effect. Due to these circumstances it will no longer be necessary to attach the tubular and freight disclaimer to your AFE's.

If any of you have any questions or would like to discuss this matter, please advise.

*Steve E. Kuykendall*

Steve E. Kuykendall

sl

Attachment

Copy to J. P. Johnson  
D. H. Batchelder  
T. L. Lutringer

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION EXHIBIT NO. <u>12</u> CASE NO. <u>7620</u> Submitted by <u>Mesa</u> Hearing Date <u>8-4-82</u>
---

Under present market conditions, Mesa may be required to purchase tubulars directly from our supplier's warehouse at a price which exceed the published mill price (currently by 6-10%). Mesa may also elect to utilize company inventory in an effort to avoid premium prices. These tubulars are purchased and warehoused in advance to avoid paying out-of-stock premiums to the suppliers. This practice sometimes necessitates shipping material from storage points more distant than the "nearest railhead".

The values for tubulars on the attached AFE have been adjusted to show these increased costs. Although Mesa is of the opinion that in most instances the purchase of tubulars which are covered by the attached AFE from the supplier's warehouse will not be purchased at "Premium Prices," as that term is defined in Article IV, Paragraph 3, or require added transportation cost as outlined in Article IV, Paragraph 2A(i) of the Accounting Procedure, Mesa is hereby giving you the option to furnish your share of the tubulars in kind. Please advise within ten days if you elect to furnish your share of tubulars in kind.

Your approval of this AFE without notice to furnish tubulars in kind will constitute approval to pay the price invoices from the vendor in the event that Mesa is required to purchase tubulars directly from the supplier's warehouse at their out-of-stock price. If tubulars are used from Mesa inventory, it will necessitate charging freight calculated from Mesa's yard rather than equalized freight from the nearest railhead. However, the current market value, plus actual freight, should not exceed out-of-stock premium prices plus equalized freight.



**AFE/COST ESTIMATE**

01/05/OPERATIONS  
Co./Div./Subsid./Dept.

AFE # 82-394  
ID # 01-05-NM-0138-0064-005-0  
Code General Account # \_\_\_\_\_  
Exploratory \_\_\_\_\_ Development

LEASE, WELL NAME, AND LOCATION CHARLOTTE FED COM #5  
1980' FNL & 660' FVL, SEC 29, T7S, R26E, CHAVES COUNTY, NEW MEXICO

DESCRIPTION ACTUAL COST TO DRILL A 4406' WELL IN 10 DAYS AND COMPLETE AS A ABO GAS WELL,  
INCLUDING PRODUCTION EQUIP IN THE PECOS RIVER FLOOD PLAIN (ACTUAL COSTS FROM ACCTG LEDGER)

Sub Acct Codes	ITEM DESCRIPTION	Dry Hole Cost	Completion Cost	Producer Other
X01	DRILLING—FOOTAGE Ft. At \$ /Ft.	\$	\$	\$
X02	DRILLING or COMPLETION RIG MI-RU, RD-MO			
	(A) DAY WORK DAYS At \$ /DAY	84,672.24	8,162.53	92,834.77
X03	DRILLING or COMPLETION RIG			
	(A) BOILER DAYS At \$ /DAY			
	(B) CAMP & CATERING DAYS At \$ /DAY			
	(C) OTHER DAYS At \$ /DAY			
X04	CEMENTING SERVICES, CEMENT & ACCESSORIES	16,778.40	- 7,322.09	24,100.49
X05	MUD, CHEMICALS, SERVICES & EQUIP. (A) MUD, CHEM., OIL (B) WATER	14,737.57	6,070.22	20,807.79
X06	LOGS, TESTING & MUD LOGGING UNIT	8,580.88	- 2,680.81	11,261.69
X07	DRILL STEM TEST & RELATED TESTING EQUIPMENT			
X08	PERFORATING, WELL STIMULATION SERVICES		51,075.80	51,075.80
X09	LOCATION, ROADS, SURVEYS, AIRSTRIPS	15,341.00	- 1,180.67	16,521.67
X10	COMPANY LABOR, SUPERVISION, ENGINEERING & OVERHEAD	3,471.94	- 4,697.45	8,169.39
X11	RENTAL EQUIPMENT & TOOLS	4,344.10	7,834.88	12,178.98
X12	ROCK BITS, HOLE OPENERS, REAMERS, STABILIZERS	9,978.57		9,978.57
X13	HAULING & FREIGHT	1,153.55	- 1,879.96	3,033.51
X14	MOBILIZATION - INSTALLATION			
X15	DEMOBILIZATION - DISMANTLING & SALVAGE			
X16	SUPPLYBOATS, CREWBOATS, BARGES, TUGS			
X17	FUEL, LUBES, POWER	3,832.25		3,832.25
X18	SHOREBASE, OFFICE, DOCK FEE & CRANES			
X19	AIRCRAFT RENTALS—HELICOPTERS, FIXED WING			
X20	DIVERS AND RELATED EQUIPMENT			
X21	MISCELLANEOUS	4,270.84	751.28	5,022.12
X22	COST TO ABANDON (NOT INCLUDED IN PRODUCER TOTAL)*			
X23	MUD ENGINEER DAYS At \$ /DAY			
X24	CONSULTING ENGINEER			
	(A) DRILLING DAYS At \$ /DAY			
	(B) COMPLETION DAYS At \$ /DAY			
X25	GEOLOGICAL CONSULTANT DAYS At \$ /DAY	- 272.70	121,835.57	272.70
	Total Intangible & Non-Controllable Costs	\$ 167,434.04	\$ 91,655.69	\$ 259,089.73
X41	BUOYS AND MARKERS	\$	\$	\$
X42	CASING/TUBULARS			
	(A) 907 FT. OF 10 3/4 " OD \$ 18.58 /FT.	16,855.14		16,855.14
	(B) 4,406 FT. OF 4 1/2 " OD \$ /FT.		40,263.47	40,263.47
	(C) 3,612 FT. OF 2 3/8 " OD \$ /FT.			
	(D) FT. OF " OD \$ /FT.			
	(E) FT. CF " OD \$ /FT.			
X43	WELL HEAD & GUIDE STRUCTURE		5,297.43	5,297.43
X44	SUB-SURFACE WELL EQUIPMENT			
X45	SURFACE WELL EQUIPMENT		3,938.31	3,938.31
X46	OTHER MAJOR EQUIPMENT			
	(A)		4,841.72	4,841.72
	(B)			
	(C)			
X47	BUILDINGS			
X48	ELECTRICAL & INSTRUMENTATION EQUIPMENT			
X49	INSTALLATION, MATERIALS, & SERVICES		8,099.49	8,099.49
	Total Tangible Controllable & Non-Controllable Costs	16,855.14	\$ 62,440.42	\$ 79,295.56
	Total Costs	\$ 184,289.18	\$ 154,096.11	\$ 338,385.29

*Subtract (-) above*

**BEFORE EXAMINER STARTS**  
**OIL CONSERVATION DIVISION**  
EXHIBIT NO. 13  
CASE NO. 7620 Date \_\_\_\_\_  
Submitted by Mesa Date \_\_\_\_\_  
Hearing Date 8-9-82 Date \_\_\_\_\_

Prepared By \_\_\_\_\_  
Mesa Approved \_\_\_\_\_  
Mesa Approved \_\_\_\_\_  
Mesa Approved \_\_\_\_\_  
WI Approval Company \_\_\_\_\_

Mesa WI \_\_\_\_\_  
Others WI \_\_\_\_\_  
Date \_\_\_\_\_





**AFE/COST ESTIMATE**

01/05/OPERATIONS

Co./Div./Subsid./Dept.

AFE # 82-394

ID # 01-05-NM-0138-0064-005-0

Code General Account #

Exploratory \_\_\_\_\_ Development

WELL NAME, AND LOCATION CHARLOTTE FED COM #5  
980' FNL & 660' FNL, SEC 29, T7S, R26E, CHAVES COUNTY, NEW MEXICO  
 DESCRIPTION COST ESTIMATE TO DRILL AND COMPLETE A 4,450' FLOWING ABO WELL, INCLUDING  
PRODUCTION EQUIPMENT.

Acct	ITEM DESCRIPTION	Dry Hole Cost	Completion Cost	Producer/Other
	DRILLING—FOOTAGE Ft. At \$ /Ft. \$	\$	\$	\$
	DRILLING or COMPLETION RIG MI-RU, RD-MO	20,000		20,000
	(A) DAY WORK 9/6 DAYS At \$ 6000/1250 /DAY	54,000	7,500	61,500
	DRILLING or COMPLETION RIG			
	(A) BOILER DAYS At \$ /DAY			
	(B) CAMP & CATERING DAYS At \$ /DAY			
	(C) OTHER DAYS At \$ /DAY			
	CEMENTING SERVICES, CEMENT & ACCESSORIES	28,000	10,000	38,000
	MUD, CHEMICALS, SERVICES & EQUIP. (A) MUD, CHEM., OIL	8,000		8,000
	(B) WATER	9,000	3,000	12,000
	LOGS, TESTING & MUD LOGGING UNIT	9,000	3,000	12,000
	DRILL STEM TEST & RELATED TESTING EQUIPMENT			
	PERFORATING, WELL STIMULATION SERVICES		60,000	60,000
	LOCATION, ROADS, SURVEYS, AIRSTRIPS	30,000	3,000	33,000
	COMPANY LABOR, SUPERVISION, ENGINEERING & OVERHEAD	3,000	2,000	5,000
	RENTAL EQUIPMENT & TOOLS	18,000	3,000	21,000
	ROCK BITS, HOLE OPENERS, REAMERS, STABILIZERS	10,000		10,000
	HAULING & FREIGHT	7,000	4,000	11,000
	MOBILIZATION - INSTALLATION			
	DEMOBILIZATION - DISMANTLING & SALVAGE			
	SUPPLYBOATS, CREWBOATS, BARGES, TUGS			
	FUEL, LUBES, POWER	5,000		5,000
	SHOREBASE, OFFICE, DOCK FEE & CRANES			
	AIRCRAFT RENTALS—HELICOPTERS, FIXED WING			
	DIVERS AND RELATED EQUIPMENT			
	MISCELLANEOUS	7,000	3,000	10,000
	COST to ABANDON (NOT INCLUDED IN PRODUCER TOTAL)*	* 8,000		
	MUD ENGINEER DAYS At \$ /DAY			
	CONSULTING ENGINEER			
	(A) DRILLING DAYS At \$ /DAY			
	(B) COMPLETION DAYS At \$ /DAY			
	GEOLOGICAL CONSULTANT 2 DAYS At \$ 250 /DAY	500		500
	Total Intangible & Non-Controllable Costs	\$ 216,500	\$ 98,500	\$ 307,000
	BUOYS AND MARKERS	\$	\$	\$
	CASING TUBULARS			
	(A) 900 FT. OF 13 3/8 " OD \$ 27.00 /FT.	24,300		24,300
	(B) 1,800 FT. OF 8 5/8 " OD \$ 13.50 /FT.	24,300		24,300
	(C) 4,450 FT. OF 4 1/2 " OD \$ 6.50 /FT.		28,900	28,900
	(D) 3,950 FT. OF 2 3/8 " OD \$ 4.00 /FT.		15,800	15,800
	(E) FT. OF " OD \$ /FT.			
	WELL HEAD & GUIDE STRUCTURE	3,900	3,600	7,500
	SUB-SURFACE WELL EQUIPMENT			
	SURFACE WELL EQUIPMENT			
	OTHER MAJOR EQUIPMENT			
	(A) SEPERATOR		8,000	8,000
	(B) 210-BBL FIBERGLASS TANK		3,000	3,000
	(C)			
	BUILDINGS			
	ELECTRICAL & INSTRUMENTATION EQUIPMENT			
	INSTALLATION, MATERIALS, & SERVICES		3,200	3,200
	Total Tangible Controllable & Non-Controllable Costs	\$ 52,500	\$ 62,500	\$ 115,000
	Total Costs	\$ 269,000	\$ 161,000	\$ 422,000

William R. [Signature] DIV DRLG SPVR Date 3-12-82 Mesa WI  
 [Signature] DIV OPS MGR Date 3-12-82 Others WI

WELL RECORD

WELL CHARLOTTE FED COM #5

OPERATOR MESA PETROLEUM CO.

ID NO. 01-05-NM-0138-0064-005-0 AFE NO. 82-394

LOCATION: 1980' FNL & 660' FWL, SEC 29, T7S, R26E, CHAVES COUNTY, NEW MEXICO

TYPE WELL: DEV. X EXPL.      PROSPECT PECOS SLOPE OF NO. 05-NM-0138-213

ELEVATIONS: GL 3573' WD      RKB 3586'

TD 4406' TVD      PBD      DATE TD REACHED 4-20-82

SPUD: DATE 4-12-82 TIME 9 AM RIG RELEASE: DATE 4-21-82 TIME 6 PM

OFFSHORE: RIG ACCEPTED FOR TOW: DATE:      TIME:       
RIG ON LOCATION DATE: 4-12-82 TIME:       
COMPLETION UNIT MOVED ON: DATE: 4-23-82 TIME:       
COMPLETION UNIT MOVED OFF: DATE: 5-7-82 TIME:     

CONTRACTOR & RIG NAME TOM BROWN DRILLING RIG #30

CURRENT WELL STATUS: PRODUCING OIL      GAS X DUAL     

PRODUCING FORMATION(S) ABO

PRODUCING DEPTHS 3717'---3986'

TA      P&A'D      (DATE)

W.I. OWNERS & %:		
	MTS LIMITED PARTNERSHIP	87.50%
	CORONA OIL COMPANY	0%
	YATES PETROLEUM CORP	8.75%
	YATES DRILLING COMPANY	1.25%
	ABO PETROLEUM COMPANY	1.25%
	MARTIN YATES, III	1.25%

RC: MEC, TIS, CEN RCDS, ACCTG, MAH, LMC, CTY, BRR, ROSWELL, EEB, TW, K, PARTNERS, D&M,  
FILE WRM 6-10-82

CHARLOTTE FED COM #5

Well History

PAGE 1

NOTE OF INTEREST: Location 1980' FNL & 660' FWL, Section 29, T7S, R26E, Chaves County, New Mexico

4-13-82 (1 day) 45' (0')

RO: Sd.  
(15 hrs) MI & RU RT.  
(1/2 hr) Spudded @ 9 AM, 4-12-82 (broke circ - circ mud up rat hole - 100%).  
(4 hrs) WO Halco.  
(1 hr) RU Halco & pump 50 sxs Thixalite + 4% CaCl - circ up rat hole - PD @ 2:30 PM, 4-12-82 - USGS notified - no witness.  
(3½ hrs) WOC.

CWC = 80.0

4-14-82 (2 days) 800' (755') MW 9.2, Vis 31

RO: Sd/RdBd. ½° @ 350'.  
(4½ hrs) WOC in mouse hole.  
(1/2 hr) Drlg cmt from 10' to 45'.  
(10 hrs) Drlg w/mud (100% returns).  
(1/2 hr) Circ hole.  
(2 hrs) TFB #2  
(6½ hrs) Drlg w/mud.

CWC = 90.0

4-15-82 (3 days) 900' (100') MW 9.7, Vis 40

RO: RdBd/Sd. ½° @ 350', 1° @ 900'.  
(4½ hrs) Drlg w/mud (80% returns up in collar).  
(1/2 hr) Circ & condition hole.  
(1 hr) POH w/14 3/4" BHA.  
(2 hrs) RU csg crew & run 22 jts (TLR = 926') 10 3/4", 40.5#, H-40, ST&C csg, GS set @ 900', IF @ 858' w/cents on 1, 3, & 5.  
(1½ hrs) RU Halco & pump thru csg. Pump 700 sxs Thixalite + 4% CaCl, 300 sxs Class "C" + 2% CaCl - plug down @ 3:30 PM, 4-14-82 - circ 150 sxs to pit - witnessed by Bob Menendez w/MMS.  
(8½ hrs) WOC & test csg to 600 psi for 30 min - OK.  
(6 hrs) WOC & cut-off 10 3/4" csg.

CWC = 126.1

4-16-82 (4 days) 1450' (550') MW 8.5, Vis 27

RO: RdBd/Sd. 1½° @ 1419'.  
(3½ hrs) WOC.  
(1 hr) Drlg cmt.  
(19 hrs) Drlg w/wtr (100% returns).  
(1/2 hr) Survey.

CWC = 132.6

4-17-82 (5 days) 1800' (350') MW 8.9, Vis 29

RO: Sd/Sh. 1° @ 1760'.  
(11 hrs) Drlg 9 7/8" hole w/mud (100% returns).  
(1/2 hr) Circ & survey.  
(1 hr) TOH.  
(7½ hrs) Cut-off csg & NU BOP. Test to 600 psi for 30 mins - OK.  
(1 hr) TIH.  
(1½ hrs) Wash 60' fill from 1700' to 1760'.  
(1½ hrs) Drlg 7 7/8" hole w/mud (100% returns).

CWC = 143.6

4-18-82 (6 days) 2860' (1060') MW 9.5, Vis 29

RO: Lm/Sh. 1° @ 2247'.  
(22½ hrs) Drlg w/BW (100% returns).  
(1/2 hr) Survey.  
(1/2 hr) Service rig.

CHARLOTTE FED COM #5  
Well History

PAGE 2

(1/2 hr) Repair flow nipple.

CWC = 150.1

4-19-82 (7 days) 3660' (800') MW 9.5, Vis 35

RO: Sd/Sh. 1 1/2° @ 2868', 1° @ 3362'.  
(22 1/2 hrs) Drig w/mud (100% returns).  
(1 hr) Survey.  
(1/2 hr) Repair mud pump suction valve.

CWC = 156.0

4-20-82 (8 days) 4350' (696') MW 10.2, Vis 37

RO: Abo. 1 1/2° @ 3890'.  
(23 1/2 hrs) Drig w/mud (break from 3890' to 3953' - lost circ @ 3950' - got it back @ 3953') - lost a total of 70 hbbls mud - gained back w/10 sxs paper.  
(1/2 hr) Survey.

CWC = 163.0

4-21-82 (9 days) 4406' (50') MW 9.7, Vis 40

RO: Sd/Sh. 1 1/2° @ 4406'.  
(2 hrs) Drig w/mud (100% returns) - TD 7 7/8" hole @ 8 AM, 4-20-82.  
(2 hrs) Circ & condition hole.  
(2 hrs) Short trip - 10 stands @ 3750' (no drag).  
(1 hr) Circ hole & survey.  
(2 hrs) TOH (SLM - no correction).  
(3 1/2 hrs) RU Schlumberger (WLTD @ 4386').  
(1 1/2 hrs) TIH.  
(1 1/2 hrs) Wash & circ from 4356' to 4406'.  
(4 1/2 hrs) TOH & LD DP & DC.  
(3 hrs) Run 60 jts 4 1/2" csg - broke down tongs.  
(1 hr) WO tong equipment & circ hole.

CWC = 179.0

4-22-82 (10 days) 4406' (0') MW 9.7, Vis 40

RO: Abo.  
(3 1/2 hrs) RU new tongs, wash csg down from 4357' to 4406'. Run 109 jts (TLR = 4439')  
4 1/2", 10.5", K-55 ST&C csg, GS set @ 4406', FC @ 4366' w/cents on 3, 5, 7, 9,  
11, 13 & 15.  
(1/2 hr) Circ hole w/mud.  
(1 1/2 hrs) RU Howco & pump 500 sxs Class "C" + 5#/sx KCL + 0.3% Halad-4 + 0.2% CFR-2 -  
bump plug w/2% KCL - plug down @ 11:30 PM, 4-21-82 - USGS notified - no  
witness.  
(6 1/2 hrs) ND BOP, set 4 1/2" slips, cut-off 4 1/2" csg - jet pits & clean. RD RT - rig  
released @ 6 PM, 4-21-82 - MORT to Pete Com #1 - WOCU - temp drop from report.

CWC = 234.0

4-24-82 4406' TD

RO: RU mast trailer & run GR-CBL-CCL from WLTD 4361' to 2950' - good bonding to TOC @  
3044'. SI/WOCU/Temporarily dropped from report.

CWC = 237.0

5-4-82 4406' TD

RO: MI & RU CU @ 10 AM, 5-3-82. RU CRC & GIH w/3 1/8" csg gun w/1 JSPF perf'd Abo  
(3717', 18', 22', 24', 26', 27', 3734', 35', 36', 39', 40', 49', 50', 54', 55', 3974',  
75', 76', 80', 82', 83', 86') 22 holes. RD CRC. Rack & tally tbg. SION.

CWC = 241.6

5-5-82 4406' TD

RO: TIH w/pkr & RBP & set RBP @ 4016'. POH to 3985' & spot 1 bbl acid. POH to set pkr  
@ 3866'. Acidized Abo perfs (3974' --- 3986') 7 holes w/1200 gals 7 1/2% HCL acid + 18 BS

PAGE 3

- good ball action - did not ball out. Air = 5 BPM @ 2200 psi. ISDP = 550 psi/10 min = 200 psi. 49 BLWTR. RU & made 5 swab runs - rec 18 bbbls w/2' flare on last 2 runs - 31 BLWTR. Release pkr & TIH to release RBP. POH to set RBP @ 3806'. Spot 1 bbl acid @ 3755'. POH & set pkr @ 3620'. Acidized Abo perms (3717' --- 3755') 15 holes w/2400 gals 7% HCL acid + additives + 36 BS - good ball action - ball out - surge balls. AIR = 5 BPM @ 1800 psi. ISDP = 425 psi/10 min = 100 psi. 73 BLWTR. Job completed @ 12:01 PM, 5-4-82. RU & made 9 swab runs - started flowing in heads w/8' to 10' flare. Collected 2 wtr samples of spent acid, red wtr, & drig mud. Rec 60 BLW/13 BLWTR. Flowing 16 hrs on 1/2" ck w/FTP = 100 psi & 15' flare & very light red mist.

CWC = 249.2

5-6-82 4406' TD

RO: Well had cleaned up in top zone @ FTP = 190 psi, making no wtr on 1/4" ck. RD kill truck & kill well w/30 bbbls 3% KCL. Release pkr - GIH - release RBP. POH - LD pkr & RBP & TIH to 4002'. RU & swab lower & upper zones together & made 13 runs. Rec 85 BLW/12 BLWTR. Well began flowing on 1/2" ck w/FTP = 140 psi/CP = 740 psi w/15' flare & cleared up. SION @ 7 PM, 5-5-82.

CWC = 251.8

5-7-82 4406' TD

RO: 12 hrs SITP = 850 psi/SICP = 940 psi. Opened on 3/4" ck @ 7 AM, 5-6-82. Flowed well 4 hrs w/FTP = 100 psi/CP = 280 psi w/15' flare - no wtr. RU Western & kill well w/ 50 bbbls KCL wtr. POH & LD tbg. RU & frac'd Abo perms (3717' --- 3986') 22 holes w/ 49,400 gals X-Linked gelled 2% KCL + 10,600 gals liq CO2 + 112,000# 20/40 mesh sd + 76,000# 10/20 mesh sd. AIR = 45 BPM @ 2250 psi. ISDP = 2200 psi/15 min = 550 psi. 1226 BLWTR. Job completed @ 2 PM, 5-6-82. SI 2 hrs & flow back after frac.

TIME	HRS	CK	FTP	REC	BLWTR	REMARKS
4 PM	3	1/2"	400	0	1226	
7 PM	3	1/2"	280	45	1181	
12 MN	8	1/2"	80	115	1111	
4 AM	12	1/2"	50	151	1055	

CWC = 299.4

5-8-82 4406' TD

RO: SICP = 45 psi. SI & checked ck - removed frac ball - continue flowing. RD CU @ 11 AM, 5-7-82 - NO CU to Ric #7.

TIME	HRS	CK	FCP	REC	BLWTR	REMARKS
8 AM	16	1/2"	45	181	1045	
4 PM	24	1/2"	280	190	1036	
10 PM	30	1/2"	360	199	1027	
4 AM	36	1/2"	380	207	1019	No flare - flowing into frac tanks

CWC = 300.4

5-9-82 4406' TD

RO: Flow testing on 1/2" ck.

TIME	HRS	CK	FCP	REC	BLWTR	REMARKS
8 AM	40	1/2"	400	210	1016	
4 PM	48	1/2"	440	218	1008	
10 PM	54	1/2"	440	226	1000	
4 AM	60	1/2"	430	232	994	No flare - flowing into frac tanks

CWC = 300.9

5-10-82 4406' TD

RO: 8 hrs SICP = 800 psi. Flowed well 18 hrs on 1/2" ck - well is not making wtr w/CP = 460 psi. 994 BLWTR. SI.

CWC = 301.4

5-11-82 4406' TD

RO: SICP = 490 psi. Flowing back after frac - no fluid. NU CU @ 9 AM, 5-10-82. NU pump crack & kill well. ND tree & GIN w/119 jcs (3611.75') 2 3/8", 4.79, H-40, EUE, 8rd tbg and SSN - landed @ 3630'. ND BOP's & NU tree. Pump 75 bbls to kill well & run chg. 1069 BLNTR. After 2 hrs well started to flow on 3/4" ck w/FIP = 200 psi/CP = 270 psi. Floated well 15 hrs on 3/4" ck w/FIP = 180 psi/CP = 470 psi w/10' flare - 61 BLN/1000 BLNTR. ND CU @ 2:30 AM, 5-10-82 & ND CU to Round Top State #6. SI for pressure build up.

GWC = 325.5

5-12-82 4406' TD

RO: Floated well 8 hrs on 3/4" ck @ FIP = 200 psi/CP = 580 w/25' flare - no wtr. SI. NO potential test - temporarily dropped from report.

GWC = 325.5

5-18-82 4406' TD

RO: Results of potential test on 5-16-82 are as follows:

INCREMENT	TBG PSI	MCFPD
0	840	---
1	720	1176
2	600	1578
3	515	1902
4	425	2028

COMPLETION DATE: 5-16-82  
FIELD: PECOS SLOPE ABO  
PROD FORM: ABO  
PROD PERF INTERVALS: 3717' --- 3986'  
INITIAL POTENTIAL, OIL OR GAS: CAOF = 2600 MCFPD  
PURCHASER OIL/COND: KOCH  
GATHERER: TRANSWESTERN

FINAL REPORT

NOTE OF INTEREST: Location 660' FSL & 1900' FEL, Section 12, T5S, R24E, Chaves County, New Mexico

7-25-82 (1 day) 720' (680') MW 9.2, Vis 30

RO: RMBd. 3/4" @ 623'.  
 (11 hrs) MI & RU RT.  
 (10 hrs) Drlg w/mud (100% returns). Spudded 14 3/4" hole @ 5 PM, 7-25-82.  
 (1/2 hr) Survey.  
 (1/2 hr) Repair & replace rotary chain.  
 (2 hrs) TFB #1.

CWC = 60.0

7-27-82 (2 days) 948' (228') MW 10.1, Vis 32

RO: Lm/Sh. 1" @ 948'.  
 (1/2 hr) Finish bit trip.  
 (9 1/2 hrs) Drlg w/mud (100% returns). TD 14 3/4" hole @ 4 PM, 7-26-82.  
 (1/2 hr) Circ.  
 (1 1/2 hrs) TOH w/14 3/4" BHA.  
 (1 1/2 hrs) RU csg crew & ran 23 jts (TLR = 950') 10 3/4" csg, GS set @ 948', IF @ 928' w/ cents on jts #1, 3, & 5. Csg detailed as follows:  
     7 jts 10 3/4", 40.5#, K-55, ST&C, Class "A" csg (on btm)  
     1 jt 10 3/4", 40.5#, S-80, ST&C, Class "B" csg  
     3 jts 10 3/4", 45.5#, K-55, ST&C, Class "B" csg  
     12 jts 10 3/4", 45.5#, S-80, ST&C, Class "A" csg (on top)  
 (1 1/2 hrs) RU Howco & pumped 700 sxs Thixalite + 1/4#/sxs flocele + 4% CaCl, tail-in w/200 sxs Class "C" + 2% CaCl - PD @ 9 PM, 7-26-82 - circ 150 sxs to pit - MMS notified - no witness.  
 (9 hrs) WOC.

CWC = 105.9

7-28-82 (3 days) 1310' (362') MW 9.1, Vis 29

RO: Lm/Sh.  
 (9 1/2 hrs) WOC & test blind rams to 600 psi for 30 mins - held OK.  
 (1 hr) TIH w/7 7/8" BHA & test pipe rams to 600 psi for 30 mins - held OK.  
 (1/2 hr) Drlg cnt, IF, & GS.  
 (13 hrs) Drlg w/BW (100% returns).

CWC = 117.0

7-29-82 (4 days) 2300' (990') MW 9.8, Vis 29

RO: Ls/Anhy. 1/2" @ 1462', 1/2" @ 1802'.  
 (12 1/2 hrs) Drlg w/BW (100% returns). TD 9 7/8" hole @ 7 PM, 7-28-8-2.  
 (1/2 hr) Circ.  
 (2 1/2 hrs) TFB #4 to reduce hole to 7 7/8".  
 (7 1/2 hrs) Drlg w/BW (100% returns).  
 (1 hr) Survey.

CWC = 127.7

7-30-82 (5 days) 3560' (1260') MW 9.8, Vis 32

RO: Sd/Sh. 3/4" @ 2300', 1/2" @ 2826', 1/2" @ 3320'.  
 (22 1/2 hrs) Drlg w/mud (100% returns).  
 (1 1/2 hrs) Survey.

CWC = 137.3

7-31-82 (6 days) 4270' (710') MW 10.1, Vis 38

RO: Sd/Sh. 1" @ 4070'.  
 (10 hrs) Drlg w/mud (100% returns) - lost returns @ 3838'.  
 (1/2 hr) POH to 3500'.  
 (1/2 hr) Mix LCM mud & break circ.  
 (1/2 hr) TIH.  
 (12 1/2 hrs) Drlg w/mud (100% returns).

BEFORE EXAMINER STAMETS  
 OIL CONSERVATION DIVISION

EXHIBIT NO. 14

CASE NO. 7620

Submitted by Flesa

Hearing Date 8-9-82

CWC = 151.6

8-1-82 (7 days) 4300' (30') NW 10.1, Vis 51RO: Ss/Sh.  $\frac{1}{2}$ " @ 4300'.

- (1 hr) Drig w/mud (100% returns). TD 7 7/8" hole @ 7 AM, 7-31-82.
- (2 hrs) Circ hole & condition mud @ TD.
- (1 1/2 hrs) 10 stand short trip - no fill (no drag).
- (1 hr) Circ hole.
- (2 hrs) POH w/DP & DC's.
- (2 hrs) RU Schlumberger & attempt to run GR-CNL-FDC - unable to work tool below 3779'. RD Schlumberger.
- (1 hr) Cut drig line.
- (2 hrs) TIH w/bit (hit bridge @ 4000').
- (3 hrs) Wash to btm & circ @ TD.
- (1 1/2 hrs) Made 10 stand short trip - hit bridge @ 4100'.
- (2 hrs) Circ hole & condition mud.
- (1 hr) Made 10 stand short trip (no drag/no fill).
- (1 hr) Circ hole @ TD.
- (1 1/2 hrs) POH to log.
- (1 1/2 hrs) RU Schlumberger & ran GR-CNL-FDC log (WLTD @ 4278').

CWC = 168.8

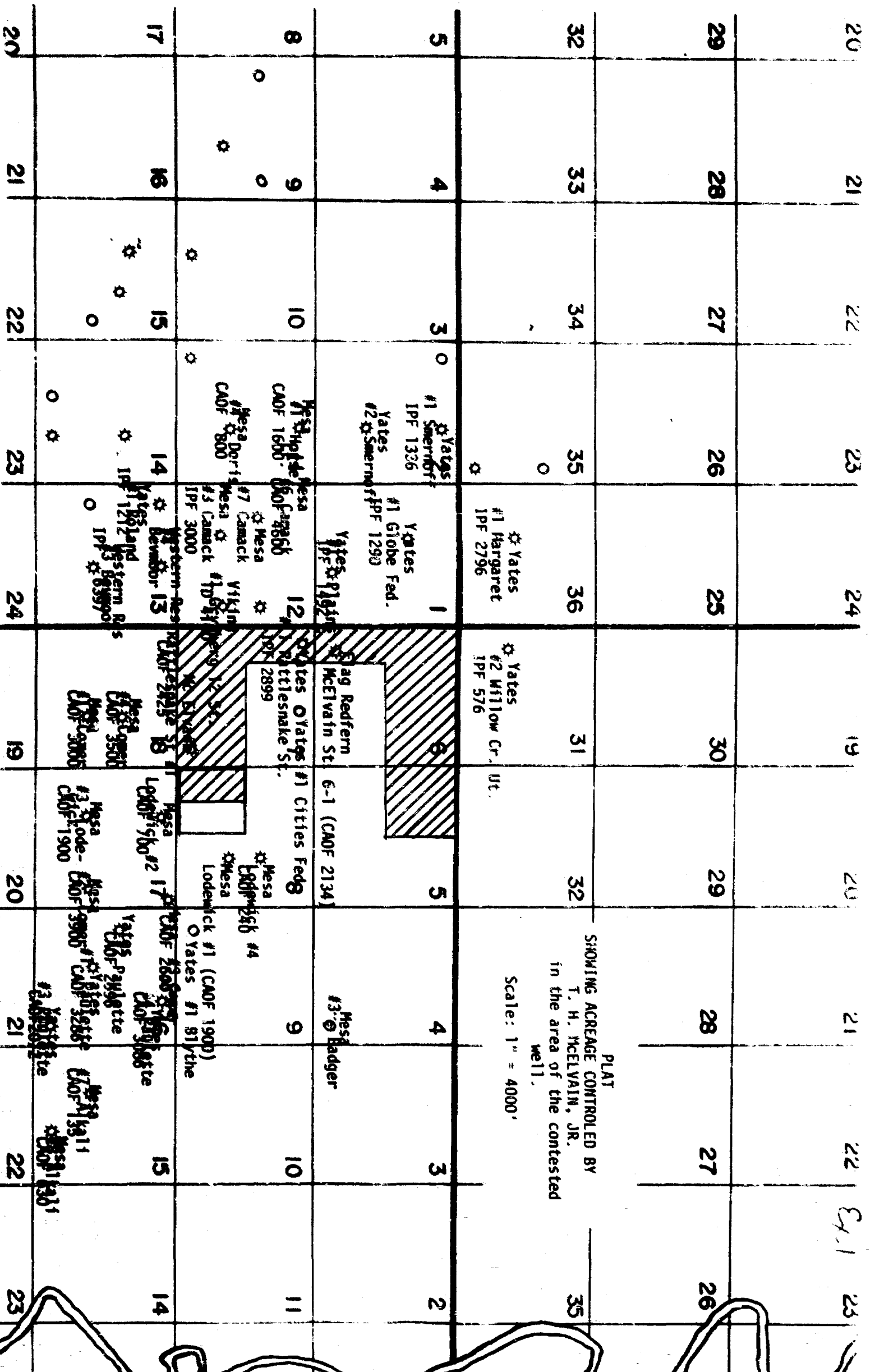
8-2-82 (8 days) 4300' TD NW 10.1, Vis 51

RO: Sd/Sh.

- (7 hrs) Running a CND log.
- (2 hrs) TIH w/bit.
- (2 hrs) Circ btms up.
- (3 hrs) POH - LD DP & DC's.
- (3 hrs) RU csg crew & run 99 jts (TLR = 4050') 4 1/2", 10.5#, K-55, ST&C csg, GS set @ 4038', IF @ 3997' w/cents on jts #1, 3, 5, 7, 9, 11, & 13, cmt baskets on jts #2, 12, 62, & 63.
- (2 1/2 hrs) RU Howco & pumped 800 sxs Thixalite + 5#/sx salt + 1/4#/sx flocele, 400 sxs Class "C" + 5#/sx KCL + 0.3% Halad-4 + 0.2% CFR-2 - PD @ 1 AM, 8-2-82 - cmt did not circ.
- (4 1/2 hrs) RD RT & jet pits. Rig released @ 6 AM, 8-2-82. Prep to MO RT to Iris State #2 - WOCU - temporarily dropped from report.

CWC = 219.0





PLAT  
 SHOWING ACREAGE CONTROLLED BY  
 T. H. MCELVAIN, JR.  
 in the area of the contested  
 well.  
 Scale: 1" = 4000'

C-1

T. H. McELVAIN OIL & GAS PROPERTIES  
P. O. Box 2148  
Santa Fe, New Mexico 87501  
May 19, 1982

BEFORE EXAMINER STAMETS  
C.I. CONSERVATION DIVISION

McElvain EXHIBIT NO. 2  
CASE NO. 7693

Submitted by \_\_\_\_\_

Hearing Date \_\_\_\_\_

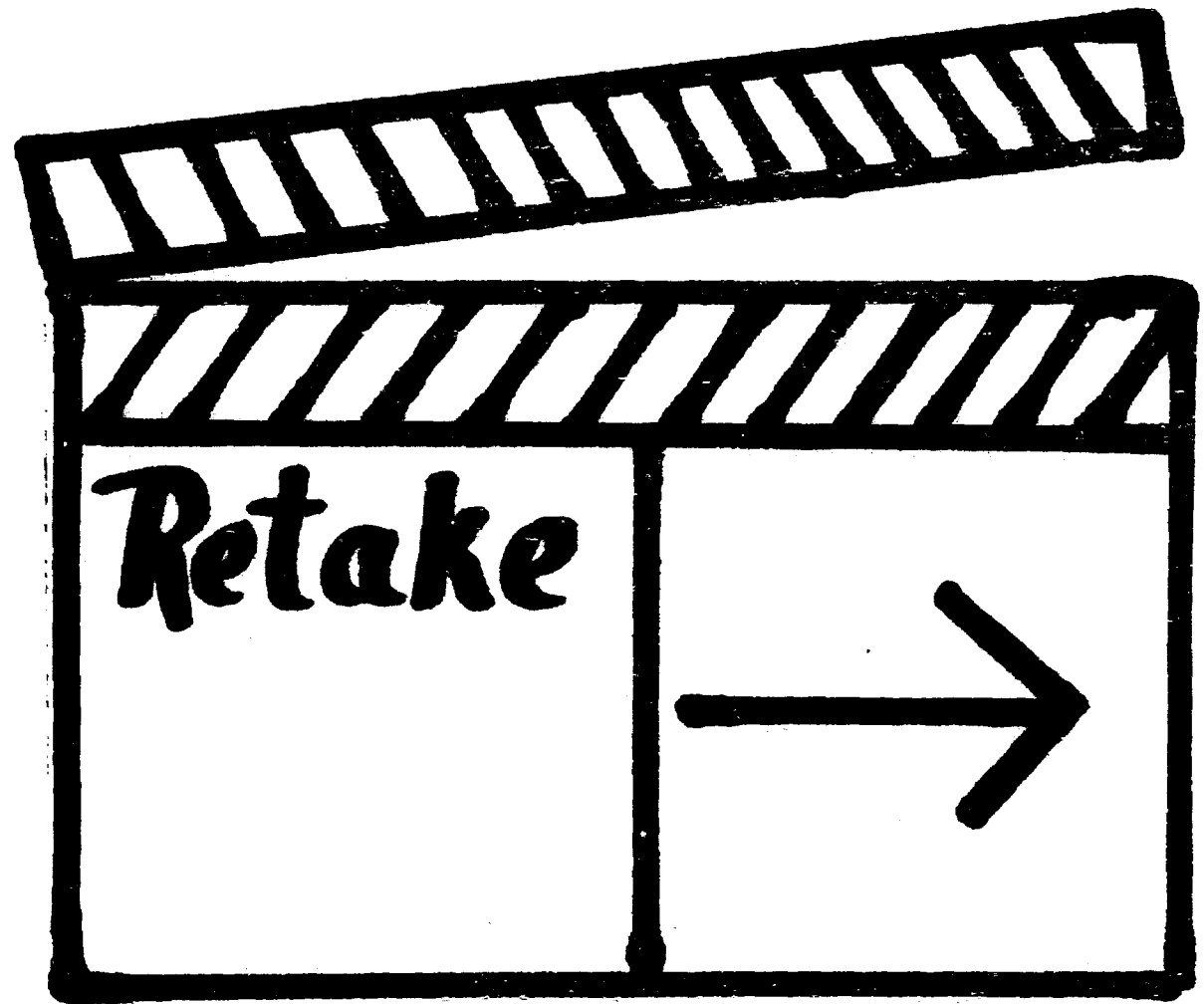
TO CHARGE YOU FOR THE FOLLOWING EXPENSES  
on the Rattlesnake State #1 Abo Well

George B. Broome - travel	\$ 144.00
T. H. McElvain Oil & Gas Properties - Engineering Services (Broome)	220.00
James P. Dwart - Drill site and access road damages	1,272.75
Mann Engineering - Location survey	398.50
Alexander & Alexander of Texas - Surety & well plugging bonds	150.00
S & S Applicators, Inc. - Ruff cote	2,101.37
Atchison Construction Co. - Location, pit, cattleguard, fence, anchors	9,189.49
Bearing Service & Supply Co. - casinghead	892.42
Ace Associates - Casing inspection	514.91
Crockett Trucking - unloading casing	204.93
Mimco Pipe & Supply Co. - casing	26,974.18
Young Drilling Company - Drilling per semi-turnkey contract	137,327.22
Dowell Division, Dow Chemical Co. - Cementing long string	10,849.40
Dowell Division, Dow Chemical Co. - Cementing intermediate	7,879.32
Schlumberger - Logging	14,467.74
Bearing Service & Supply - Tubing & wellhead	17,537.11
Atchison Construction Co. - Watering road & location	408.34
Atchison Construction Co. - Fencing pit	325.45
Crockett Trucking - Deliver tubing	397.44
The Western Company - Acid frac chemicals	4,378.55
The Western Company - Acid frac	51,631.77 ✓
Amerigas - Carbon Dioxide Division	2,896.97
Amerigas - Carbon Dioxide Division	1,759.50
Jim's Water Service - Water & hauling	483.76
Jim's Water Service - Water & hauling	2,310.97
The Western Company - Pump rental	1,433.48
T. H. McElvain Oil & Gas Properties - Drilling overhead 4-20/5-2-82	3,500.00
George B. Broome - Field geological & engineering consultation	3,426.34
Star Tool Co. - Flange rental & repair	573.39
Action Well Service - Swabbing	15,084.81
Maypoie Packers - Packer & bridge plug	1,532.48
Bell Petroleum Surveys - Logging & perforating	3,622.00
Bell Petroleum Surveys - Perforating	1,523.60
T. H. McElvain Oil & Gas Properties - Travel & lodging	332.64
Baker Packers - Casing packer and repairs	939.04
Jim's Water Service - Frac tanks	695.52
Jim's Water Service - Frac water and hauling	989.89
Turner Oilfield Service - Bleeding well	200.00
Bennett-Cathey Wireline Service - Bottom hole pressure test	1,244.10
Bennett-Cathey Production Testing Service - Back pressure test	657.28
T. H. McElvain Oil & Gas Properties - Travel & lodging	745.55
<b>Expenditures to date(7-21-1982)</b>	<b><u>\$331,216.21</u></b>

Additional Expenses	Yucca Oilfield Service - Roustabouts & fittings	3,206.18
	Hondo Pipe & Supply - Steel tank & steps	2,250.00
	Olman-Heath - Production Unit delivered	4,025.00
	Atchison Const. - Clean location	1,500.00
	<b>Final Total</b>	<b><u>\$ 342,197.39</u></b>

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BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

*McElhin* EXHIBIT NO. 1  
CASE NO. 7633  
Submitted by \_\_\_\_\_  
Hearing Date \_\_\_\_\_

T. H. McELVAIN OIL & GAS PROPERTIES  
 P. O. Box 2148  
 Santa Fe, New Mexico 87501  
 May 19, 1982

BEFORE EXAMINER STAMETS  
 C. I. CONSERVATION DIVISION

McELVAIN EXHIBIT NO. 3

CASE NO. 7657

Submitted by \_\_\_\_\_

Hearing Date \_\_\_\_\_

TO CHARGE YOU FOR THE FOLLOWING EXPENSES  
 on the Rattlesnake State #1 Abo Well

George B. Broome - travel	\$ 144.00
T. H. McElvain Oil & Gas Properties - Engineering Services (Broome)	220.00
James P. Dwart - Drill site and access road damages	1,272.75
Mann Engineering - Location survey	398.50
Alexander & Alexander of Texas - Surety & well plugging bonds	150.00
S & S Applicators, Inc. - Ruff cote	2,101.37
Atchison Construction Co. - Location, pit, cattleguard, fence, anchors	9,189.49
Bearing Service & Supply Co. - casinghead	892.42
Ace Associates - Casing inspection	514.91
Crockett Trucking - unloading casing	204.93
Mimco Pipe & Supply Co. - casing	26,974.18
Young Drilling Company - Drilling per semi-turnkey contract	137,327.22
Dowell Division, Dow Chemical Co. - Cementing long string	10,849.40
Dowell Division, Dow Chemical Co. - Cementing intermediate	7,879.32
Schlumberger - Logging	14,467.74
Bearing Service & Supply - Tubing & wellhead	17,537.11
Atchison Construction Co. - Watering road & location	408.34
Atchison Construction Co. - Fencing pit	325.45
Crockett Trucking - Deliver tubing	397.44
The Western Company - Acid frac chemicals	4,378.55
The Western Company - Acid frac	51,631.77 ✓
Amerigas - Carbon Dioxide Division	2,896.97
Amerigas - Carbon Dioxide Division	1,759.50
Jim's Water Service - Water & hauling	483.76
Jim's Water Service - Water & hauling	2,310.97
The Western Company - Pump rental	1,433.48
T. H. McElvain Oil & Gas Properties - Drilling overhead 4-20/5-2-82	3,500.00
George B. Broome - Field geological & engineering consultation	3,426.34
Star Tool Co. - Flange rental & repair	573.39
Action Well Service - Swabbing	15,084.81
Maypole Packers - Packer & bridge plug	1,532.48
Bell Petroleum Surveys - Logging & perforating	3,622.00
Bell Petroleum Surveys - Perforating	1,523.60
T. H. McElvain Oil & Gas Properties - Travel & lodging	332.64
Baker Packers - Casing packer and repairs	939.04
Jim's Water Service - Frac tanks	695.52
Jim's Water Service - Frac water and hauling	989.89
Turner Oilfield Service - Bleeding well	200.00
Bennett-Cathey Wireline Service - Bottom hole pressure test	1,244.10
Bennett-Cathey Production Testing Service - Back pressure test	657.28
T. H. McElvain Oil & Gas Properties - Travel & lodging	745.55
<b>Expenditures to date(7-21-1982)</b>	<b><u>\$331,216.21</u></b>

<b>Additional Expenses</b>	Yucca Oilfield Service - Roustabouts & fittings	3,206.18
	Hondo Pipe & Supply - Steel tank & steps	2,250.00
	Olman-Heath - Production Unit delivered	4,025.00
	Atchison Const. - Clean location	1,500.00
	<b>Final Total</b>	<b><u>\$ 342,197.39</u></b>

CUMULATIVE WELL COSTS  
FOR RATTLESNAKE "NZ" ST. COM. #1

Lawyers Title-Abstract	\$ 59.00
Federal Abstract-NM 15289, LG 0252	306.49
Dan R. Reddy-Survey, plat	164.59
George Boyse-Build location, road, pits, cellar	4,019.29
George B. Broome-travel reimbursement, engineering services, phone	1,266.09
Jasper & Buell-Operating agreement	536.89
Jim's Water Service-Water for road, haul drilling water	11,690.57
Triple H Construction-Caliche road, repair road, engineering services-5 days	2,793.67
I & W, Inc.-haul water for road, water for road & location	2,552.33
Rose Gravel-Gravel	446.13
LaRue Drilling Co.-drilling, footage & daywork	77,462.02
M & M Rental-Line res. pits	2,071.68
Wayne Johnson-Diesel	4,280.64
Artesia Lumber-Drilling mud, completion mud, potash, KCL	10,736.00
Ranger Rental-Rental mud plant	1,040.00
Dow Chemical-Cement 13 3/8" casing & 4 1/2" casing	13,221.77
Bennett Wireline Service-Temperature survey, BHP	1,303.15
Schlumberger-Logging	10,645.20
J.D. Welding Service-Cut teeth-shoe, cut off 13 3/8" casing, cut & weld ladder	876.55
Crockett's Welding-Haul casing	327.60
H & W Enterprises-Haul 5 1/2" casing	553.28
Munson Excavation-Haul & unload casing	327.60
Mack Chase, Inc.-Load, unload casing, drilling overhead, load tubing, connections, rev. unit, tubinghead, bed levels, clean	10,498.94
T & C Rental-Tank rental, install guyline anchors, install 2 pipeline anchors	3,774.52
T C Roustabout Service-Drag & level location, fence pit, put gravel around location	752.37
Bearing Services-8 5/8" x 5 1/2" casing, 5 1/2" tubinghead & connections, wellhead equipment, 152' 13 3/8" 48# casing, seating nipple, & tubing	5,972.13
Bilco Supply-Wellhead connections, 2" ball valve	1,710.63
Carson D. Losee-Examine abstract	260.00
Baer Oil Field Service-Inspect & clean casing	479.44
Jack Ahlen-Geological consulting	1,418.52
Well Units, Inc.-Completion unit	3,916.07
Western Co.-acid, completion overhead	25,008.30
Nowasco Service-Acidizing	1,534.40
Well equipment-Casing, tubing, choke, flange gate valve, wing & choke valve	47,131.65
Peabody Vann-Perforating, electric logging, run & set packer, on/off tool, packer	13,239.72
Tesoro Land & Marine-BOP rental	2,271.99
James Ewart-Road right of way, surface damages	548.00
Southwestern-well sign	30.41
Antifreeze	244.76
Comm. of Public Lands-Filing fee communitization agreement	10.00
Tank	2,282.28
Perk-Roc., Inc.-Water stack pac, production unit	7,953.77
Trip's Welding Service-Fab. line & connections	773.76
Gray's Welding Service-Fab. line & connections	174.72
Stevenson-Roach-Work on battery, antifreeze, fill unit	3,976.30
Valley Construction-Build tank ground & blade location	4,797.40
Union Supply Co.-Gauge, pumper, foreman, pickup, administrative overhead	478.38

(CONT.)

RATTLESNAKE "NZ" ST. COM. #1 (CONT.)

Amerigas-Chemical	\$ 3,382.50
Franklin Supply Co.-Battery, connections, welding & line pipe	3,420.57
Roswell Ready Mix-Cement	<u>335.53</u>
TOTAL COSTS	<u>\$293,057.60</u>



CUMULATIVE WELL COSTS  
FOR McELVAIN STATE COM #6

Armstrong & Armstrong-location damages, repairs & supplies	\$ 509.60
Milford Pipe & Supply-repairs & supplies; line pipe connection, trucking & labor	239.89
Archie Graham Harris-location damages, supervisory charges, overhead, and supervision	145.09
Stevenson-Roach Tank Co.-tanks, separators, treaters, install surface equipment	13,204.61
Hondo Pipe & Supply-line pipe connections, repairs & supplies, wellhead assembly	12,400.98
John E. Scherer, Jr.-overhead & supervision	603.13
Kelly Douglas Jamerson-overhead & supervision	1,617.66
Chaves Co. Abstract Co.-location damages, etc.	188.50
John J. O'Brien, Jr.-location damages, etc.	16.80
Schutz Abstract Co.-location damages, etc.	395.49
James Ewart-location damages	1,109.20
Peterson Drilling Co.-daywork drilling, fuel water & power, misc. costs	97,406.84
Cactus Pipe & Supply-surface casing	29,771.85
Wilson Industries-production casing, bits & rental equipment	29,374.36
Equipment Renewal Co.-wellhead assembly	18,031.12
Hinkle Cox Eaton-location damages	720.00
Kenny's Bit & Valve Service-bits & rental equipment	3,432.00
Joseph W. Luchini-location damages	759.00
Link Rat Hole, Inc.-location damages	2,054.48
M & M Rental Tools, Inc.-location damages	1,825.74
Marrs Mud, Inc.-drilling fluids	9,517.19
Jim's Water Service-fuel water & power, acidizing & fracturing	4,796.41
Starr Gas Co.-fuel water & power	6,483.51
Schlumberger Well Service-well logging	14,124.39
Halliburton-cement & service, acidizing & fracturing, completion unit	55,717.75
Roswell Ready Mix Co.-cement & service	708.97
Oncor Corp.-bits & rental equipment	1,430.00
Joe's Inspection Service-bits & rental equipment	638.60
Mercury Transportation-trucking & labor	1,875.23
Tiger Charter- overhead & supervision	609.30
J.W. Parker-overhead & supervision	111.98
Baer Oil Field Service-misc. costs	3,687.98
McClatchy Brothers-trucking & labor	781.92
R. J. Roustabout Service-location damages, trucking & labor	1,844.43
The Permian Corp.-fuel water & power	6,231.13
Dunigan Tool & Supply-bits & rental equipment	3,662.64
Tesoro Land & Marine-summary billing	525.11
CRC Wireline, Inc.-perforating & logging	3,353.97
A-1 Sign Engraver-repairs & supplies	39.69
Luttrell Gas Consulting-misc.	437.70
Material Transfer-tubing & rods	14,508.67
PBCP Service, Inc.-completion unit	3,006.60
Well Units of Texas, Inc.-completion unit	13,179.56
T & C Tank Rental & Anchor-completion unit	416.00
Star Tool Co.-tool rentals	704.34
Quadra Corp.-tool rentals	2,628.60
J.W. Parker-overhead & supervision	15.22
Martin Meter Co., Inc.-repairs & supplies	160.47
Bennett-Cathey Wireline-perforating & logging	1,020.50
<b>TOTAL COSTS</b>	<b><u>\$366,224.20</u></b>

LOBEWICK FED COM #1

- 1) 11-13-81 Contacted Mr. Kevin Dentzer of Mesa to propose that we drill the joint well in the SW/4 of Sec. 8. Said he would get back to us after geologists had a look at the area.
- 2) 11-16-81 Letter dated 11-13-81 from Mr. Kevin Dentzer of Mesa advising us that the Lodewick well in the SE/4 of Sec. 8 was their only budgeted well in the area and that they would make a decision as to further activity after drilling that test.
- 3) 3-26-82 Received a telephone call from Mr. Mark Hannifin with Mesa advising us that Mesa was sending out AFEs for the joint well in the SW/4 of Sec. 8 and that they planned to spud by 5-1-82.
- 4) 3-30-82 Letter from George B. Broome with T. H. McElvain, Jr. requesting that Mesa consider our proposal to operate the joint well. We stated that we had a semi-turnkey drilling price of \$130,000 which included drilling, bits, fuel, mud, water, casing crews, rig time for lost circulation, fishing and stuck jobs and cementing time of 12 hours together with a guaranteed logable hole. We stated that the turnkey price would allow us to drill a smaller surface hole 12 1/4", to 1000' and run 8 5/8" casing since the drilling contractor was assuming a good deal of the risk. We felt this program was prudent and safe because of past experience in the immediate area and the skill of our drilling contractor and his personnel. We also stated that we would be able to spud the well around May 1, 1982.
- 5) 4-1-82 Received Mesa letter dated 3-29-82 transmitting AFE and stating that they proposed to drill the contested well as operator and asking that we indicate our intentions without the benefit of an Operating Agreement, to join or go non-consent by returning a copy of the letter. They also advised us that an Operating Agreement was being prepared and would be forwarded when available.
- 6) 4-1-82 Received a letter dated 3-30-82 from Mr. Joseph Jeffers with Mesa stating that the anticipated spud date for the well would be 5-1-82 and requesting our geological requirements.
- 7) 4-6-82 Letter from George Broome with T. H. McElvain, Jr. acknowledging receipt of Mesa's AFE and pointing out that our pipe program as set out would save the joint account \$37,000. We have a written quote from Mimco Pipe & Supply Co. in Monahans, Texas, submitted herewith, which will confirm our prices delivered to the location at the time our AFE was submitted. Since this time quote prices have softened further. We also furnished Mesa a copy of our turnkey contract for \$130,000 which was \$16,000 below their estimated expenditures for the same items. The drilling prices have softened considerably since April, and we now have a turnkey contract for \$115,000.
- 8) 4-15-82 Received Mesa letter dated 4-12-82 transmitting their Operating Agreement which we object to on the following points:  
Article XV Other Provisions - Paragraph beginning with line 51 thru line 63 involving the non-consent provisions of Article VI to past due accounts on a retroactive basis.  
Exhibit "C" Accounting Procedure, II Direct Charges, 9. Legal Expense - Would allow Mesa to charge joint account for all outside attorney's fees and expenses in connection with this proceeding.  
III.) Overhead - Drilling & Producing Operations  
A. - Fixed Rate Basis - Drilling well rate and producing well rate are a little excessive and the highest we have seen in the area. We also know that we can operate much cheaper since we do not have as high a fixed rate, and we do not charge district expense, wages and benefits back to the non-operators.

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

*McElvain* EXHIBIT NO. 3

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

Submitted by \_\_\_\_\_

Hearing Date \_\_\_\_\_

- 9) 4-16-82 Phone conversation with Mark Hannifin of Mesa indicated they were considering our proposal. He indicated that they would like to wait and see how we come out on the well in the SE/4 of Sec. 7, gas-wise and cost-wise. He also indicated that they were looking carefully at our turnkey contract.
- 10) 4-19-82 Received Mesa's Application for Permit to Drill dated March 10, 1982, which indicated that the location had been surveyed March 1, 1982 and the application had been filed March 11, 1982. McElvain points out that we were not advised of their proposal until March 26, 1982.
- 11) 4-30-82 Letter to Mark Hannifin of Mesa transmitting a set of logs from our Rattlesnake St. #1 well and requesting a meeting with Mesa to discuss the proposed joint well.
- 12) 5-3-82 Trip to Midland, Texas by Mr. T. H. McElvain, Jr. and George Broome to meet with Mesa and discuss the results of our Rattlesnake St. #1 well in the SE/4 of Sec. 7 and the proposed Lodewick Fed Com #1 in the SW/4 of Sec. 8. The meeting included several Mesa engineers and the division geologist, Mr. Joe Jeffers, and Mr. Mark Hannifin of the land department. We reviewed the logs of the offsets to the contested location, and we all concluded that the proposed well was worth drilling. Mr. McElvain and Mr. Broome stated their objection to the proposed AFE from Mesa, and the Mesa engineer contended that they would not actually spend what was set out in the AFE. The engineer indicated that these figures were out of data. He indicated to us that the intermediate string of 3 5/8" casing was rarely run and used only when necessary. We have found that this is not the case as documented in our Exhibit herein. The Mesa people indicated that our proposal to operate would have to be approved by their management in Amarillo. They indicated that they would first like to see actual costs on the Rattlesnake well and the results of the completion. The meeting concluded with us promising to furnish actual cost figures and keep them informed on our completion.
- 13) 5-7-82 Letter to Mark Hannifin enclosing copies of all invoices on the Rattlesnake St. #1 well to date. These invoices indicated that our Rattlesnake well was running well below our proposed AFE for the Lodewick well. We also transmitted our proposed Operating Agreement that we had failed to leave with Mesa during our Midland meeting. We also advised that we were beginning completion work on our Rattlesnake well and invited their representative to observe our operations.
- 14) 5-24-82 Phone conversation with Mark Hannifin advising him of the flow rates on our well and again requesting that they agree to us operating the joint well. He indicated that there was no chance that their management would allow us to operate the joint well. He also indicated that it would be too much trouble to revise their proposed AFE, and we should sign on their word that the well would run \$50,000 less if they didn't have to run an intermediate string. He indicated that Mesa was paying \$5900/day for drilling on a daywork basis which is high for the area considering the current drilling slump. He also contended that Mesa could secure a better marketing arrangement than McElvain due to their holdings in the area. The whole conversation left me with the impression that Mesa had never intended to seriously consider our offer to operate but had welcomed our geological and cost information.
- 15) 6-7-82 Letter from George Broome with McElvain transmitting a proposed drilling contract for a \$120,000 turnkey price and advising that the total cost of our Rattlesnake well was in the \$345,000 range.
- 16) 7-14-82 Drilling contract with Young Drilling Co. offering to drill the proposed joint well for \$115,000 on a semi-turnkey basis and guaranteeing this price for 60 days.



November 13, 1981

T. H. McElvain  
P. O. Box 2148  
Santa Fe, NM 87501

Attention: Mr. George Broome

Gentlemen:

Subject: Joint Operating Agreement  
T-5-S R-25-F  
Section 8: SW/4  
Mesa OP 05-NM-0138

Following our phone conversation today, I checked with our geologist as to any planned activity in the SW/4 of Section 8. At this time, the Lodewick is our only budgeted well.

Once we have drilled our #1 Lodewick in the SE/4 of Section 8, and have had an opportunity to evaluate the immediate area, then we will make a decision as to further activity in this area.

Mesa appreciates your call and will contact you further once we have had an adequate opportunity to study the area.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Kevin Dentzer', is written over the typed name.

Kevin Dentzer

CS

BEFORE EXAMINER STATES OIL CONSERVATION DIVISION
EXHIBIT NO. _____
CASE NO. _____
Submitted by _____
Hearing Date _____

T. H. McELVAIN, JR.  
220 SHELBY STREET  
P. O. BOX 2146  
SANTA FE, NEW MEXICO 87501

March 30, 1982

Mesa Petroleum Company  
Suite 1000, Vaughn Bldg.  
400 W. Texas Avenue  
Midland, Texas 79701

Attn: Mark Hannafin

Re: Abo Test  
SW/4 Section 8, T5S, R25E  
Chaves County, New Mexico

Dear Sir:

We have discussed your offer to drill and operate an Abo test to be located in the SW/4 of Section 8, T-5-S, R-25-E, Chaves County, New Mexico, and we would like to make a counter-proposal.

We will be spudding the west offset to this location around April 20, 1982. We have received a turnkey price for the drilling of this well which includes all drilling, fuel, drilling mud, water and daywork to log and run both strings of casing for \$130,000. We know this is a substantial savings over previous wells that we have been involved with in this area. The turnkey price will also allow us to drill a 12 1/4" surface hole and run 8 5/8" casing to approximately 1000' instead of the 13 3/8" casing that most operators have been using.

The drilling contractor for our well is Young Drilling Company of Farmington, New Mexico, M. Herman Walters, Vice President of Operations. Mr. Walters has drilled for many years in the San Juan Basin and has excellent equipment, experienced crews, and a fine reputation. He has drilled many wells for Mesa in the San Juan Basin.

We would like to propose that we operate the subject well and drill it immediately after we complete our offset to the west which should be around May 1, 1982. We would be able to obtain the same turnkey price of \$130,000 which would include running the long string. We would propose to run the same casing program that we plan to use on our offset: 8 5/8"-24# to approximately 1000', 4 1/2"-10.5# long string to T.O.

Please feel free to give me a call to discuss this further.

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

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

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

Submitted by \_\_\_\_\_

Hearing Date \_\_\_\_\_

GBB/k

Very truly yours,  
T. H. McElvain, Jr.

By \_\_\_\_\_



March 29, 1982

RECEIVED  
APR 1 1982

T. H. McElvain, Jr.  
P. O. Box 2148  
Santa Fe, NM 87501

Dear Mr. McElvain:

Subject: Well Proposal  
#5 Lodewick Federal Com.  
Pacos Slope Prospect  
Chaves County, New Mexico  
Mesa OP 05-NM-0138-227

Mesa, as operator, hereby proposes the drilling of the captioned well to test the Abo Formation. Please indicate your intentions to join or go non-consent by executing and returning a copy of this letter along with an executed AFE on your behalf. An Operating Agreement is being prepared and will be forwarded when available.

Yours very truly,

Mark Hannifin

sl

Enclosures

Mesa #5 Lodewick Federal Com.                                 Join                                 Go Non-Consent

T. H. McELVAIN, JR.

BY: \_\_\_\_\_

BEFORE EXAMINER STAMPETS OIL CONSERVATION DIVISION	
EXHIBIT NO.	_____
CASE NO.	_____
Submitted by	_____
Hearing Date	_____



01/05/OPERATIONS  
Co./Div./Subid./Dept.

AFE # 82-408  
ID # 01-05-NM-0138-0060-005-C  
Code General Account #  
Exploratory \_\_\_\_\_ Development

WELL NAME, AND LOCATION LODEWICK FED COM #5  
1980' FSL & 1650' FWL, SEC 8, T5S, R25E, CHAVES COUNTY, NEW MEXICO

DESCRIPTION COST ESTIMATE TO DRILL AND COMPLETE A 4300' FLOWING ABO WELL, INCLUDING PRODUCTION EQUIPMENT

Item No.	ITEM DESCRIPTION	Units	Rate	Dry Hole Cost	Completion Cost	Producer/Other
21	DRILLING—FOOTAGE	FT. AT \$	/FT.	\$	\$	\$
22	DRILLING or COMPLETION RIG MI-RU, RD-MO			16,000		16,000
	(A) DAY WORK 12/6	DAYS AT \$	6500/1500 /DAY	78,000	9,000	87,000
23	DRILLING or COMPLETION RIG					
	(A) BOILER	DAYS AT \$	/DAY			
	(B) CAMP & CATERING	DAYS AT \$	/DAY			
	(C) OTHER	DAYS AT \$	/DAY			
24	CEMENTING SERVICES, CEMENT & ACCESSORIES			16,000	7,000	23,000
25	MUD, CHEMICALS, SERVICES & EQUIP. (A) MUD, CHEM., OIL			20,000		20,000
	(B) WATER			10,000	3,000	13,000
26	LOGS, TESTING & MUD LOGGING UNIT			10,000	3,000	13,000
27	DRILL STEM TEST & RELATED TESTING EQUIPMENT					
28	PERFORATING, WELL STIMULATION SERVICES				60,000	60,000
29	LOCATION, ROADS, SURVEYS, AIRSTRIPS			15,000	2,000	17,000
30	COMPANY LABOR, SUPERVISION, ENGINEERING & OVERHEAD			4,000	2,000	6,000
1	RENTAL EQUIPMENT & TOOLS			3,000	3,000	6,000
2	ROCK BITS, HOLE OPENERS, REAMERS, STABILIZERS			11,000		11,000
3	HAULING & FREIGHT			5,000	4,000	9,000
4	MOBILIZATION - INSTALLATION					
5	DEMOBILIZATION - DISMANTLING & SALVAGE					
6	SUPPLYBOATS, CREWBOATS, BARGES, TUGS					
7	FUEL, LUBES, POWER			6,000		6,000
8	SHOREBASE, OFFICE, DOCK FEE & CRANES					
9	AIRCRAFT RENTALS—HELICOPTERS, FIXED WING					
10	DIVERS AND RELATED EQUIPMENT					
11	MISCELLANEOUS			6,000	3,000	9,000
12	COST TO ABANDON (NOT INCLUDED IN PRODUCER TOTAL)*			* 8,000		
13	MUD ENGINEER 10	DAYS AT \$	250 /DAY	2,500		2,500
14	CONSULTING ENGINEER					
	(A) DRILLING	DAYS AT \$	/DAY			
	(B) COMPLETION	DAYS AT \$	/DAY			
15	GEOLOGICAL CONSULTANT 2	DAYS AT \$	250 /DAY	500		500
	Total Intangible & Non-Controllable Costs			\$ 211,000	\$ 96,000	\$ 299,000 *
1	BUOYS AND MARKERS			\$	\$	\$
2	CASING/TUBULARS					
	(A) 900 FT. OF 10 3/4 " OD	\$	21.00 /FT.	18,900		18,900
	(B) 1,700 FT. OF 7 5/8 " OD	\$	14.00 /FT.	23,800		23,800
	(C) 4,300 FT. OF 4 1/2 " OD	\$	6.50 /FT.		28,000	28,000
	(D) 4,000 FT. OF 2 3/8 " OD	\$	4.00 /FT.		16,000	16,000
	(E) FT. OF " OD	\$	/FT.			
3	WELL HEAD & GUIDE STRUCTURE			2,300	5,200	7,500
4	SUB-SURFACE WELL EQUIPMENT					
5	SURFACE WELL EQUIPMENT					
6	OTHER MAJOR EQUIPMENT					
	(A) SEPARATOR				8,000	8,000
	(B) 210-BBL FIBERGLASS TANK				3,000	3,000
	(C)					
7	BUILDINGS					
8	ELECTRICAL & INSTRUMENTATION EQUIPMENT					
9	INSTALLATION, MATERIALS, & SERVICES				3,800	3,800
	Total Tangible Controllable & Non-Controllable Costs			\$ 45,000	\$ 64,000	\$ 109,000
	Total Costs			\$ 256,000	\$ 160,000	\$ 408,000 *

Approved by William R. Myster DIV DRLG SPVR Date 3-25-82 Mesa WI  
Michael P. Houston DIV OPS MGR Date 3-25-82 Other WI  
 Approved \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_  
 Approved \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_  
 Approved \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_  
 Approved by T. H. McElvain, Jr. by \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_ 21.8750

## EXHIBIT "A"

FOR AFE/COST ESTIMATE DATED MARCH 25, 1982  
 WELL NAME LODEWICK FED CON #5  
 LOCATION 1980' FSL & 1650' FWL, SEC 8, T5S, R25E  
 COUNTY CHAVES COUNTY, NEW MEXICO

Under present market conditions, Mesa may be required to purchase tubulars directly from our supplier's warehouse at a price which exceed the published mill price (currently by 6-10%). Mesa may also elect to utilize company inventory in an effort to avoid premium prices. These tubulars are purchased and warehoused in advance to avoid paying out-of-stock premiums to the suppliers. This practice sometimes necessitates shipping material from storage points more distant than the "nearest railhead".

The values for tubulars on the attached AFE have been adjusted to show these increased costs. Although Mesa is of the opinion that in most instances the purchase of tubulars which are covered by the attached AFE from the supplier's warehouse will not be purchased at "Premium Prices," as that term is defined in Article IV, Paragraph 3, or require added transportation cost as outlined in Article IV, Paragraph 2A(1) of the Accounting Procedure, Mesa is hereby giving you the option to furnish your share of the tubulars in kind. Please advise within ten days if you elect to furnish your share of tubulars in kind.

Your approval of this AFE without notice to furnish tubulars in kind will constitute approval to pay the price invoices from the vendor in the event that Mesa is required to purchase tubulars directly from the supplier's warehouse at their out-of-stock price. If tubulars are used from Mesa inventory, it will necessitate charging freight calculated from Mesa's yard rather than equalized freight from the nearest railhead. However, the current market value, plus actual freight, should not exceed out-of-stock premium prices plus equalized freight.

Contact either Bob Rowe or Mike Houston at 1000 Vaughn Building, Midland, Texas 79701, or phone (915) 683-5391.

March 5, 1981





March 30, 1982

RECEIVED

T. H. McElvain  
P.O. Box 2148  
Santa Fe NM 87501

Gentlemen:

Subject: Mesa Petroleum Co.  
Lodewick #5  
1980' FSL & 1650' FWL  
Sec 8, T5S, R25E  
Chaves County NM

According to our records, your company is supporting the proposed subject well.

The anticipated spud date for this well is May 1, 1982 and we would appreciate receiving a statement of your geological requirements regarding this well. We will also need the names, addresses and telephone numbers of persons in your organization who should be notified of daily drilling reports, test results, logging etc.

Very truly yours,

  
Joseph W. Jeffers

sl

ENGINE EXAMINER STATE'S OIL CONSERVATION DIVISION	
EXHIBIT NO.	_____
CASE NO.	_____
Submitted by	_____
Hearing Date	_____

T H McELVAIN JR  
SHELBY STATION  
P O BOX 2148  
SANTA FE, NEW MEXICO 87501

April 6, 1982

Mesa Petroleum Company  
Suite 1000, Vaughn Building  
400 W. Texas Avenue  
Midland, Texas 79701

Attn: Mark Hannifin

Re: Lodewick Fed Com #1  
SW/4 Sec. 8 T5S R25E  
Chaves County, New Mexico

Dear Mr. Hannifin:

Since we forwarded our proposal, dated March 30, 1982, to drill the above captioned well, we have received your proposed AFE for this test.

We have compared the expenditures as set out in our AFE (copy enclosed) to those in your AFE and have found that the major differences are the costs of tubular goods and the proposed running of 10 3/4" casing to 900'. The prices quoted in our AFE are delivered prices to the location for all API pipe as set out. We find there is a difference of approximately \$37,000 which we would be able to save the joint account as operators. In comparing the costs of drilling, we have also come up with your AFE indicating an estimated expenditure of \$146,000 versus our turnkey price of \$130,000.

We are enclosing a copy of our turnkey agreement with Young Drilling Co. for your examination. We feel that the turnkey price would give all owners added peace of mind plus a savings of \$16,000 over your estimated AFE.

If you concur with our proposal to operate this well, please advise and we will forward our proposed operating agreement for your examination and execution.

BEFORE EXAMINER STATE OIL  
OIL CONSERVATION DIVISION

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

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

Submitted by \_\_\_\_\_

Hearing Date \_\_\_\_\_

GBB/k

Encl.

Very truly yours,

George B. Broome



Attn: Mr. Broom

Date: 4-14-82

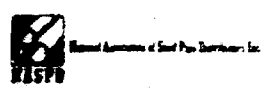
To: T.H. McElvain Jr.	Ship To: Chaves Ct. N.M.
Box 2148	
Santa Fe, N.M. 87501	

QTY	QUANTITY	DESCRIPTION	UNIT PRICE	EXTENSION
1	1,600'	8 5/8 x 24# J-55 API 8rd STC Rg-3		10.25 del.
2	1,600'	8 5/8 x 23# X-42 8rd STC Rg-3		9.00 del.
3	4,500'	4 1/2 x 10.50# J-55 API 8rd STC Rg-3 (domestic)		4.25 del.
4	4,500'	4 1/2 x 10.50# J-55 API 8rd STC Rg-3 (foreign)		4.00 del.
5	4,500'	2 3/8 x 4.7# J-55 API 8rd EUE Rg-2		2.60 del.
6	4,500'	2 3/8 x 4.7# L.S. 8rd EUE Rg-2		2.25 del.
		7000' PSI test w/API cplgs		

BEFORE EXAMINER STAMETS  
 OIL CONSERVATION DIVISION  
 \_\_\_\_\_ EXHIBIT NO. \_\_\_\_\_  
 CASE NO. \_\_\_\_\_  
 Submitted by \_\_\_\_\_  
 Hearing Date \_\_\_\_\_

INTEREST RATE OF 15% CHARGED PER MONTH WHICH IS AN ANNUAL PERCENTAGE RATE OF 18% ON ANY BALANCE OUTSTANDING AFTER 30 DAYS. ALL INVOICES DUE AND PAYABLE IN WARD COUNTY, MONAHANS, TEXAS

F.O.B. - Locations	Freight Factor - NA
Terms - cash or credit w/ approved credit	Salesman - Steve Cain <i>Steve Cain</i>
Remarks -	



MID No 0195



MONAHANS • MIDLAND • PEARSALL • HOUSTON



April 12, 1982

T. H. McElvain, Jr.  
P. O. Box 2148  
Santa Fe, NM 87501

REC'D  
APR 15 1982

Dear Mr. McElvain:

Subject: Operating Agreement  
#5 Lodewick Fed. Com.  
Pecos Slope Prospect  
Chaves County, New Mexico  
Mesa OP 05-NM-0138-227

Enclosed herewith for your review and execution is the Operating Agreement on the above captioned well. We will circulate signature pages on behalf of all parties as available. Please sign and return two (2) copies of the signature page at your earliest convenience.

Yours very truly,

  
Kevin Dentzer

sl

Enclosures

DEPT. EXAMINER STAMETS OIL CONSERVATION DIVISION
EXHIBIT NO. _____
CASE NO. _____
Submitted by _____
Hearing Date _____

T. H. McELVAIN, JR.  
220 SHELBY STREET  
P. O. BOX 2148  
SANTA FE, NEW MEXICO 87501

April 30, 1982

Mesa Petroleum Company  
Suite 1000, Vaughn Bldg.  
400 W. Texas Avenue  
Midland, Texas 79701

Attn: Mark Hannifin

Re: Lodewick Federal Com #1  
SW/4 Section 8, T5S, R25E  
Chaves County, New Mexico

Dear Mr. Hannifin:

In connection with our proposal to drill and operate the above captioned joint Abo gas well, we are enclosing herewith the logs from our offset to the west which we ran pipe on yesterday.

We are very interested in coming to terms on this joint well and have a commitment from the drilling contractor for a turnkey price of \$127,500 if he can drill this well before he moves his rig out of the area.

We would like to meet with your people within the next day or two and discuss this further.

Very truly yours,

George B. Broome

GBB/k  
Encl.

BEFORE EXAMINER STAMETS  
GIL CONSERVATION DIVISION

EXHIBIT NO. \_\_\_\_\_  
CASE NO. \_\_\_\_\_  
Submitted by \_\_\_\_\_  
Hearing Date \_\_\_\_\_

T. H. MELVAIN, JR.  
120 SHELBY STREET  
P. O. BOX 2146  
SANTA FE, NEW MEXICO 87501

May 7, 1982

Mesa Petroleum Company  
Suite 1000, Vaughn Building  
400 W. Texas Avenue  
Midland, Texas 79701

Attn: Mark Hannifin

Re: Lodewick Federal Com #1  
SW/4 Section 8, T5S, R25E  
Chaves County, New Mexico

Dear Mark:

Enclosed are copies of all invoices to date on our Rattlesnake #1 well in Section 7, T5S, R25E, in Chaves County, N.M. All these invoices total to approximately \$215,750. This includes an allowance of \$3500 for field supervision and expenses for which a bill is not included. As far as we know, these bills cover all expenses to date on the well. If you will check the AFE that we submitted to you, you will find that we allowed \$243,250 for these expenditures which indicates we are running well under our proposed AFE.

We have also been advised by our drilling contractor, Young Drilling Co., that he would drill our joint well for a turnkey price of \$125,000 if we can come to an agreement within the next week. He plans to move his rig to Roswell in about a week if we are not able to sign a contract with him by then.

We are also enclosing our proposed Operating Agreement for this joint well together with an extra set of signature pages which we ask that you execute and return should we reach agreement.

We plan to move a completion unit onto our Rattlesnake well on Tuesday the 11th of May and will probably frac. on Thursday the 13th. We will notify you of the after frac. flow rates and pressures as soon as they are available. You are welcome to send a representative to observe any or all of our completion operations.

Very truly yours,

George B. Broome

GBB/k  
Encl.

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION	
EXHIBIT NO.	_____
CASE NO.	_____
Submitted by	_____
Hearing Date	_____

T. H. McELVAIN, JR.  
220 SHELBY STREET  
P. O. BOX 2148  
SANTA FE, NEW MEXICO 87501

June 7, 1982

Mesa Petroleum Company  
Vaughn Building, Suite 1000  
400 W. Texas Avenue  
Midland, Texas 79701

Re: Lodewick Federal Com #1  
SW/4 Section 8, T-5-S, R-25-F  
Chaves County, New Mexico

Attn: Mark Hannifin

Dear Mark:

Enclosed herewith is a copy of a proposed drilling contract from Young Drilling Company in Farmington, NM, dated May 26, 1982, offering to drill our joint Abo well captioned above for a \$120,000 turnkey price. As you can see, this is an additional savings of \$10,000 from our proposed AFE dated April 1, 1982. This would give us a revised AFE for a producing well of \$338,493.

As I mentioned last week on the phone, we are in the final stages of completing the west off-set well which has a flow rate of 950 MCF on a 5/16" choke. Our total costs on the off-set well are going to be between \$340-345,000, and we paid the contractor a \$130,000 turnkey price for that well.

Since this turnkey price is guaranteed for only 30 days, we would appreciate your earliest consideration on this proposal.

Very truly yours,

George B. Broome

GBB/k  
Encl.

BEFORE EXAMINER STATE OF OIL CONSERVATION DIVISION	
_____	EXHIBIT NO. _____
CASE NO. _____	
Submitted by _____	
Hearing Date _____	

# Young Drilling Co.

P. O. BOX 717

FARMINGTON, NEW MEXICO 87401

(808) 327-8218

July 14, 1982

George Broom  
McElvain, T.H. Oil & Gas Exploration  
Box 2148  
Santa Fe, New Mexico 87501

Dear George,

This letter when accepted by you will constitute an agreement between us by the terms set forth below.

We agree to drill your ABO Well Lodewick Comm #1 at SW/4 of Sec. 8, T5S, R25E, Chavez County, New Mexico, for \$115,000.00 plus state tax, on a semi-turnkey basis; whereas Young Drilling Company will furnish the following:


1. Our drilling Rig #4 or #5.
2. Rig time to drill your ABO Well.
3. Bits.
4. Fuel.
5. Mud.
6. Water for drilling and cementing.
7. Casing Crews.
8. Rig time for loss circulation, fishing and stuck jobs.
9. Guarantee loggable hole.
10. 12 hrs. rig time for cementing.

McElvain Oil to furnish:

1. Locations, road, and reserve pits.
2. All casing and cementers.
3. Logging and logging time.
4. All well head equipment.
5. 50' of conductor pipe, mouse hole & rat hole.
6. Anchors.

If this letter correctly sets forth your understanding of this matter, please sign and return the original to, M. Herman Walters, P.O. Box 717, Farmington, N.M. 87401. Retain the remaining copy for your records. However, we can guarantee this price for only 60 days.

Sincerely,



M. Herman Walters  
Young Drilling Company

AGREED TO AND ACCEPTED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 19\_\_\_\_

BY: \_\_\_\_\_



LODEWICK FED COM #1

- 1) 11-13-81 Contacted Mr. Kevin Dentzer of Mesa to propose that we drill the joint well in the SW/4 of Sec. 8. Said he would get back to us after geologists had a look at the area.
- 2) 11-16-81 Letter dated 11-13-81 from Mr. Kevin Dentzer of Mesa advising us that the Lodewick well in the SE/4 of Sec. 8 was their only budgeted well in the area and that they would make a decision as to further activity after drilling that test.
- 3) 3-26-82 Received a telephone call from Mr. Mark Hannifin with Mesa advising us that Mesa was sending out AFEs for the joint well in the SW/4 of Sec. 8 and that they planned to spud by 5-1-82.
- 4) 3-30-82 Letter from George B. Broome with T. H. McElvain, Jr. requesting that Mesa consider our proposal to operate the joint well. We stated that we had a semi-turnkey drilling price of \$130,000 which included drilling, bits, fuel, mud, water, casing crews, rig time for lost circulation, fishing and stuck jobs and cementing time of 12 hours together with a guaranteed logable hole. We stated that the turnkey price would allow us to drill a smaller surface hole 12 1/4", to 1000' and run 8 5/8" casing since the drilling contractor was assuming a good deal of the risk. We felt this program was prudent and safe because of past experience in the immediate area and the skill of our drilling contractor and his personnel. We also stated that we would be able to spud the well around May 1, 1982.
 

\$115,000 ←
- 5) 4-1-82 Received Mesa letter dated 3-29-82 transmitting AFE and stating that they proposed to drill the contested well as operator and asking that we indicate our intentions without the benefit of an Operating Agreement, to join or go non-consent by returning a copy of the letter. They also advised us that an Operating Agreement was being prepared and would be forwarded when available.
- 6) 4-1-82 Received a letter dated 3-30-82 from Mr. Joseph Jeffers with Mesa stating that the anticipated spud date for the well would be 5-1-82 and requesting our geological requirements.
- 7) 4-6-82 Letter from George Broome with T. H. McElvain, Jr. acknowledging receipt of Mesa's AFE and pointing out that our pipe program as set out would save the joint account \$37,000. We have a written quote from Mimco Pipe & Supply Co. in Monahans, Texas, submitted herewith, which will confirm our prices delivered to the location at the time our AFE was submitted. Since this time quote prices have softened further. We also furnished Mesa a copy of our turnkey contract for \$130,000 which was \$16,000 below their estimated expenditures for the same items. The drilling prices have softened considerably since April, and we now have a turnkey contract for \$115,000.
- 8) 4-15-82 Received Mesa letter dated 4-12-82 transmitting their Operating Agreement which we object to on the following points:  
 Article XV Other Provisions - Paragraph beginning with line 51 thru line 63 involving the non-consent provisions of Article VI to past due accounts on a retroactive basis.  
 Exhibit "C" Accounting Procedure, II Direct Charges, 9. Legal Expense - Would allow Mesa to charge joint account for all outside attorney's fees and expenses in connection with this proceeding.  
 III.1 Overhead - Drilling & Producing Operations  
 A. - Fixed Rate Basis - Drilling well rate and producing well rate are a little excessive and the highest we have seen in the area. We also know that we can operate much cheaper since we do not have as high a fixed rate, and we do not charge district expense, wages and benefits back to the non-operators.

BEFORE EXAMINER STAFFETS  
OIL CONSERVATION DIVISION

McELVAIN EXHIBIT NO. 3-A  
 CASE NO. 7633  
 Submitted by \_\_\_\_\_  
 Hearing Date \_\_\_\_\_

- 9) 4-16-82 Phone conversation with Mark Hannifin of Mesa indicated they were considering our proposal. He indicated that they would like to wait and see how we come out on the well in the SE/4 of Sec. 7, gas-wise and cost-wise. He also indicated that they were looking carefully at our turnkey contract.
- 10) 4-19-82 Received Mesa's Application for Permit to Drill dated March 10, 1982, which indicated that the location had been surveyed March 1, 1982 and the application had been filed March 11, 1982. McElvain points out that we were not advised of their proposal until March 26, 1982.
- 11) 4-30-82 Letter to Mark Hannifin of Mesa transmitting a set of logs from our Rattlesnake St. #1 well and requesting a meeting with Mesa to discuss the proposed joint well.
- 12) 5-3-82 Trip to Midland, Texas by Mr. T. H. McElvain, Jr. and George Broome to meet with Mesa and discuss the results of our Rattlesnake St. #1 well in the SE/4 of Sec. 7 and the proposed Lodewick Fed Com #1 in the SW/4 of Sec. 8. The meeting included several Mesa engineers and the division geologist, Mr. Joe Jeffers, and Mr. Mark Hannifin of the land department. We reviewed the logs of the offsets to the contested location, and we all concluded that the proposed well was worth drilling. Mr. McElvain and Mr. Broome stated their objection to the proposed AFE from Mesa, and the Mesa engineer contended that they would not actually spend what was set out in the AFE. The engineer indicated that these figures were out of date. He indicated to us that the intermediate string of 8 5/8" casing was rarely run and used only when necessary. We have found that this is not the case as documented in our Exhibit herein. The Mesa people indicated that our proposal to operate would have to be approved by their management in Amarillo. They indicated that they would first like to see actual costs on the Rattlesnake well and the results of the completion. The meeting concluded with us promising to furnish actual cost figures and keep them informed on our completion.
- 13) 5-7-82 Letter to Mark Hannifin enclosing copies of all invoices on the Rattlesnake St. #1 well to date. These invoices indicated that our Rattlesnake well was running well below our proposed AFE for the Lodewick well. We also transmitted our proposed Operating Agreement that we had failed to leave with Mesa during our Midland meeting. We also advised that we were beginning completion work on our Rattlesnake well and invited their representative to observe our operations.
- 14) 5-24-82 Phone conversation with Mark Hannifin advising him of the flow rates on our well and again requesting that they agree to us operating the joint well. He indicated that there was no chance that their management would allow us to operate the joint well. He also indicated that it would be too much trouble to revise their proposed AFE, and we should sign on their word that the well would run \$50,000 less if they didn't have to run an intermediate string. He indicated that Mesa was paying \$5900/day for drilling on a daywork basis which is high for the area considering the current drilling slump. He also contended that Mesa could secure a better marketing arrangement than McElvain due to their holdings in the area. The whole conversation left me with the impression that Mesa had never intended to seriously consider our offer to operate but had welcomed our geological and cost information.
- 15) 6-7-82 Letter from George Broome with McElvain transmitting a proposed drilling contract for a \$120,000 turnkey price and advising that the total cost of our Rattlesnake well was in the \$345,000 range.
- 16) 7-14-82 Drilling contract with Young Drilling Co. offering to drill the proposed joint well for \$115,000 on a semi-turnkey basis and guaranteeing this price for 60 days.



November 13, 1981

T. H. McElvain  
P. O. Box 2148  
Santa Fe, NM 87501

Attention: Mr. George Broome

Gentlemen:

Subject: Joint Operating Agreement  
T-5-S R-25-E  
Section 8: SW/4  
Mesa OP 05-NM-0138

Following our phone conversation today, I checked with our geologist as to any planned activity in the SW/4 of Section 8. At this time, the Lodewick is our only budgeted well.

Once we have drilled our #1 Lodewick in the SE/4 of Section 8, and have had an opportunity to evaluate the immediate area, then we will make a decision as to further activity in this area.

Mesa appreciates your call and will contact you further once we have had an adequate opportunity to study the area.

Very truly yours,

Kevin Dentzer

CS

*STAFFO WING  
105 (A)*

BEFORE EXAMINER STATE'S  
OIL CONSERVATION DIVISION

*McElvain* EXHIBIT NO. \_\_\_\_\_  
CASE NO. **7633**  
Submitted by \_\_\_\_\_  
Hearing Date \_\_\_\_\_

T. H. McELVAIN, JR.  
220 SHELBY STREET  
P. O. BOX 2148  
SANTA FE, NEW MEXICO 87501

March 30, 1982

Mesa Petroleum Company  
Suite 1000, Vaughn Bldg.  
400 W. Texas Avenue  
Midland, Texas 79701

Attn: Mark Hannafin

Re: Abo Test  
SW/4 Section 8, T5S, R25E  
Chaves County, New Mexico

Dear Sir:

We have discussed your offer to drill and operate an Abo test to be located in the SW/4 of Section 8, T-5-S, R-25-E, Chaves County, New Mexico, and we would like to make a counter-proposal.

We will be spudding the west offset to this location around April 20, 1982. We have received a turnkey price for the drilling of this well which includes all drilling, fuel, drilling mud, water and daywork to log and run both strings of casing for \$130,000. We know this is a substantial savings over previous wells that we have been involved with in this area. The turnkey price will also allow us to drill a 12 1/4" surface hole and run 8 5/8" casing to approximately 1000' instead of the 13 3/8" casing that most operators have been using.

The drilling contractor for our well is Young Drilling Company of Farmington, New Mexico. M. Herman Walters, Vice President of Operations. Mr. Walters has drilled for many years in the San Juan Basin and has excellent equipment, experienced crews, and a fine reputation. He has drilled many wells for Mesa in the San Juan Basin.

We would like to propose that we operate the subject well and drill it immediately after we complete our offset to the west which should be around May 1, 1982. We would be able to obtain the same turnkey price of \$130,000 which would include running the long string. We would propose to run the same casing program that we plan to use on our offset: 8 5/8"-24# to approximately 1000', 4 1/2"-10.5" long string to T.D.

Please feel free to give me a call to discuss this further.

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

*McElvain* EXHIBIT NO. \_\_\_\_\_  
CASE NO. 7633  
Submitted by \_\_\_\_\_  
Hearing Date \_\_\_\_\_  
GBB/k

Very truly yours,

T. H. McElvain, Jr.

By \_\_\_\_\_



March 29, 1982

RECEIVED

T. H. McElvain, Jr.  
P. O. Box 2148  
Santa Fe, NM 87501

Dear Mr. McElvain:

Subject: Well Proposal  
#5 Lodewick Federal Com.  
Pecos Slope Prospect  
Chaves County, New Mexico  
Mesa OP 05-NM-0138-227

Mesa, as operator, hereby proposes the drilling of the captioned well to test the Abo Formation. Please indicate your intentions to join or go non-consent by executing and returning a copy of this letter along with an executed AFE on your behalf. An Operating Agreement is being prepared and will be forwarded when available.

Yours very truly,

Mark Hannifin

sl

Enclosures

BEFORE EXAMINER STARTS OIL CONSERVATION DIVISION	
McElvain	EXHIBIT NO. _____
CASE NO.	7653
Submitted by	_____
Hearing Date	_____

Mesa #5 Lodewick Federal Com.                               Join                               Go Non-Consent

T. H. McELVAIN, JR.

BY: \_\_\_\_\_



01/05/OPERATIONS  
Co./Div./Subid./Dept.

AFE # B-408  
ID # 01-05-NM-0138-0060-005-0  
Code General Account #  
Exploratory \_\_\_\_\_ Development X

WELL NAME AND LOCATION LODOWICK FED COM #5  
1980' FSL & 1650' FWL, SEC 8, T5S, R25E, CHAVES COUNTY, NEW MEXICO  
DESCRIPTION COST ESTIMATE TO DRILL AND COMPLETE A 4300' FLOWING ABO WELL, INCLUDING

ITEM	ITEM DESCRIPTION	Drill Hole Cost	Completion Cost	Producer/Other
01	DRILLING—FOOTAGE			
02	DRILLING or COMPLETION RIG MI-RU, RD-MO	16,000		16,000
	(A) DAY WORK 12/6 DAYS AT \$ 6500/1500 /DAY	78,000	9,000	87,000
03	DRILLING or COMPLETION RIG			
	(A) BOILER DAYS AT \$ /DAY			
	(B) CAMP & CATERING DAYS AT \$ /DAY			
	(C) OTHER DAYS AT \$ /DAY			
04	CEMENTING SERVICES, CEMENT & ACCESSORIES	16,000	7,000	23,000
05	MUD, CHEMICALS, SERVICES & EQUIP. (A) MUD, CHEM., OIL	20,000		20,000
	(B) WATER	10,000	3,000	13,000
06	LOGS, TESTING & MUD LOGGING UNIT	10,000	3,000	13,000
07	DRILL STEM TEST & RELATED TESTING EQUIPMENT			
08	PERFORATING, WELL STIMULATION SERVICES		60,000	60,000
09	LOCATION, ROADS, SURVEYS, AIRSTRIPS	15,000	2,000	17,000
10	COMPANY LABOR, SUPERVISION, ENGINEERING & OVERHEAD	4,000	2,000	6,000
11	RENTAL EQUIPMENT & TOOLS	3,000	3,000	6,000
12	ROCK BITS, HOLE OPENERS, REAMERS, STABILIZERS	11,000		11,000
13	HAULING & FREIGHT	5,000	4,000	9,000
14	MOBILIZATION - INSTALLATION			
15	DEMOBILIZATION - DISMANTLING & SALVAGE			
16	SUPPLYBOATS, CREWBOATS, BARGES, TUGS			
17	FUEL, LUBES, POWER	6,000		6,000
18	SHOREBASE, OFFICE, DOCK FEE & CRANES			
19	AIRCRAFT RENTALS—HELICOPTERS, FIXED WING			
20	DIVERS AND RELATED EQUIPMENT			
21	MISCELLANEOUS	6,000	3,000	9,000
22	COST to ABANDON (NOT INCLUDED IN PRODUCER TOTAL)*	* 8,000		
23	MUD ENGINEER 10 DAYS AT \$ 250 /DAY	2,500		2,500
24	CONSULTING ENGINEER			
	(A) DRILLING DAYS AT \$ /DAY			
	(B) COMPLETION DAYS AT \$ /DAY			
25	GEOLOGICAL CONSULTANT 2 DAYS AT \$ 250 /DAY	500		500
	Total Intangible & Non-Controllable Costs	\$ 211,000	\$ 96,000	\$ 299,000 *
26	BUOYS AND MARKERS			
27	CASING/TUBULARS			
	(A) 900 FT. OF 10 3/4 " OD \$ 21.00 /FT.	18,900		18,900
	(B) 1,700 FT. OF 7 5/8 " OD \$ 14.00 /FT.	23,800		23,800
	(C) 4,300 FT. OF 4 1/2 " OD \$ 6.50 /FT.		28,000	28,000
	(D) 4,000 FT. OF 2 3/8 " OD \$ 4.00 /FT.		16,000	16,000
	(E) FT. OF " OD \$ /FT.			
28	WELL HEAD & GUIDE STRUCTURE	2,300	5,200	7,500
29	SUB-SURFACE WELL EQUIPMENT			
30	SURFACE WELL EQUIPMENT			
31	OTHER MAJOR EQUIPMENT			
	(A) SEPARATOR		8,000	8,000
	(B) 210-BBL FIBERGLASS TANK		3,000	3,000
	(C)			
32	BUILDINGS			
33	ELECTRICAL & INSTRUMENTATION EQUIPMENT			
34	INSTALLATION, MATERIALS, & SERVICES		3,800	3,800
	Total Tangible Controllable & Non-Controllable Costs	\$ 45,000	\$ 64,000	\$ 109,000
	Total Costs	\$ 256,000	\$ 160,000	\$ 408,000 *

Prepared by: William R. Minter DIV DRIG SPVR Date: 3-25-82 MESA WI \_\_\_\_\_  
 Approved by: Richard P. Houston DIV OPS MGR Date: 3-25-82 Others WI \_\_\_\_\_  
 Approved by: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_  
 Approved by: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_  
 Approved by: T. H. McElvain, Jr. Title: \_\_\_\_\_ Date: 21.8750

ENGINE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

*McElin* EXHIBIT NO. \_\_\_\_\_  
CASE NO. **7633** \_\_\_\_\_  
Submitted by \_\_\_\_\_  
Hearing Date \_\_\_\_\_

## EXHIBIT "A"

FOR AFE/COST ESTIMATE DATED MARCH 25, 1982  
 WELL NAME LODEWICK FED COM #5  
 LOCATION 1980' FSL & 1650' FWL. SEC 8, T5S, R25E  
 COUNTY CHAVES COUNTY, NEW MEXICO

Under present market conditions, Mesa may be required to purchase tubulars directly from our supplier's warehouse at a price which exceed the published mill price (currently by 6-10%). Mesa may also elect to utilize company inventory in an effort to avoid premium prices. These tubulars are purchased and warehoused in advance to avoid paying out-of-stock premiums to the suppliers. This practice sometimes necessitates shipping material from storage points more distant than the "nearest railhead".

The values for tubulars on the attached AFE have been adjusted to show these increased costs. Although Mesa is of the opinion that in most instances the purchase of tubulars which are covered by the attached AFE from the supplier's warehouse will not be purchased at "Premium Prices," as that term is defined in Article IV, Paragraph 3, or require added transportation cost as outlined in Article IV, Paragraph 2A(1) of the Accounting Procedure, Mesa is hereby giving you the option to furnish your share of the tubulars in kind. Please advise within ten days if you elect to furnish your share of tubulars in kind.

Your approval of this AFE without notice to furnish tubulars in kind will constitute approval to pay the price invoices from the vendor in the event that Mesa is required to purchase tubulars directly from the supplier's warehouse at their out-of-stock price. If tubulars are used from Mesa inventory, it will necessitate charging freight calculated from Mesa's yard rather than equalized freight from the nearest railhead. However, the current market value, plus actual freight, should not exceed out-of-stock premium prices plus equalized freight.

Contact either Bob Rowe or Mike Houston at 1000 Vaughn Building, Midland, Texas 79701, or phone (915) 683-5391.

March 5, 1981





March 30, 1982

RECEIVED

T. H. McElvain  
P.O. Box 2148  
Santa Fe NM 87501

Gentlemen:

Subject: Mesa Petroleum Co.  
Lodewick #5  
1980' FSL & 1650' FWL  
Sec 8, T5S, R25E  
Chaves County NM

According to our records, your company is supporting the proposed subject well.

The anticipated spud date for this well is May 1, 1982 and we would appreciate receiving a statement of your geological requirements regarding this well. We will also need the names, addresses and telephone numbers of persons in your organization who should be notified of daily drilling reports, test results, logging etc.

Very truly yours,

  
Joseph W Jeffers

sl

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION  
McElvain EXHIBIT NO. \_\_\_\_\_  
CASE NO. 2633  
Submitted by \_\_\_\_\_  
Hearing Date \_\_\_\_\_

F. H. McELVAIN JR.  
SANTA FE NEW MEXICO 8750

April 6, 1982

Mesa Petroleum Company  
Suite 1000, Vaughn Building  
100 W. Texas Avenue  
Midland, Texas 79701

Attn: Mark Hannifin

Re: Lodewick Fed Com #1  
SW/4 Sec. 8 T5S R25E  
Chaves County, New Mexico

Dear Mr. Hannifin:

Since we forwarded our proposal, dated March 30, 1982, to drill the above captioned well, we have received your proposed AFE for this test.

We have compared the expenditures as set out in our AFE (copy enclosed) to those in your AFE and have found that the major differences are the costs of tubular goods and the proposed running of 10 3/4" casing to 900'. The prices quoted in our AFE are delivered prices to the location for all API pipe as set out. We find there is a difference of approximately \$37,000 which we would be able to save the joint account as operators. In comparing the costs of drilling, we have also come up with your AFE indicating an estimated expenditure of \$146,000 versus our turnkey price of \$130,000.

We are enclosing a copy of our turnkey agreement with Young Drilling Co. for your examination. We feel that the turnkey price would give all owners added peace of mind plus a savings of \$16,000 over your estimated AFE.

If you concur with our proposal to operate this well, please advise and we will forward our proposed operating agreement for your examination and execution.

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

*McElvain* EXHIBIT NO. \_\_\_\_\_  
CASE NO. 2633  
Submitted by \_\_\_\_\_  
Hearing Date GBB/k  
Encl. \_\_\_\_\_

Very truly yours,

George B. Broome



Attn: Mr. Broom

Date: 4-14-82

To: T.H. McElvain Jr.	Ship To: Chaves Ct. N.M.
Box 2148	
Santa Fe, N.M. 87501	

QUANTITY	DESCRIPTION	UNIT PRICE	EXTENSION
1 1,600'	8 5/8 x 24# J-55 API 8rd STC Rg-3		10.25 del.
2 1,600'	8 5/8 x 23# X-42 8rd STC Rg-3		9.00 del.
3 4,500'	4 1/2 x 10.50# J-55 API 8rd STC Rg-3 (domestic)		4.25 del.
4 4,500'	4 1/2 x 10.50# J-55 API 8rd STC Rg-3 (foreign)		4.00 del.
5 4,500'	2 3/8 x 4.7# J-55 API 8rd EUE Rg-2		2.60 del.
6 4,500'	2 3/8 x 4.7# L.S. 8rd EUE Rg-2		2.25 del.
	7000' PSI test w/API cplgs		

ENGINE EXAMINER STAMPS  
 OIL CONSERVATION DIVISION  
 McElvain EXHIBIT NO. \_\_\_\_\_  
 CASE NO. **2633**  
 Submitted by \_\_\_\_\_  
 Hearing Date \_\_\_\_\_

INTEREST RATE OF 15% CHARGED PER MONTH WHICH IS AN ANNUAL PERCENTAGE RATE OF 18% ON ANY BALANCE OUTSTANDING AFTER 30 DAYS. ALL INVOICES DUE AND PAYABLE IN WARD COUNTY, MONAHANS, TEXAS

F.O.B. - Locations	Freight Factor - NA
Terms - cash or credit w/ <b>approved credit</b>	Salesman - Steve Cain <i>Steve Cain</i>
Remarks -	



Member American Association of Pipe Fitters Inc.

MID No 0195





April 12, 1982

T. H. McElvain, Jr.  
P. O. Box 2148  
Santa Fe, NM 87501

Dear Mr. McElvain:

Subject: Operating Agreement  
#5 Lodewick Fed. Com.  
Pecos Slope Prospect  
Chaves County, New Mexico  
Mesa OP 05-NM-0138-227

Enclosed herewith for your review and execution is the Operating Agreement on the above captioned well. We will circulate signature pages on behalf of all parties as available. Please sign and return two (2) copies of the signature page at your earliest convenience.

Yours very truly,

A handwritten signature in cursive script, appearing to read 'Kevin Dentzer'.

Kevin Dentzer

sl

Enclosures

BEFORE EXAMINER STAMPS  
OIL CONSERVATION DIVISION

McElvain EXHIBIT NO. \_\_\_\_\_  
CASE NO. 7693  
Submitted by \_\_\_\_\_  
Hearing Date \_\_\_\_\_

T. H. McELVAIN, JR.  
220 SHELBY STREET  
P O BOX 2148  
SANTA FE, NEW MEXICO 87501

April 30, 1982

Mesa Petroleum Company  
Suite 1000, Vaughn Bldg.  
400 W. Texas Avenue  
Midland, Texas 79701

Attn: Mark Hannifin

Re: Lodewick Federal Com #1  
SW/4 Section 8, T5S, R25E  
Chaves County, New Mexico

Dear Mr. Hannifin:

In connection with our proposal to drill and operate the above captioned joint Abo gas well, we are enclosing herewith the logs from our offset to the west which we ran pipe on yesterday.

We are very interested in coming to terms on this joint well and have a commitment from the drilling contractor for a turnkey price of \$127,500 if he can drill this well before he moves his rig out of the area.

We would like to meet with your people within the next day or two and discuss this further.

Very truly yours,

George B. Broome

GBB/k  
Encl.

REGULATORY EXAMINER STATEMENTS  
OIL CONSERVATION DIVISION

McELVAIN EXHIBIT NO. \_\_\_\_\_  
CASE NO. 7633  
Submitted by \_\_\_\_\_  
Hearing Date \_\_\_\_\_

GEORGE B. BROOME  
1000 SHIPLEY STREET  
PO BOX 2149  
SANTA FE NEW MEXICO 87501

May 7, 1982

Mesa Petroleum Company  
Suite 1000, Vaughn Building  
400 W. Texas Avenue  
Midland, Texas 79701

Attn: Mark Hannifin

Re: Lodewick Federal Com #1  
SW/4 Section 8, T5S, R25E  
Chaves County, New Mexico

Dear Mark:

Enclosed are copies of all invoices to date on our Rattlesnake #1 well in Section 7, T5S, R25E, in Chaves County, N.M. All these invoices total to approximately \$215,750. This includes an allowance of \$3500 for field supervision and expenses for which a bill is not included. As far as we know, these bills cover all expenses to date on the well. If you will check the AFE that we submitted to you, you will find that we allowed \$243,250 for these expenditures which indicates we are running well under our proposed AFE.

We have also been advised by our drilling contractor, Young Drilling Co., that he would drill our joint well for a turnkey price of \$125,000 if we can come to an agreement within the next week. He plans to move his rig to Roswell in about a week if we are not able to sign a contract with him by then.

We are also enclosing our proposed Operating Agreement for this joint well together with an extra set of signature pages which we ask that you execute and return should we reach agreement.

We plan to move a completion unit onto our Rattlesnake well on Tuesday the 11th of May and will probably frac. on Thursday the 13th. We will notify you of the after frac. flow rates and pressures as soon as they are available. You are welcome to send a representative to observe any or all of our completion operations.

Very truly yours,

George B. Broome

GBB/k  
Encl.

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION  
McELVAIN EXHIBIT NO. \_\_\_\_\_  
CASE NO. 9633  
Submitted by \_\_\_\_\_  
Hearing Date \_\_\_\_\_

T. H. McELVAIN, JR.  
220 SHELBY STREET  
P O BOX 2148  
SANTA FE, NEW MEXICO 87501

June 7, 1982

Mesa Petroleum Company  
Vaughn Building, Suite 1000  
400 W. Texas Avenue  
Midland, Texas 79701

Re: Lodewick Federal Com #1  
SW/4 Section 8, T-9-S, R-25-F  
Chaves County, New Mexico

Attn: Mark Hannifin

Dear Mark:

Enclosed herewith is a copy of a proposed drilling contract from Vaughn Drilling Company in Farmington, NM, dated May 26, 1982, offering to drill our joint Abo well captioned above for a \$120,000 turnkey price. As you can see, this is an additional savings of \$10,000 from our proposed AFE dated April 1, 1982. This would give us a revised AFE for a producing well of \$338,493.

As I mentioned last week on the phone, we are in the final stages of completing the west off-set well which has a flow rate of 950 MCF on a 5/16" choke. Our total costs on the off-set well are going to be between \$340-345,000, and we paid the contractor a \$130,000 turnkey price for that well.

Since this turnkey price is guaranteed for only 30 days, we would appreciate your earliest consideration on this proposal.

Very truly yours,

George B. Broome

GBB/k  
Encl.

BEFORE EXAMINER STATES  
OIL CONSERVATION DIVISION

*McElvain* EXHIBIT NO. \_\_\_\_\_  
CASE NO. 2633  
Submitted by \_\_\_\_\_  
Hearing Date \_\_\_\_\_

# Young Drilling Co.

P. O. BOX 717

FARMINGTON, NEW MEXICO 87401

(808) 227-6210

July 14, 1982

George Broom  
McElvain, T.H. Oil & Gas Exploration  
Box 2148  
Santa Fe, New Mexico 87501

Dear George,

This letter when accepted by you will constitute an agreement between us by the terms set forth below.

We agree to drill your ABO Well Lodewick Comm #1 at SW/4 of Sec. 8, T5S, R25E, Chavez County, New Mexico, for \$115,000.00 plus state tax, on a semi-turnkey basis; whereas Young Drilling Company will furnish the following:

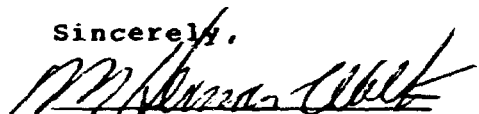
1. Our drilling Rig #4 or #5.
2. Rig time to drill your ABO Well.
3. Bits.
4. Fuel.
5. Mud.
6. Water for drilling and cementing.
7. Casing Crews.
8. Rig time for loss circulation, fishing and stuck jobs.
9. Guarantee loggable hole.
10. 12 hrs. rig time for cementing.

McElvain Oil to furnish:

1. Locations, road, and reserve pits.
2. All casing and cementers.
3. Logging and logging time.
4. All well head equipment.
5. 50' of conductor pipe, mouse hole & rat hole.
6. Anchors.

If this letter correctly sets forth your understanding of this matter, please sign and return the original to, M. Herman Walters, P.O. Box 717, Farmington, N.M. 87401. Retain the remaining copy for your records. However, we can guarantee this price for only 60 days.

Sincerely,



M. Herman Walters  
Young Drilling Company

AGREED TO AND ACCEPTED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 19 \_\_\_\_\_

BY: \_\_\_\_\_



OFFICE EXAMINER STAFFERS  
CLASSIFICATION DIVISION

McRae \_\_\_\_\_  
CLASSIFICATION NO. **7633** \_\_\_\_\_  
S.I. \_\_\_\_\_  
Hearing Date \_\_\_\_\_

T. H. McELVAIN, JR.  
 270 SHELBY STREET  
 P. O. BOX 2148  
 SANTA FE, NEW MEXICO 87501

AUTHORITY FOR EXPENDITURE

Lease Name Lodewick Federal Com Well No. 1 Date April 1, 1982  
 Location 1980'FSL & 1650'FEL, Sec. 8, 5S, 25E County Chaves  
 State New Mexico Total Depth 4300' Field Pecos Slope  
 Est. Spud Date May 1, 1982 Drilling Contractor Young Drilling Company

DRILLING INTANGIBLES

	<u>DRY HOLE</u>	<u>PRODUCER</u>
Prepare location, road, damages	12000	12000
Drilling-footage & daywork		
Moving in, rigging up, rigging down		
Drilling Mud & Chemicals		
Fuel, Water & Power		
Bits & Rental Equipment		
Well Logging Services	12000	12000
Cement & Services-cond., surface, inter.	16000	16000
Trucking & Labor	3500	3500
Overhead & Supervision: Engr. & Geological	3500	3500
Restore location, plug & abandon	2500	500
Miscellaneous Costs & Contingencies	15000	17500
<b>TOTAL DRILLING</b>	<b>194,500</b>	<b>195,000</b>

COMPLETION INTANGIBLES

Cement & Services-Prod. Csg.		8500
Completion Unit _____ days at _____		12000
Perforation & Cased Hole Logging		5000
Stimulation-Acidizing, Fracturing		45000
Tool Rentals		2000
Engineering-Supervision		3000
Trucking & Labor		750
Miscellaneous		5000
<b>TOTAL COMPLETION</b>		<b>81250</b>
<b>TOTAL INTANGIBLES</b>	<b>194,500</b>	<b>276,250</b>

TANGIBLES

<u>CASING</u>		
Surface <u>1650</u> ft. of <u>8 5/8" 24# J-55</u>	<u>20460</u>	<u>20460</u>
Prod. <u>4300</u> ft. of <u>4 1/2" 10.5# J-55</u>		<u>18791</u>
Tubing <u>4300</u> ft. of <u>2 3/8" 4.7# J-55</u>		<u>10492</u>
Wellhead Assembly	<u>2300</u>	<u>7500</u>
Subsurface Equipment, Packer, Rods, Pump, etc.		
Tanks		<u>3000</u>
Separators & Treater		<u>8000</u>
Line Pipe, Connections & Miscellaneous		<u>1000</u>
Installation of Surface Facilities		<u>3000</u>
<b>TOTAL TANGIBLES</b>	<b>22760</b>	<b>72243</b>
<b>TOTAL WELL COST</b>	<b>217,260</b>	<b>348,493</b>
	<u>202</u>	<u>373,000</u>

APPROVALS

OPERATOR T. H. McElvain, Jr. By Angel B. Brown Date 4-1-82

JOINT INTEREST

OWNER Mesa Petroleum Company BY STANLEY Date \_\_\_\_\_

OIL CONSERVATION DIVISION

McELVAIN EXHIBIT NO. 4

CASE NO. 7633

Submitted by \_\_\_\_\_

Hearing Date \_\_\_\_\_

AUTHORITY FOR EXPENDITURE

Lease Name Lodewick Federal Com Well No. 1 Date April 1, 1982  
 Location 1980'FSL & 1650'FEL, Sec. 8, 5S, 25E County Chaves  
 State New Mexico Total Depth 4300' Field Pecos Slope  
 Est. Spud Date May 1, 1982 Drilling Contractor Young Drilling Company

<u>DRILLING INTANGIBLES</u>	<u>DRY HOLE</u>	<u>PRODUCER</u>
Prepare location, road, damages	12000	12000
Drilling-footage & daywork	_____	_____
Moving in, rigging up, rigging down	_____	_____
Drilling Mud & Chemicals	_____	_____
Fuel, Water & Power	_____	_____
Bits & Rental Equipment	_____	_____
Well Logging Services	12000	12000
Cement & Services-cond., surface, inter.	16000	16000
Trucking & Labor	3500	3500
Overhead & Supervision: Engr. & Geological	3500	3500
Restore location, plug & abandon	2500	500
Miscellaneous Costs & Contingencies	15000	17500
<b>TOTAL DRILLING</b>	<b>194,500</b>	<b>195,000</b>

<u>COMPLETION INTANGIBLES</u>	<u>DRY HOLE</u>	<u>PRODUCER</u>
Cement & Services-Prod. Csg.	_____	8500
Completion Unit _____ days at _____	_____	12000
Perforation & Cased Hole Logging	_____	5000
Stimulation-Acidizing, Fracturing	_____	45000
Tool Rentals	_____	2000
Engineering-Supervision	_____	3000
Trucking & Labor	_____	750
Miscellaneous	_____	5000
<b>TOTAL COMPLETION</b>	_____	<b>81250</b>
<b>TOTAL INTANGIBLES</b>	<b>194,500</b>	<b>276,250</b>

<u>TANGIBLES</u>	<u>DRY HOLE</u>	<u>PRODUCER</u>
<b>CASING</b>		
Surface <u>1650</u> ft. of <u>8 5/8" 24# J-55</u>	20460	20460
Prod. <u>4300</u> ft. of <u>4 1/2" 10.5#J-55</u>	_____	18791
Tubing <u>4300</u> ft. of <u>2 3/8" 4.7# J-55</u>	_____	10492
Wellhead Assembly	2300	7500
Subsurface Equipment, Packer, Rods, Pump, etc.	_____	_____
Tanks	_____	3000
Separators & Treater	_____	8000
Line Pipe, Connections & Miscellaneous	_____	1000
Installation of Surface Facilities	_____	3000
<b>TOTAL TANGIBLES</b>	<b>22760</b>	<b>72243</b>
<b>TOTAL WELL COST</b>	<b>217,260</b>	<b>348,493</b>

APPROVALS

OPERATOR T. H. McElvain, Jr. By [Signature] Date 4-1-82

JOINT INTEREST  
 OWNER J. Roger Friedman By [Signature] Date 4-20-82

AUTHORITY FOR EXPENDITURE

Lease Name Lodewick Federal Com Well No. 1 Date April 1, 1982  
 Location 1980'FSL & 1650'FEL, Sec. 8, 5S, 25E County Chaves  
 State New Mexico Total Depth 4300' Field Pecos Slope  
 Est. Spud Date May 1, 1982 Drilling Contractor Young Drilling Company

<u>DRILLING INTANGIBLES</u>	<u>DRY HOLE</u>	<u>PRODUCER</u>
Prepare location, road, damages	12000	12000
Drilling-footage & daywork		
Moving in, rigging up, rigging down		
Drilling Mud & Chemicals	130000	130000
Fuel, Water & Power		
Bits & Rental Equipment		
Well Logging Services	12000	12000
Cement & Services-cond., surface, inter.	16000	16000
Trucking & Labor	3500	3500
Overhead & Supervision: Engr. & Geological	3500	3500
Restore location, plug & abandon	2500	500
Miscellaneous Costs & Contingencies	15000	17500
<b>TOTAL DRILLING</b>	<b>194,500</b>	<b>195,000</b>

<u>COMPLETION INTANGIBLES</u>		
Cement & Services-Prod. Csg.		8500
Completion Unit _____ days at _____		12000
Perforation & Cased Hole Logging		5000
Stimulation-Acidizing, Fracturing		45000
Tool Rentals		2000
Engineering-Supervision		3000
Trucking & Labor		750
Miscellaneous		5000
<b>TOTAL COMPLETION</b>		<b>81250</b>
<b>TOTAL INTANGIBLES</b>	<b>194,500</b>	<b>276,250</b>

<u>TANGIBLES</u>		
<b>CASING</b>		
Surface <u>1650</u> ft. of <u>8 5/8" 24# J-55</u>	20460	20460
Prod. <u>4300</u> ft. of <u>4 1/2" 10.5#J-55</u>		18791
Tubing <u>4300</u> ft. of <u>2 3/8" 4.7# J-55</u>		10492
Wellhead Assembly	2300	7500
Subsurface Equipment, Packer, Rods, Pump, etc.		
Tanks		3000
Separators & Treater		8000
Line Pipe, Connections & Miscellaneous		1000
Installation of Surface Facilities		3000
<b>TOTAL TANGIBLES</b>	<b>22760</b>	<b>72243</b>
<b>TOTAL WELL COST</b>	<b>217,260</b>	<b>348,493</b>

APPROVALS

OPERATOR I. H. McEivain, Jr.

By Angela B Brown Date 4-1-82

JOINT INTEREST

OWNER Catherine M. Harvey

By Catherine M. Harvey Date 4-10-82

AUTHORITY FOR EXPENDITURE

Lease Name Lodewick Federal Com Well No. 1 Date April 1, 1982  
 Location 1980'FSL & 1650'FEL, Sec. 8, 5S, 25E County Chaves  
 State New Mexico Total Depth 4300' Field Pecos Slope  
 Est. Spud Date May 1, 1982 Drilling Contractor Young Drilling Company

<u>DRILLING INTANGIBLES</u>	<u>DRY HOLE</u>	<u>PRODUCER</u>
Prepare location, road, damages	12000	12000
Drilling-footage & daywork	_____	_____
Moving in, rigging up, rigging down	_____	_____
Drilling Mud & Chemicals	130000	130000
Fuel, Water & Power	_____	_____
Bits & Rental Equipment	_____	_____
Well Logging Services	12000	12000
Cement & Services-cond., surface, inter.	16000	16000
Trucking & Labor	3500	3500
Overhead & Supervision: Engr. & Geological	3500	3500
Restore location, plug & abandon	2500	500
Miscellaneous Costs & Contingencies	15000	17500
<b>TOTAL DRILLING</b>	<b>194,500</b>	<b>195,000</b>

<u>COMPLETION INTANGIBLES</u>		
Cement & Services-Prod. Csg.	_____	8500
Completion Unit _____ days at _____	_____	12000
Perforation & Cased Hole Logging	_____	5000
Stimulation-Acidizing, Fracturing	_____	45000
Tool Rentals	_____	2000
Engineering-Supervision	_____	3000
Trucking & Labor	_____	750
Miscellaneous	_____	5000
<b>TOTAL COMPLETION</b>	_____	<b>81250</b>
<b>TOTAL INTANGIBLES</b>	<b>194,500</b>	<b>276,250</b>

<u>TANGIBLES</u>		
<b>CASING</b>		
Surface <u>1650</u> ft. of <u>8 5/8" 24# J-55</u>	20460	20460
Prod. <u>4300</u> ft. of <u>4 1/2" 10.5# J-55</u>	_____	18791
Tubing <u>4300</u> ft. of <u>2 3/8" 4.7# J-55</u>	_____	10492
Wellhead Assembly	2300	7500
Subsurface Equipment, Packer, Rods, Pump, etc.	_____	_____
Tanks	_____	3000
Separators & Treater	_____	8000
Line Pipe, Connections & Miscellaneous	_____	1000
Installation of Surface Facilities	_____	3000
<b>TOTAL TANGIBLES</b>	<b>22760</b>	<b>72243</b>
<b>TOTAL WELL COST</b>	<b>217,260</b>	<b>348,493</b>

APPROVALS

OPERATOR T. H. McElvain, Jr. By George B. Broome Date 4-1-82

JOINT INTEREST  
 OWNER George B. Broome By George B. Broome Date 4-2-82

AUTHORITY FOR EXPENDITURE

Lease Name Lodewick Federal Com Well No. 1 Date April 1, 1982  
 Location 1980'FSL & 1650'FEL, Sec. 8, 5S, 25E County Chaves  
 State New Mexico Total Depth 4300' Field Pecos Slope  
 Est. Spud Date May 1, 1982 Drilling Contractor Young Drilling Company

<u>DRILLING INTANGIBLES</u>	<u>DRY HOLE</u>	<u>PRODUCER</u>
Prepare location, road, damages	12000	12000
Drilling-footage & daywork		
Moving in, rigging up, rigging down		
Drilling Mud & Chemicals	Turnkey Price 130000	130000
Fuel, Water & Power		
Bits & Rental Equipment		
Well Logging Services	12000	12000
Cement & Services-cond., surface, inter.	16000	16000
Trucking & Labor	3500	3500
Overhead & Supervision: Engr. & Geological	3500	3500
Restore location, plug & abandon	2500	500
Miscellaneous Costs & Contingencies	15000	17500
<b>TOTAL DRILLING</b>	<b>194,500</b>	<b>195,000</b>

<u>COMPLETION INTANGIBLES</u>		
Cement & Services-Prod. Csg.		8500
Completion Unit _____ days at _____		12000
Perforation & Cased Hole Logging		5000
Stimulation-Acidizing, Fracturing		45000
Tool Rentals		2000
Engineering-Supervision		3000
Trucking & Labor		750
Miscellaneous		5000
<b>TOTAL COMPLETION</b>		<b>81250</b>
<b>TOTAL INTANGIBLES</b>	<b>194,500</b>	<b>276,250</b>

<u>TANGIBLES</u>		
<u>CASING</u>		
Surface <u>1650</u> ft. of <u>8 5/8" 24# J-55</u>	20460	20460
Prod. <u>4300</u> ft. of <u>4 1/2" 10.5# J-55</u>		18791
Tubing <u>4300</u> ft. of <u>2 3/8" 4.7# J-55</u>		10492
Wellhead Assembly	2300	7500
Subsurface Equipment, Packer, Rods, Pump, etc.		
Tanks		3000
Separators & Treater		8000
Line Pipe, Connections & Miscellaneous		1000
Installation of Surface Facilities		3000
<b>TOTAL TANGIBLES</b>	<b>22760</b>	<b>72243</b>
<b>TOTAL WELL COST</b>	<b>217,260</b>	<b>348,493</b>

APPROVALS

OPERATOR T. H. McElvain, Jr.

By George B. Brown Date 4-1-82

JOINT INTEREST

OWNER Barbara B. Sweeney

By Barbara B. Sweeney Date 4-8-82

AUTHORITY FOR EXPENDITURE

Lease Name Ludewick Federal Com Well No. 1 Date April 1, 1982  
 Location 1980' TSL & 1650' FEL, Sec. 8, 5S, 25E County Chaves  
 State New Mexico Total Depth 4300' Field Pecos Slope  
 First Spud Date May 1, 1982 Drilling Contractor Young Drilling Company

<u>DRILLING INTANGIBLES</u>	<u>DRY HOLE</u>	<u>PRODUCER</u>
Prepare location, road, damages	12000	<u>12000</u>
Drilling-footage & daywork		
Moving in, rigging up, rigging down		
Drilling Mud & Chemicals	130000	<u>130000</u>
Fuel, Water & Power		
Bits & Rental Equipment		
Well Logging Services	12000	<u>12000</u>
Cement & Services-cond., surface, inter.	16000	<u>16000</u>
Trucking & Labor	3500	<u>3500</u>
Overhead & Supervision: Engr. & Geological	3500	<u>3500</u>
Restore location, plug & abandon	2500	<u>500</u>
Miscellaneous Costs & Contingencies	15000	<u>17500</u>
<b>TOTAL DRILLING</b>	<u>194,500</u>	<u>195,000</u>

<u>COMPLETION INTANGIBLES</u>		
Cement & Services-Prod. Csg.		<u>8500</u>
Completion Unit _____ days at _____		<u>12000</u>
Perforation & Cased Hole Logging		<u>5000</u>
Stimulation-Acidizing, Fracturing		<u>45000</u>
Tool Rentals		<u>2000</u>
Engineering-Supervision		<u>3000</u>
Trucking & Labor		<u>750</u>
Miscellaneous		<u>5000</u>
<b>TOTAL COMPLETION</b>		<u>81250</u>
<b>TOTAL INTANGIBLES</b>	<u>194,500</u>	<u>276,250</u>

<u>TANGIBLES</u>		
<b>CASING</b>		
Surface <u>1650</u> ft. of <u>8 5/8" 24# J-55</u>	<u>20460</u>	<u>20460</u>
Prod. <u>4300</u> ft. of <u>4 1/2" 10.5# J-55</u>		<u>18791</u>
Tubing <u>4300</u> ft. of <u>2 3/8" 4.7# J-55</u>		<u>10492</u>
Wellhead Assembly	<u>2300</u>	<u>7500</u>
Subsurface Equipment, Packer, Rods, Pump, etc.		
Tanks		<u>3000</u>
Separators & Treater		<u>8000</u>
Line Pipe, Connections & Miscellaneous		<u>1000</u>
Installation of Surface Facilities		<u>3000</u>
<b>TOTAL TANGIBLES</b>	<u>22760</u>	<u>72243</u>
<b>TOTAL WELL COST</b>	<u>217,260</u>	<u>348,493</u>

APPROVALS

OPERATOR T. H. McElvain, Jr.

By George B. Brown Date 4-1-82

JOINT INTEREST  
 OWNER Thomas E. Hickey

By Thomas E. Hickey Date 4-5-82

Surface and Intermediate Casing  
in Wells in the Immediate Area around the SW/4 of Sec. 8  
T-5S, R-25E, as reported in OCD Files

<u>OPERATOR</u>	<u>WELL</u>	<u>CASING</u>	<u>DEPTH</u>
Yates	Rattlesnake St.	13 3/8"	457*
Flag-Redfern	McElvain St.	13 3/8"	910
T. H. McElvain, Jr.	Rattlesnake St.	8 5/8"	970
Mesa	Badger #3	8 5/8"	1798
Mesa	Lodewick #4	8 5/8"	1824
Mesa	Lodewick #1	8 5/8"	1807
Mesa	Comer #3	8 5/8"	1790
Mesa	Lodewick #2	8 5/8"	1800
Mesa	Lodewick #3	8 5/8"	1798
Mesa	Comer #2	8 5/8"	1791
Mesa	Comer #4	8 5/8"	1800*
Mesa	Comer #1	8 5/8"	1916*
Viking	#1 Grynberg 12 St.	10 3/4"	897
Western Res.	#4 Bevmoon	13 3/8"	920*
Yates	#1 Roland	10 3/4"	975
Western Res.	#3 Bevmoon	13 3/8"	900*
Mesa	#3 Camack	8 5/8"	1841*
Mesa	#7 Camack	8 5/8"	1804*
Mesa	#6 Camack	8 5/8"	1836*
Mesa	#1 Horse Creek	8 5/8"	1752
Mesa	#4 Doris	8 5/8"	1708
Yates	#1 Plains	10 3/4"	846
Yates	#1 Globe	13 3/8"	357
Yates	#1 Smernoff	10 3/4"	400
Yates	#3 Smernoff	8 5/8"+	880
Yates	#1 Margaret	8 5/8"+	920
Yates	#1 Paulette	13 3/8"	455

\* Information obtained from log headings, Case 7513 Ex 47.

+ It is significant to note that Yates completed these wells in February and April of 1982 using the casing program we propose.

SURFACE AND INTERMEDIATE CASINGS  
OIL CONSERVATION DIVISION

*McElvain* EXHIBIT NO. 5

CASE NO. 9633

Submitted by \_\_\_\_\_

Hearing Date \_\_\_\_\_

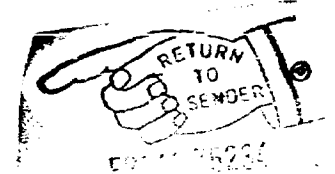
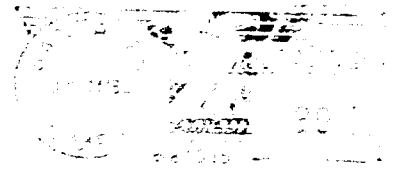


**ENERGY and MINERALS DEPARTMENT**

Oil Conservation Division  
P.O. Box 2088  
Santa Fe, New Mexico 87501

Case 7633

*NSN  
3477-28*



NO SUCH OFFICE

Corona Oil Company  
4385 LBJ Freeway  
Suite 635  
Dallas, Texas 75234



Dockets Nos. 26-82 and 27-82 are tentatively set for August 18 and September 1, 1982. Applications for hearing must be filed at least 22 days in advance of hearing date.

**DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 4, 1982**  
**9 A.M. - MORGAN HALL, OIL CONSERVATION DIVISION**  
**STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO**

The following cases will be heard before Richard L. Stumets, Examiner, or Daniel S. Nuttall, Alternate Examiner:

- CASE 7627:** In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Sandi Production, Inc., United States Fidelity and Guaranty Company and other interested parties to appear and show cause why the El Pozo Well No. 1 located in Unit L, Section 26, and the Pound Ranch C Well No. 14 located in Unit C, Section 14, both in Township 28 North, Range 1 East, Rio Arriba County, should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 7628:** Application of Wiser Oil Company for an unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Panrosa-Skelly oil well to be drilled 1345 feet from the South line and 660 feet from the West line of Section 32, Township 21 South, Range 37 East, the NW/4 SW/4 of said Section 32 to be dedicated to the well.
- CASE 7629:** Application of Gulf Oil Corporation for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Yatas and Seven Rivers formation in the open hole interval from 3169 feet to 3385 feet in its Arnott-Ramsay (WCT-E) Well No. 5, located in Unit E, Section 16, Township 25 South, Range 37 East, Jalmat Pool.
- CASE 7630:** Application of Ralph Mix for an oil treating plant permit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purpose of treating and reclaiming sediment oil at a site in the SW/4 NE/4 of Section 18, Township 19 South, Range 26 East.
- CASE 7631:** Application of Merrion Oil & Gas Corporation for a non-standard proration unit, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard proration unit comprising the W/2 SE/4 and SW/4 SE/4 of Section 5 and the NW/4 NE/4 of Section 8, Township 23 North, Range 6 West, Mageezi-Callup Area.
- CASE 7632:** Application of Astec Energy Corporation for a non-standard proration unit, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard proration unit comprising the SE/4 SE/4 of Section 5, and the E/2 NE/4 and SW/4 NE/4 of Section 8, Township 23 North, Range 6 West, Mageezi-Callup Area.
- CASE 7458:** (Continued from June 23, 1982, Examiner Hearing)  
 Application of Marks & Garner Production Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of salt water into the Bough C formation in the perforated interval from 9596 feet to 9616 feet in its Betenbough Well No. 2, located in Unit M of Section 12, Township 9 South, Range 35 East.
- CASE 7620:** (Continued from July 21, 1982, Examiner Hearing)  
 Application of Mesa Petroleum Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in all formations from the surface through the base of the Abo formation underlying the SW/4 of Section 8, Township 5 South, Range 25 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 7633:** Application of T. H. McElvain, Jr. for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface through the base of the Abo formation underlying the SW/4 of Section 8, Township 5 South, Range 25 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 7634:** In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, abolishing, and extending certain pools in Chaves, Eddy, Lea, and Roosevelt Counties, New Mexico.  
 (a) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the West Indian Flats-Atoka Gas Pool. The discovery well is the Perry P. Bass Big Eddy Unit Well No. 79Y located in Unit J of Section 21, Township 21 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 28 EAST, NMPM  
 Section 21: E/2

(b) CREATE a new pool in Roosevelt County, New Mexico, classified as an oil pool for San Andres production and designated as the South Bluit-San Andres Pool. The discovery well is the Ibe Lovelady, Inc. Lignas Well No. 1 located in Unit A of Section 35, Township 8 South, Range 37 East, NMPN. Said pool would comprise:

TOWNSHIP 8 SOUTH, RANGE 37 EAST, NMPN  
Section 35: NE/4

(c) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Permian production and designated as the Boyd Permian-Pennsylvanian Gas Pool. The discovery well is Yates Petroleum Corporation Rio Pecos NF Federal Con Well No. 1 located in Unit F of Section 11, Township 19 South, Range 25 East, NMPN. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPN  
Section 2: S/2  
Section 3: E/2  
Section 11: W/2

(d) CREATE a new pool in Chaves County, New Mexico, classified as a gas pool for Pre-Permian production and designated as the Four Branch Pre-Permian Gas Pool. The discovery well is Plains Radio Broadcasting Canal Well No. 1 located in Unit F of Section 7, Township 9 South, Range 27 East, NMPN. Said pool would comprise:

TOWNSHIP 9 SOUTH, RANGE 26 EAST, NMPN  
Section 1: E/2  
Section 12: E/2  
Section 13: All

TOWNSHIP 9 SOUTH, RANGE 27 EAST, NMPN  
Section 7: W/2  
Section 18: W/2

(e) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Yates and Seven Rivers production and designated as the House Yates-Seven Rivers Gas Pool. The discovery well is the NCF Oil Corporation J. Wright Well No. 1 located in Unit D of Section 5, Township 20 South, Range 39 East, NMPN. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 39 EAST, NMPN  
Section 31: SE/4  
Section 32: SW/4

TOWNSHIP 20 SOUTH, RANGE 39 EAST, NMPN  
Section 5: NW/4

(f) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the Pollock-Wolfcamp Pool. Further, to assign approximately 46,910 barrels of discovery allowable to the discovery well, the Heading and Bates Company Dickinson Cattle Company 33 Well No. 1 located in Unit N of Section 33, Township 14 South, Range 38 East, NMPN. Said pool would comprise:

TOWNSHIP 14 SOUTH, RANGE 38 EAST, NMPN  
Section 33: SW/4

(g) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the West Red Hills-Wolfcamp Gas Pool. The discovery well is the BTA Oil Producers Mesa 8105 JV-P Well No. 1 located in Unit I of Section 1, Township 26 South, Range 32 East, NMPN. Said pool would comprise:

TOWNSHIP 26 SOUTH, RANGE 32 EAST, NMPN  
Section 1: E/2

(h) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Abo production and designated as the Townsend-Abo Pool. The discovery well is the Charles B. Gillespie, Jr. Exxon Townsend Well No. 1 located in Unit B of Section 9, Township 16 South, Range 35 East, NMPN. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPN  
Section 9: NE/4

(i) ABOLISH the East Tanneryhill-Cisco Pool in Roosevelt County, New Mexico, as heretofore classified, defined, and described:

TOWNSHIP 6 SOUTH, RANGE 34 EAST, N20W  
Section 8: SE/4

(j) EXTEND the Blutt-San Antras Associated Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 37 EAST, N20W  
Section 23: E/2

(k) EXTEND the Carson-Morrow Gas Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 31 EAST, N20W  
Section 3: S/2

(l) EXTEND the Crow Flats-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 28 EAST, N20W  
Section 31: W/2

(m) EXTEND the Empire-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 28 EAST, N20W  
Section 3: S/2

(n) EXTEND the High Lonerone-Queen Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 29 EAST, N20W  
Section 19: SE/4 NE/4

(o) EXTEND the North Loving-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, N20W  
Section 7: W/2  
Section 18: All  
Section 19: W/2  
Section 30: W/2

(p) EXTEND the West Madine-Blinbery Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, N20W  
Section 5: NW/4  
Section 8: SW/4

(q) EXTEND the Pecos Slope-Abo Gas Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 4 SOUTH, RANGE 24 EAST, N20W  
Section 26: W/2

TOWNSHIP 5 SOUTH, RANGE 24 EAST, N20W  
Section 3: E/2

TOWNSHIP 6 SOUTH, RANGE 24 EAST, N20W  
Section 15: All  
Section 16: All  
Section 17: All  
Section 18: E/2

TOWNSHIP 7 SOUTH, RANGE 26 EAST, N20W  
Section 27: All  
Section 33: All  
Section 34: All

TOWNSHIP 8 SOUTH, RANGE 25 EAST, N20W  
Section 13: S/2

TOWNSHIP 8 SOUTH, RANGE 26 EAST, N20W  
Section 3: All  
Section 4: All  
Section 5: All  
Section 6: E/2

(r) EXTEND the South Peterson-Pennsylvania Associated Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 6 SOUTH, RANGE 34 EAST, N2W4  
Section 7: S/2  
Section 8: S/2

(s) EXTEND the West Sawyer-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 37 EAST, N2W4  
Section 32: SW/4

(t) EXTEND the Square Lake Grayburg-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, N2W4  
Section 11: S/2

(u) EXTEND the Tomshaw-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANGE 31 EAST, N2W4  
Section 36: SE/4

TOWNSHIP 8 SOUTH, RANGE 31 EAST, N2W4  
Section 1: N/2

(v) EXTEND the Turkey Track-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, N2W4  
Section 3: N/2

(w) EXTEND the Twin Lakes-San Andres Associated Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 28 EAST, N2W4  
Section 12: SE/4

TOWNSHIP 9 SOUTH, RANGE 29 EAST, N2W4  
Section 18: N/2

(z) EXTEND the Willow Lakes-Boas Spring Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 28 EAST, N2W4  
Section 32: N/2 N/2  
Section 33: N/2 NW/4

**KELLAHIN and KELLAHIN**

*Attorneys at Law*

500 Don Gaspar Avenue

Post Office Box 1769

Santa Fe, New Mexico 87501

Telephone 982-4285

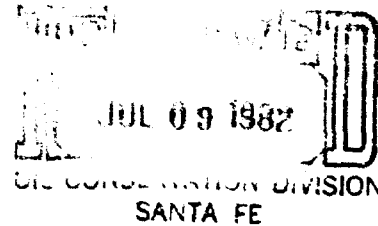
Area Code 505

Jason Kellahin  
W. Thomas Kellahin  
Karen Aubrey

July 9, 1982

Case 7633

Mr. Joe D. Ramey  
OIL CONSERVATION DIVISION  
Post Office Box 2088  
Santa Fe, New Mexico 87501



Re: McElvain

Dear Mr. Ramey:

Please set the enclosed Application of Mr. T. H. McElvain, Jr., for hearing at the next available Examiner Docket on August 4, 1982.

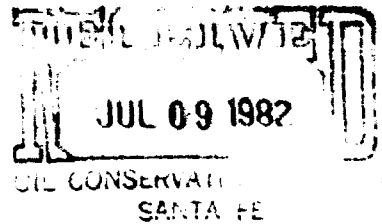
Very truly yours,

A handwritten signature in black ink, appearing to read "W. Thomas Kellahin". The signature is written in a cursive, flowing style with a large initial "W".

W. Thomas Kellahin

WTK:rb  
Enclosures

cc: Mr. George Broome  
W. F. Carr, Esquire



STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY AND MINERALS  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF  
T. H. McELVAIN, JR., FOR COMPULSORY  
POOLING, CHAVES COUNTY, NEW MEXICO.

CASE 7633

A P P L I C A T I O N

Comes now T. H. McElvain, Jr., and applies to the Oil Conservation Division of New Mexico for an order pooling all mineral interests from surface through the base of the Abo Formation underlying the SW/4 of Section 8, Township 5 South, Range 25 East, NMPM, Chaves County, New Mexico, and in support thereof would show the Commission:

1. Applicant is the owner of the right to drill and develop the W/2SW/4 of Section 8, Township 5 South, Range 25 East, and desires to form a 160 acre unit composed of the SW/4 of said Section.
2. Applicant proposes to drill a well to test the Abo formation at a standard location in the SW/4 of Said Section 8.
3. Applicant has sought to obtain the cooperation of all parties.
4. In order to obtain their just and equitable share of the production underlying the above lands, Applicant needs an order pooling the mineral interest involved.
5. Those who have not consented to join in the drilling of the well, with their addresses, to the best of Applicant's information and belief, are as follows:

<u>NAME</u>	<u>INTEREST</u>
Mesa Petroleum Company	50% WI Before Payout and 25% WI After Payout
Corona Oil Company	0% WI Prior to Payment and 25% WI After Payment


6. Said pooling of interest and well completion will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

7. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interest should be pooled, and Applicant should be designated the operator of the well to be drilled.

WHEREFORE, Applicant prays that this Application be set for hearing before the Division's duly appointed examiner, and that after notice and hearing as required by law the Division enter its order pooling the lands, including provisions designating the Applicant as operator of the well, providing for application to recover its costs of drilling, equipping and completing the well, and its costs of supervision while drilling and after completion, including overhead charges, and imposing a risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well, and making such other and further provisions as may be proper in the premises.

Respectfully submitted,

KELLAHIN & KELLAHIN

By   
W. Thomas Kellahin  
Post Office Box 1769  
Santa Fe, New Mexico 87501  
Attorneys for Applicant



ORDERS

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:

*JHR*

CASE NO. 7633  
Order No. R-7088

*REL*

APPLICATION OF T. H. McELVAIN,  
JR. FOR COMPULSORY POOLING,  
CHAVES COUNTY, NEW MEXICO.

*ASU*

*WED*

*M.S.*

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on August 4, 1982,  
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this \_\_\_\_\_ day of September, 1982, the Division  
Director, having considered the record and the recommendations  
of the Examiner, and being fully advised in the premises,

FINDS:

That the applicant's request for dismissal should be  
granted.

IT IS THEREFORE ORDERED:

That Case No. 7633 is hereby dismissed.

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

JOE D. RAMEY,  
Director

S E A L