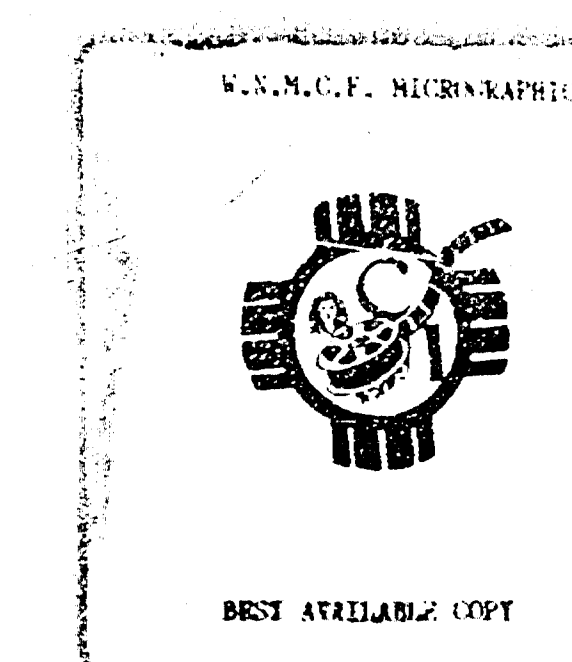


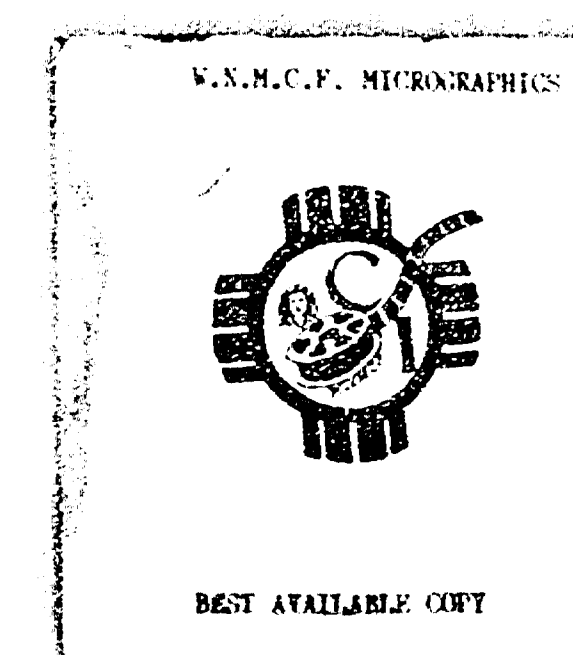
Case No.
5054

Large Exhibits



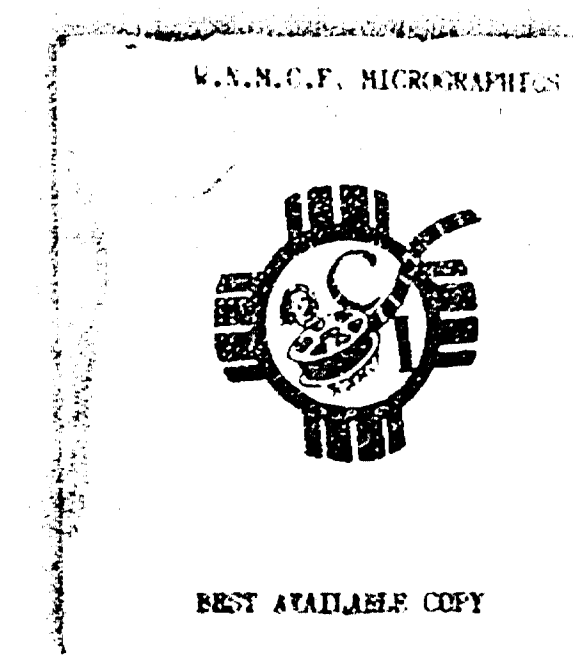
(8) That subsequent to the issuance of Order No. R-4432, D.L. Hamifin, as Non-Consenting Working Interest Owner, and Barbara E. Hamifin, his wife, filed with the Commission a "Statement of Non-Consent" executed January 4, 1973, wherein D.L. Hamifin and Barbara E. Hamifin, his wife, stipulated that D.L. Hamifin is the working interest owner under an Oil and Gas Lease covering the SE 1/4 of Section 24, Township 22 South, Range 26 East, NMPM, Santa Cruz County, New Mexico, which said tract, together with the SE 1/4 of said Section 24, is then dedicated to a 320-acre standard location for the drilling of a test well in the Morrison Formation underlying the SE 1/4 of said Section 24; that Michael P. Place has been designated by the New Mexico Oil Conservation Commission as the Operator of the proposed well and unit. ~~Further~~ The statement of Non-Consent stipulated further:

"The undersigned, D. L. Hamifin, non-consenting working interest owner, joined herein by his wife, Barbara E. Hamifin, hereby expressly elects not to pay his share of estimated well costs to Operator and in lieu thereof, hereby elects to pay his share of reasonable well costs out of production. The undersigned further certifies and agrees that \$135.00 per month should be fixed as a reasonable charge for the supervision (combined fixed costs) for the subject well; agrees to the 25% pro rata risk share charge described in finding (7)(B); and agrees that Operator is authorized to withhold from production the proportionate share of such supervision charge attributable to the undersigned non-consenting working interest owner's interest, and Operator is authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to non-consenting working interest owner, all as more particularly defined in Order N-4432."



(6) That on January 28, 1973, Michael P. Grace, Jr. as Operator of the S/z of Section 24, Township 22 South, Range 126 East, caused to be commenced the drilling of a well designated the Grace Atlantic Well No. 1, located 1980 feet from the South line and 1980 feet from the East line of said Section 24, to a proposed depth of 12,100 feet to test the Morrow formation, the S/z of said Section 24 being dedicated to the area.

(7) That on March 1, 1973, Michael P. Grace, Jr. and Carime Grace, as ^{"Sellers,"} entered into a contract with E.D. Pace Natural Gas Company, Buyer, the sale of gas produced from those formations between the surface of the ground and the base of the Morrow formation underlying certain lands, including the S/z of Section 24, Township 22 South, Range 126 East, NMPM, Eddy County, New Mexico; that said contract provides that Buyer shall pay Seller for gas purchased hereunder at the rate of \$0.52 per MCF commencing on the date of first delivery and continuing through the month of December, 1973, subject to adjustment for the heating value of the gas produced, either more or less than 1000 BTU's per MCF; and subject to certain conditions after December, 1973.



(8) That on March 15, 1973, the above-described three Atlantic Well No. 1 was completed and ready to produce; that on March 29, 1973, said well was tested and found to have a calculated absolute open flow potential of 65,737 MCF per day from perforations in the (Morrow) formation from 11,424 feet to 11,444 feet.

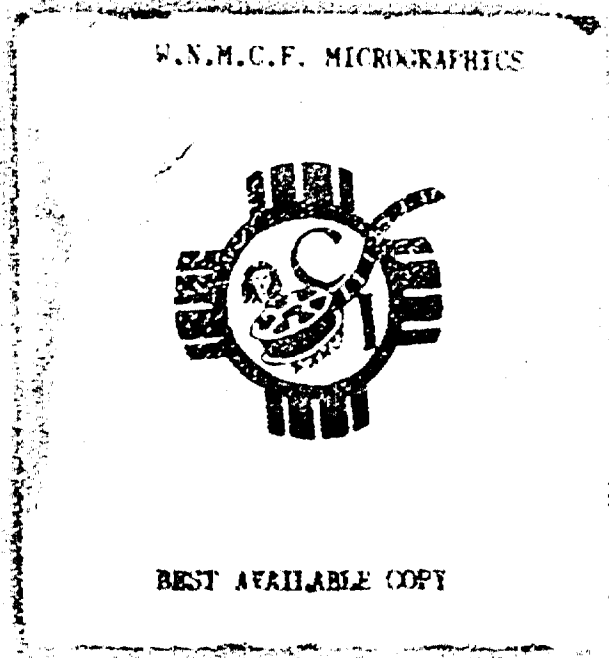
(9) That said three Atlantic Well No. 1 was actually connected to the Alamo National Gas Company Pipeline System, which has production since that date has yielded, including the BTU adjustment described in Finding No. (6) above, \$0.62036 per MCF.

(10) On July 30, 1973, D. L. Hannifin and Joe Don Cook, through their attorney, made application to the Commission seeking a determination of the reasonable well costs of the Grace-Atlantic well, and a determination of when Michael-P-Grace II had been fully compensated for all reasonable well costs and the 25 percent risk charges and the pro rata share of reasonable well costs attributable to Hannifin and Cook on the well.

(11) The parties stipulated to the following facts:

(a) That the original cost of the well is \$439,986.35, one-half of which is ~~the amount subject to the 25 percent risk factor provided in Order No. R-4432.~~

(b) That additional charges have been incurred by the operator in the amount of \$25,694.75 and should be divided equally between the parties.



Case No. 5054
Order No. R-4432-A

(c) That the Grace share of these costs (50 percent of the original costs and 50 percent of the additional costs) is \$232,840.56.

(d) That the Hannifin and Cook share of these costs (50 percent of the original costs, a 25 percent penalty thereon and 50 percent of the additional costs) is \$287,838.84.

(e) That the total well costs are \$520,679.40.

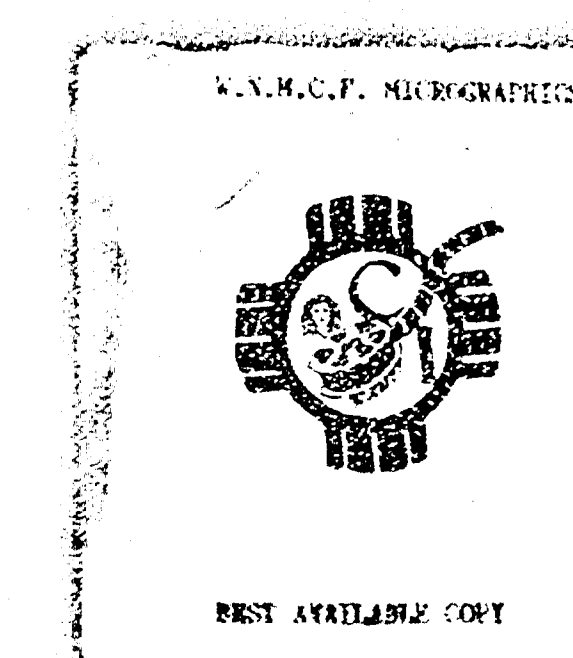
(f) That each party should pay 50 percent of the reasonable charge for supervision (combined fixed rates).

(g) That the reasonable charge for supervision pursuant to Commission Order No. R-4432, is \$135 per month which totals \$405 for the months of April, May and June, 1973, \$202.50 of which should be paid by each of the two parties.

(h) That the Grace total share of all costs is ____
\$233,043.06.

(i) That the Hannifin and Cook share of all costs is \$288,041.34.

is \$288,041.34. ¹⁰⁵²
that if ¹⁰⁵³ ~~the~~ ¹⁰⁵⁴ ~~the~~ ¹⁰⁵⁵ ~~the~~ ¹⁰⁵⁶ ~~the~~ ¹⁰⁵⁷ ~~the~~ ¹⁰⁵⁸ ~~the~~ ¹⁰⁵⁹ ~~the~~ ¹⁰⁶⁰ ~~the~~ ¹⁰⁶¹ ~~the~~ ¹⁰⁶² ~~the~~ ¹⁰⁶³ ~~the~~ ¹⁰⁶⁴ ~~the~~ ¹⁰⁶⁵ ~~the~~ ¹⁰⁶⁶ ~~the~~ ¹⁰⁶⁷ ~~the~~ ¹⁰⁶⁸ ~~the~~ ¹⁰⁶⁹ ~~the~~ ¹⁰⁷⁰ ~~the~~ ¹⁰⁷¹ ~~the~~ ¹⁰⁷² ~~the~~ ¹⁰⁷³ ~~the~~ ¹⁰⁷⁴ ~~the~~ ¹⁰⁷⁵ ~~the~~ ¹⁰⁷⁶ ~~the~~ ¹⁰⁷⁷ ~~the~~ ¹⁰⁷⁸ ~~the~~ ¹⁰⁷⁹ ~~the~~ ¹⁰⁸⁰ ~~the~~ ¹⁰⁸¹ ~~the~~ ¹⁰⁸² ~~the~~ ¹⁰⁸³ ~~the~~ ¹⁰⁸⁴ ~~the~~ ¹⁰⁸⁵ ~~the~~ ¹⁰⁸⁶ ~~the~~ ¹⁰⁸⁷ ~~the~~ ¹⁰⁸⁸ ~~the~~ ¹⁰⁸⁹ ~~the~~ ¹⁰⁹⁰ ~~the~~ ¹⁰⁹¹ ~~the~~ ¹⁰⁹² ~~the~~ ¹⁰⁹³ ~~the~~ ¹⁰⁹⁴ ~~the~~ ¹⁰⁹⁵ ~~the~~ ¹⁰⁹⁶ ~~the~~ ¹⁰⁹⁷ ~~the~~ ¹⁰⁹⁸ ~~the~~ ¹⁰⁹⁹ ~~the~~ ¹¹⁰⁰ ~~the~~ ¹¹⁰¹ ~~the~~ ¹¹⁰² ~~the~~ ¹¹⁰³ ~~the~~ ¹¹⁰⁴ ~~the~~ ¹¹⁰⁵ ~~the~~ ¹¹⁰⁶ ~~the~~ ¹¹⁰⁷ ~~the~~ ¹¹⁰⁸ ~~the~~ ¹¹⁰⁹ ~~the~~ ¹¹¹⁰ ~~the~~ ¹¹¹¹ ~~the~~ ¹¹¹² ~~the~~ ¹¹¹³ ~~the~~ ¹¹¹⁴ ~~the~~ ¹¹¹⁵ ~~the~~ ¹¹¹⁶ ~~the~~ ¹¹¹⁷ ~~the~~ ¹¹¹⁸ ~~the~~ ¹¹¹⁹ ~~the~~ ¹¹²⁰ ~~the~~ ¹¹²¹ ~~the~~ ¹¹²² ~~the~~ ¹¹²³ ~~the~~ ¹¹²⁴ ~~the~~ ¹¹²⁵ ~~the~~ ¹¹²⁶ ~~the~~ ¹¹²⁷ ~~the~~ ¹¹²⁸ ~~the~~ ¹¹²⁹ ~~the~~ ¹¹³⁰ ~~the~~ ¹¹³¹ ~~the~~ ¹¹³² ~~the~~ ¹¹³³ ~~the~~ ¹¹³⁴ ~~the~~ ¹¹³⁵ ~~the~~ ¹¹³⁶ ~~the~~ ¹¹³⁷ ~~the~~ ¹¹³⁸ ~~the~~ ¹¹³⁹ ~~the~~ ¹¹⁴⁰ ~~the~~ ¹¹⁴¹ ~~the~~ ¹¹⁴² ~~the~~ ¹¹⁴³ ~~the~~ ¹¹⁴⁴ ~~the~~ ¹¹⁴⁵ ~~the~~ ¹¹⁴⁶ ~~the~~ ¹¹⁴⁷ ~~the~~ ¹¹⁴⁸ ~~the~~ ¹¹⁴⁹ ~~the~~ ¹¹⁵⁰ ~~the~~ ¹¹⁵¹ ~~the~~ ¹¹⁵² ~~the~~ ¹¹⁵³ ~~the~~ ¹¹⁵⁴ ~~the~~ ¹¹⁵⁵ ~~the~~ ¹¹⁵⁶ ~~the~~ ¹¹⁵⁷ ~~the~~ ¹¹⁵⁸ ~~the~~ ¹¹⁵⁹ ~~the~~ ¹¹⁶⁰ ~~the~~ ¹¹⁶¹ ~~the~~ ¹¹⁶² ~~the~~ ¹¹⁶³ ~~the~~ ¹¹⁶⁴ ~~the~~ ¹¹⁶⁵ ~~the~~ ¹¹⁶⁶ ~~the~~ ¹¹⁶⁷ ~~the~~ ¹¹⁶⁸ ~~the~~ ¹¹⁶⁹ ~~the~~ ¹¹⁷⁰ ~~the~~ ¹¹⁷¹ ~~the~~ ¹¹⁷² ~~the~~ ¹¹⁷³ ~~the~~ ¹¹⁷⁴ ~~the~~ ¹¹⁷⁵ ~~the~~ ¹¹⁷⁶ ~~the~~ ¹¹⁷⁷ ~~the~~ ¹¹⁷⁸ ~~the~~ ¹¹⁷⁹ ~~the~~ ¹¹⁸⁰ ~~the~~ ¹¹⁸¹ ~~the~~ ¹¹⁸² ~~the~~ ¹¹⁸³ ~~the~~ ¹¹⁸⁴ ~~the~~ ¹¹⁸⁵ ~~the~~ ¹¹⁸⁶ ~~the~~ ¹¹⁸⁷ ~~the~~ ¹¹⁸⁸ ~~the~~ ¹¹⁸⁹ ~~the~~ ¹¹⁹⁰ ~~the~~ ¹¹⁹¹ ~~the~~ ¹¹⁹² ~~the~~ ¹¹⁹³ ~~the~~ ¹¹⁹⁴ ~~the~~ ¹¹⁹⁵ ~~the~~ ¹¹⁹⁶ ~~the~~ ¹¹⁹⁷ ~~the~~ ¹¹⁹⁸ ~~the~~ ¹¹⁹⁹ ~~the~~ ¹²⁰⁰ ~~the~~ ¹²⁰¹ ~~the~~ ¹²⁰² ~~the~~ ¹²⁰³ ~~the~~ ¹²⁰⁴ ~~the~~ ¹²⁰⁵ ~~the~~ ¹²⁰⁶ ~~the~~ ¹²⁰⁷ ~~the~~ ¹²⁰⁸ ~~the~~ ¹²⁰⁹ ~~the~~ ¹²¹⁰ ~~the~~ ¹²¹¹ ~~the~~ ¹²¹² ~~the~~ ¹²¹³ ~~the~~ ¹²¹⁴ ~~the~~ ¹²¹⁵ ~~the~~ ¹²¹⁶ ~~the~~ ¹²¹⁷ ~~the~~ ¹²¹⁸ ~~the~~ ¹²¹⁹ ~~the~~ ¹²²⁰ ~~the~~ ¹²²¹ ~~the~~ ¹²²² ~~the~~ ¹²²³ ~~the~~ ¹²²⁴ ~~the~~ ¹²²⁵ ~~the~~ ¹²²⁶ ~~the~~ ¹²²⁷ ~~the~~ ¹²²⁸ ~~the~~ ¹²²⁹ ~~the~~ ¹²³⁰ ~~the~~ ¹²³¹ ~~the~~ ¹²³² ~~the~~ ¹²³³ ~~the~~ ¹²³⁴ ~~the~~ ¹²³⁵ ~~the~~ ¹²³⁶ ~~the~~ ¹²³⁷ ~~the~~ ¹²³⁸ ~~the~~ ¹²³⁹ ~~the~~ ¹²⁴⁰ ~~the~~ ¹²⁴¹ ~~the~~ ¹²⁴² ~~the~~ ¹²⁴³ ~~the~~ ¹²⁴⁴ ~~the~~ ¹²⁴⁵ ~~the~~ ¹²⁴⁶ ~~the~~ ¹²⁴⁷ ~~the~~ ¹²⁴⁸ ~~the~~ ¹²⁴⁹ ~~the~~ ¹²⁵⁰ ~~the~~ ¹²⁵¹ ~~the~~ ¹²⁵² ~~the~~ ¹²⁵³ ~~the~~ ¹²⁵⁴ ~~the~~ ¹²⁵⁵ ~~the~~ ¹²⁵⁶ ~~the~~ ¹²⁵⁷ ~~the~~ ¹²⁵⁸ ~~the~~ ¹²⁵⁹ ~~the~~ ¹²⁶⁰ ~~the~~ ¹²⁶¹ ~~the~~ ¹²⁶² ~~the~~ ¹²⁶³ ~~the~~ ¹²⁶⁴ ~~the~~ ¹²⁶⁵ ~~the~~ ¹²⁶⁶ ~~the~~ ¹²⁶⁷ ~~the~~ ¹²⁶⁸ ~~the~~ ¹²⁶⁹ ~~the~~ ¹²⁷⁰ ~~the~~ ¹²⁷¹ ~~the~~ ¹²⁷² ~~the~~ ¹²⁷³ ~~the~~ ¹²⁷⁴ ~~the~~ ¹²⁷⁵ ~~the~~ ¹²⁷⁶ ~~the~~ ¹²⁷⁷ ~~the~~ ¹²⁷⁸ ~~the~~ ¹²⁷⁹ ~~the~~ ¹²⁸⁰ ~~the~~ ¹²⁸¹ ~~the~~ ¹²⁸² ~~the~~ ¹²⁸³ ~~the~~ ¹²⁸⁴ ~~the~~ ¹²⁸⁵ ~~the~~ ¹²⁸⁶ ~~the~~ ¹²⁸⁷ ~~the~~ ¹²⁸⁸ ~~the~~ ¹²⁸⁹ ~~the~~ ¹²⁹⁰ ~~the~~ ¹²⁹¹ ~~the~~ ¹

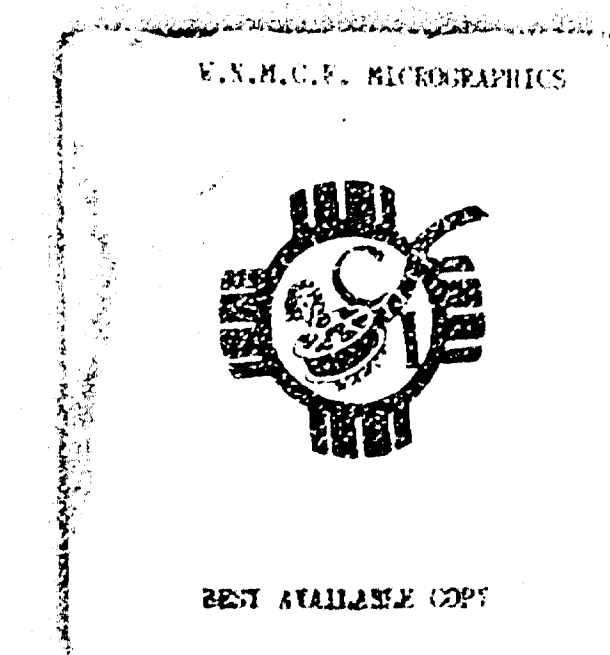


7

(15) That each of the 160-acre tracts communitized by Commission Order No. R-4432 should stand on its own insofar as royalty and overriding royalty payments are concerned; that, notwithstanding, the working interest attributable to the SE 1/4 of Section 24, Township 22 South, Range 26 East, NMPN, Lea County, New Mexico, is 40.625 percent of the pooled unit, as a whole; that the royalty interest underlying said SE 1/4 of Section 24 is 9.375 percent of the pooled unit, as a whole; that the working interest attributable to the SW 1/4 of Section 24 is 37.5 percent of the pooled unit, as a whole; and the combined royalty interests and overriding royalty interests underlying the said SW 1/4 of Section 24 total 12.5 percent of the pooled unit, as a whole.

40.625
9.375
37.500
12.500
100.000

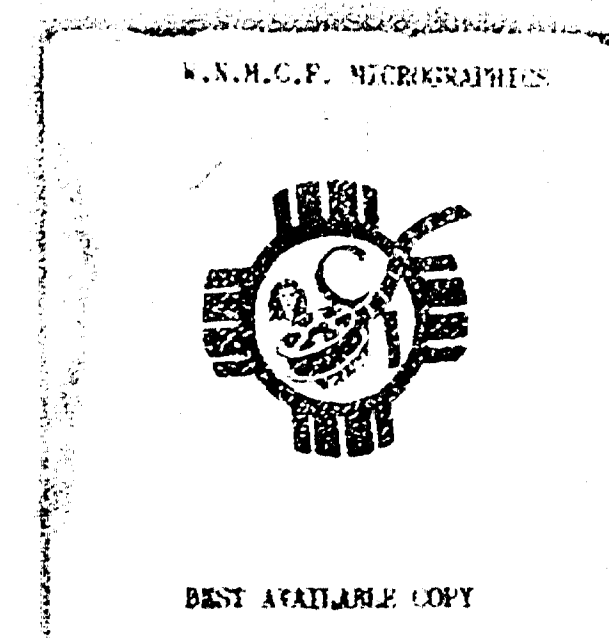
(16) That in order to determine the date of payment of the Hamden and Clark shares of all costs (\$280,000.34, including 100% share) the current price of gas (\$2.00 per Btu) adjustment (including 100% share) and a royalty rate of 18.75 percent, including the SE 1/4 of Section 24, Township 22 South, Range 26 East,



8

(13) That the current lease price for gas produced from the subject well is \$0.52 per MCF plus \$0.10036 per MCF BTU adjustment for a total of \$0.62036 per MCF. That the royalty under the SE/4 of Section 24, Township 22 South, Range 26 East, N10PM, Eddy County, New Mexico, is 18.75 percent of the production attributable to said tract. That the current rate of taxation on the production from the subject well is 6.419% of the value received for said production. That these are the proper factors to be used in determining the date on which production, attributable to the subject interest, SE/4 of Section 24, has paid out the costs chargeable to Hamlin and Cook through June, 1973, which total \$288,040.30.

(14) That from April 16, 1973, through 7 o'clock am June 26, 1973, the subject Krase Well No. 1 produced a total of 1,243,813 MCF of gas. That applying the factors described in Finding No. (13) above to this production indicates that at 7 o'clock am June 26, 1973, the portion of production attributable to the subject SE/4 of Section 24, less taxes and royalty, had paid out the Hamlin and Cook costs attributable to Hamlin and Cook, \$273,245.84, plus an additional \$504.50, for a total of \$273,750.34 or \$288,702.43.



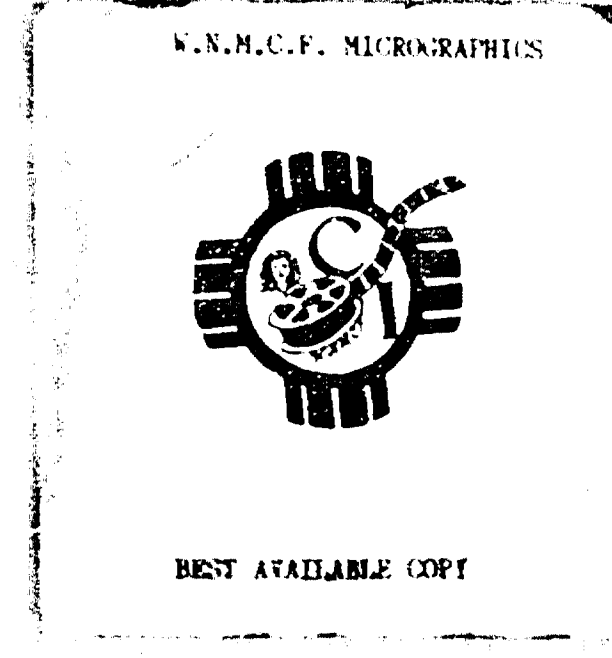
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1170M, Eddy, J. J., New Mexico, (11379)
 percent of all production from the
 gas well, and the 10% (10%) of the
 the stipulated gas out date of
 June 20, 1973, should be paid.

(15) That according to the evidence,
 gas is currently being sold
 from the subject well pursuant
 to a contract signed pursuant
 to the Federal Power Commission's
 Order No. 428-428A dealing with
 Small Producer Cases; that ~~there~~
 there is a possibility that
 the ~~gas~~ ~~will~~ ~~be~~ ~~the~~ ~~price~~
 of gas under such conditions
 is currently in litigation; that
 depending upon the outcome of
 such litigation, the value
 price for gas from the subject
 well could be changed.

(16) That the Commission is in no
 position ~~currently~~ to determine
 what the final sales price for
 gas from the subject well
 will be, and can only ~~rely~~
 rely on the current price.

(17) That certain ~~values~~ ~~have~~ ~~been~~
~~derived~~ ~~in~~ ~~the~~ ~~past~~ ~~from~~ ~~the~~
~~values~~ derived from the



10

now if gas from the subject well
have been placed in escrow
with the American Bank of Cashiers,
Charlotte, and Mexico, pending the
determination of payment of the well.

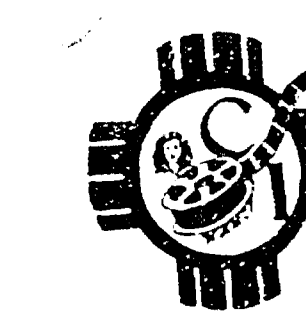
(1) That inasmuch as it has been
determined that the Hamlin and
Cook portions of the well parts
were paid out in 1973,
it would appear that money
held in escrow from the
production after that date should
be released to the applicants,
Hamlin and Cook.

(2) That it should be up to the
working interest owners in the
subject well to arrive at a
suitable arrangement regarding
payment of funds derived from
sale of gas from the subject
well which may be subject
excesses should be passed price
of gas to adjusted retroactively
and be subject to refund.

IT IS THEREFORE ORDERED:

(1) That the 18.75 percent royalty of the Hamlin portion
of the subject unit, and the 25.00 percent royalty for the Cook
portion of the subject unit are independent and separate from
each other and cannot be pooled or averaged at the discretion of
the operator into a uniform royalty percentage for the purpose
of determining the payout date of any Grace-Atlantic Well No. 1,
located 1180 feet from the south line and 1180 feet from
the east line of said Section 24.
(2) That the 18.75 percent royalty applicable to the
SE 1/4 of said Section 24 shall be applied to one-half of the total production from
the well, and the 25 percent royalty applicable to the SW 1/4 of said Section 24 shall be

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12 (7) That Michael P. Krase II's total share of ~~reasonable~~ well costs and additional costs incurred, ~~shall be~~ \$232,840.56

(8) That Hamfui and Cook's ~~total~~ share of ~~reasonable~~ well costs plus the 25 percent charge for risk, and their share of additional costs incurred, shall be \$237,858.54.

(9) That operating \$155.00 per month is a reasonable charge for supervision at (contingent fixed rate) for the subject well and totals \$465.00 for the months of April, May, and June, 1973. That this charge for supervision shall be borne equally by Michael P. Krase II and by Hamfui and Cook, thereby making each party's share \$202.50.

(10) That Michael P. Krase II's total share of reasonable well costs (defined as original well costs and additional costs incurred) and charge for supervision through June, 1973, shall be \$233,043.06.

(11) That Hamfui and Cook's total share of reasonable well costs (as defined above) plus a 25 percent penalty on the original well costs, and a charge for supervision through June, 1973, shall be \$238,041.34.

\$238,041.34, being
(12) That, the total share of reasonable well costs (as defined above) plus a 25 percent penalty on the original well costs, and charge for supervision through June, 1973, attributable to Hamfui and Cook, is hereby determined to have been paid out by production attributable to the SE 1/4 of Section 24, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico, less royalty and taxes, at 7 o'clock am June 26, 1973, with an additional overpayment attributable to Hamfui and Cook of \$461.09.

