

CASE 5267: Application of MARK
PRODUCTION FOR COMPULSORY POOL-
ING, EDDY COUNTY, NEW MEXICO.

CASE No.

5267

Application,

Transcripts,

Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
July 10, 1974

EXAMINER HEARING

IN THE MATTER OF:

Application of Mark Production
Company for compulsory pooling,
Eddy County, New Mexico.

CASE 5267

BEFORE: Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil Conservation Commission: Thomas Derryberry, Esq.
Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant: Thomas W. Kellahin, Esq.
KELLAHIN & FOX
500 Don Gaspar
Santa Fe, New Mexico

I N D E X

<u>CURTIS W. MEWBOURNE</u>	<u>Page</u>
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E X H I B I T S

	<u>Marked</u>	<u>Admitted</u>
Applicant's Exhibits 1 through 7	--	9

MR. NUTTER: We will call Case 5267.

MR. DERRYBERRY: Case 5267, application of Mark Production Company for compulsory pooling, Eddy County, New Mexico.

MR. KELLAHIN: Tom Kellahin of Kellahin and Fox, Santa Fe, New Mexico appearing on behalf of the Applicant, Mark Production Company, and I have one witness to be sworn.

(Whereupon, the Witness was duly sworn.)

CURTIS W. MEWBOURNE

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you please state your name, by whom employed, and in what capacity?

A I'm Curtis W. Mewbourne; I'm president of the Mark Production Company.

Q Mr. Mewbourne, have you previously testified before this Commission?

A I have.

Q Have your qualifications as an expert been accepted and made a matter of record?

A They have.

Q Are you familiar with the facts surrounding this particular application by Mark Production Company?

A Yes, I am.

MR. KELLAHIN: Mr. Examiner, please, are the witness's qualifications acceptable?

MR. NUTTER: Yes, they are.

BY MR. KELLAHIN:

Q Mr. Mewbourne, will you please refer to what has been marked as Applicant's Exhibit Number 1, identify it for us, and state briefly what Mark Production Company is seeking?

A Exhibit 1 identifies the proration unit consisting of the east half of Section 1, 18 South, 26 East, Eddy County, New Mexico. The 320-acre unit is outlined in green. The land outlined in yellow refers to certain fee tracts within this proration unit.

Q What interests have been voluntarily committed to your unit? Let me state this differently: What interest is not committed to your unit?

A All of the interest within the east half of Section 1 has been voluntarily committed except for 1.154 net acres.

MR. NUTTER: What was that figure again?

A (Continuing) 1.154 net acres, being a one-fortieth interest underlying the yellow acreage on the Exhibit. This is further broken down into two owners, each owning one-fortieth, I'm sorry, each owning one-eightieth. That percentage of the unit is 0.36 percent of the 320-acre unit which has not voluntarily agreed to pool.

Q Who are the individuals who have not voluntarily agreed to the pooling?

A Sir?

Q Who are the individuals, their names?

A Mr. Robert Brown and Mr. Nelson Colyer.

Q Would you state again for me what interest Mr. Brown owns, what percentage interest of the total?

A Yes, Mr. Brown owns .572 net acres, or 0.18 percent of the proration unit.

Q And, for Mr. Colyer?

A The same.

Q Would you please refer to what has been marked as Applicant's Exhibit Number 2 and identify it?

A Exhibit 2 is a structure map on top of the Atoka pay. I'm sorry, on top of the Atoka marker. The pay in the area is the Morrow sand, and this structure map is drawn on top of the Atoka marker, in the area.

This Exhibit shows the proration unit outlined in yellow, being the east half of Section 1 located on the northeastern end of the Atoka-Penn Field, the nearest production being in the north half of Section 12, a completed well by Felmont.

Q Please refer to what has been marked as Exhibit 3, and identify it .

A Exhibit 3 is a cross section, marked "A" showing two wells, A-1 and A-2 which may further be identified on the structure map, A-1 being a Felmont Well in the southwest quarter of Section 11; A-2 being the previously mentioned Felmont Well in the northwest quarter of Section 12; A-3 on the cross section being the location in the east half of Section 1. The well identified as A-1 in Section 11 is a rather good well, completed in two Morrow zones, the Morrow A zone having 26 feet of net pay, the Morrow B zone having 14 feet. These zones flowed with flow rates of between 3 and 7 million a day in open flows of 12 million and 15 million per day. The well in the north half of Section 12, identified here as A-2, has significantly poorer porosity development with net pay of 12 feet in the A zone and 4 feet in the B zone, a calculated open flow of 1.9 million per day, and flow rates of 1 to 1.8 million per day,

significantly poorer. I would identify that as an edge well in this field.

Q In your opinion, Mr. Mewbourne, is the risk factor here a high-risk or low-risk area?

A I would identify it as a high-risk area for several reasons, one being that Morrow sand is the primary and only objective here, being unusual in producing characteristics and rather difficult to interpret. Secondly, the cross section showing the deterioration in the net pay and porosity on the edge of the field, and I would definitely classify this as an edge location.

Q Do you have a recommended risk factor to be assessed against the non-consenting interest owners?

A I would recommend 200 percent.

Q Would you please refer to what has been marked as Exhibit 4 and identify it?

A Exhibit 4 is completion information on the two wells listed on the cross section, showing the producing characteristics and the test datum on the two wells upon the cross section.

Q Please refer to what has been marked as Exhibit 5 and identify it?

A Exhibit 5 is an authority for expenditure on the

proposed well in the east half of Section 1, showing an estimated drilling cost to the casing point of 234 thousand dollars, a completion cost of 169 thousand, and a total cost completed of 403 thousand dollars.

Q What do you anticipate to be your cost of supervision to be charged back against the non-consenting owners?

A On a monthly basis?

Q Yes, sir.

A Normal for this area would be \$175 per month for an overhead and supervision figure for a producing well.

Q Will Mark Production Company be the operator?

A Yes, sir.

Q Do you desire to be designated the operator?

A We do.

Q Please refer to what has been marked as Exhibit 6 and summarize what information is contained in these attachments?

A Exhibit 6 represents our effort to obtain approval from Mr. Nelson Colyer to pool his interest in this well. It reflects letters, telephone calls, leases furnished him, various attempts to obtain a voluntary pooling agreement which was unsuccessful.

Q Please refer to what has been marked as Exhibit 7

and summarize what this Exhibit contains?

A Exhibit 7 reflects the same information with respect to Mr. Robert Brown. We were also unsuccessful in obtaining approval from Mr. Brown.

Q In your opinion, Mr. Mewbourne, will the approval of this application be in the best interest of conservation, the prevention of waste, and the protection of correlative rights of others?

A Yes, it will.

Q Were Exhibits 1 through 7 either prepared by you directly or compiled and prepared under your direction and supervision?

A Yes, sir, they were.

MR. KELLAHIN: I move the introduction of Exhibits 1 through 7, and their inclusive parts.

MR. NUTTER: Applicant's Exhibits 1 through 7 will be admitted into evidence.

(Whereupon, Applicant's Exhibits 1 through 7 were admitted into evidence.)

MR. KELLAHIN: That concludes our Direct Examination.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Mewbourne, you are seeking a 200 percent risk factor, and \$175 a month operating charges for overhead?

A Yes, sir.

Q I notice in your correspondence here with Mr. Colyer, you directed several letters to him and sent a lease to him to execute, at such address, however, it appears that you have only one reply from him and he offers to go ahead and execute a lease, but he wants a 50 percent royalty?

A That is correct, which was unacceptable.

Q And, that was unacceptable to you, so that was the end of your negotiations with him?

A Yes, sir, we were unable to establish any further negotiations.

Q I notice several letters directed to Mr. Brown, but I don't see any reply from him.

A He refused any reply, sir.

Q I see, so you don't know what he wants then?

A He just refuses communication of any type.

Q I see, and those are the only outstanding interest in the entire 320?

A Yes, sir, the balance of the interest is owned by the heirs of a large family, all other interest was leased, — and the efforts of the relatives to negotiate with these

people where listed were unsuccessful.

Q So under your proposal these people would become small working-interest owners in the well?

A Yes, sir.

MR. NUTTER: Are there any further questions of Mr. Mewbourne? He may be excused.

MR. MEWBOURNE: Thank you.


MR. NUTTER: Anything further, Mr. Kellahin?

MR. KELLAHIN: No, sir.

MR. NUTTER: Does anyone have anything they wish to offer in Case 5267?

We will take the Case under advisement.

I, RICHARD L. NYE, Court Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.


RICHARD L. NYE, Court Reporter

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 3267
heard by me on 7/10, 1974.
[Signature], Examiner
New Mexico Oil Conservation Commission

FELMONT OIL CORPORATION • P. O. BOX 2266 • MIDLAND, TEXAS 79701 • 915 682-5231



August 9, 1974

R 4831
Cor 5267
↑
[Signature]

Mark Production Company
330 Citizens Bank Building
Tyler, Texas 75701

Attention: Mr. Curtis W. Mewbourne

Re: Mark Production Company
#1 Federal "B"
E/2 Section 1, T18S, R26E
Eddy County, New Mexico

Dear Sir:

We have received this date, your letter of August 5, 1974, enclosing an invoice for Felmont's share of the captioned well and AFE for same.

Felmont Oil Corporation has recently finished the drilling of two Morrow tests within the same field as your captioned well. Our wells have been drilled, completed and placed on production for approximately \$225,000, whereas your AFE states a cost of 403,000 plus dollars. You have also requested an advance payment of our share of this well without giving an immediate spud date or notice of rig availability or copies of any pooling designation. Your letter also refers to an Order of the Oil and Gas Commission from the State of New Mexico, whereby you state that the advance payment procedure has been set by the Commission and verbally, you have advised our Mr. Joe Miller that if we elected to go non-consent that the Commission has set a 300% penalty. We have not been advised or notified of any forced pooling hearings in regard to our interest. In order that we may completely evaluate our position in this property, as outlined by you as to the penalty provisions, please send us copies of the Oil and Gas Commission orders as well as justification for the unreasonable high AFE.

Felmont Oil Corporation is an old established reputable firm and only in rare instances, where there have been a great number of operators, have we been requested to furnish advance money, our credit

Mark Production Company
August 9, 1974
Page 2

is extremely good, and then only within 20 days prior to actual drilling commenced on said well. Of course Felmont, as always, will abide with the rules of governmental agencies involved.

Very truly yours,

FELMONT OIL CORPORATION

T. Verne Dwyer

T. Verne Dwyer
Vice President

TVD:dc

cc: Oil and Gas Commission
State of New Mexico



BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

February 9, 1979

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

Mr. J. V. Fritts
P. O. Box 868
Roswell, New Mexico 88201

Re: Case No. 5267
Order No. R-4831

Dear Mr. Fritts:

I have received your application for hearing on certain matters pertaining to the above-referenced case. However, it appears that there may be some dispute as to record title and lease ownership of the five acre tract involved. The Division has no authority to adjudicate titles or make determinations of ownership, but if you can come to an agreement with the operator, Mark Production Company, or obtain a court decree, as to your interest in this tract, I can proceed to docket this case.

As I read your application, the issues appear to be whether you or your predecessor in interest was ever furnished with an itemized schedule of estimated well costs and with an itemized schedule of actual well costs, whether you were therefore afforded the opportunity to pay your share of well costs in lieu of paying out of production, and whether the risk factor of 200% should be applied to your working interest share. If this is not comprehensive, please let me know as soon as possible.

If you could also let me know when your title problems are resolved, I can docket this case immediately.

Very truly yours,

LYNN TESCHENDORF
General Counsel

LT/fd

cc: Jason Kellahin
Mark Production Co.



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

I. R. TRUJILLO
CHAIRMAN
LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER
STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

July 30, 1974

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

Re: CASE NO. 5267
ORDER NO. R-4831
Applicant:
Mark Production Company

Dear Sir:

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

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC X
Artesia OCC X
Aztec OCC

Other Mr. Robert A. Brown, General Delivery, Fletcher, Okla.
Mr. Nelson Collier, 1605 Bixby, Ardmore, Oklahoma 73401

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5267
Order No. R-4831

APPLICATION OF MARK PRODUCTION
COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 10, 1974,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 30th day of July, 1974, the Commission, a
quorum being present, having considered the testimony, the
record and the recommendations of the Examiner, and being fully
advised in the premises,

FINDS:

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

(2) That the applicant, Mark Production Company, seeks
an order pooling all mineral interests in the Pennsylvanian
formation underlying the E/2 of Section 1, Township 18 South,
Range 26 East, NMPM, Atoka-Pennsylvanian Pool, Eddy County, New
Mexico.

(3) That the applicant has the right to drill and proposes
to drill a well at a location 990 feet from the South line and
990 feet from the East line of said Section 1.

(4) That there are interest owners in the proposed proration
unit who have not agreed to pool their interests.

(5) That to avoid the drilling of unnecessary wells, to
protect correlative rights, and to afford to the owner of each
interest in said unit the opportunity to recover or receive
without unnecessary expense his just and fair share of the gas
in said pool, the subject application should be approved by
pooling all mineral interests, whatever they may be, within said
unit.

(6) That the applicant should be designated the operator
of the subject well and unit.

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Case No. 5267
Order No. R-4831

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

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

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(11) That \$175.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before November 1, 1974, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the E/2 of Section 1, Township 18 South, Range 26 East, NMPM, Atoka-Pennsylvanian Pool, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at a location 990 feet from the South line and 990 feet from the East line of said Section 1.

Case No. 5267
Order No. R-4831

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of November, 1974, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of November, 1974, Order (1) of this order shall be null and void and of no effect whatsoever;

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Commission and show cause why Order (1) of this order should not be rescinded.

(2) That Mark Production Company is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 30 days prior to commencing said well, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Commission and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

Case No. 5267
Order No. R-4831

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 200 per cent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$175.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

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

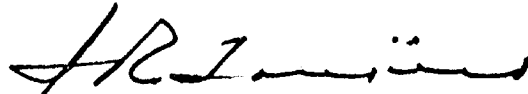
(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

(13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.


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Case No. 5267
Order No. R-4831

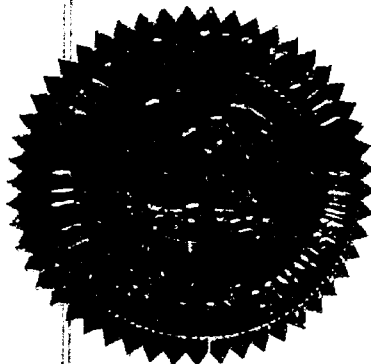
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member


A. L. PORTER, Jr., Member & Secretary



S E A L

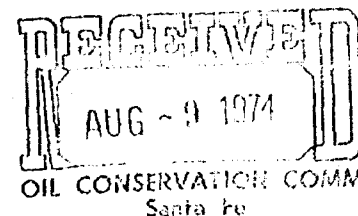
dr/

MARK PRODUCTION COMPANY

CURTIS W. MEWBOURNE
PRESIDENT

330 CITIZENS BANK BUILDING
TYLER, TEXAS 75701
TELEPHONE (214) 597-3551

August 6, 1974



New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Case No. 5267
Order No. R-4831

Gentlemen:

To comply with the Order of the Commission in Case No. 5267, you will find attached an itemized schedule of the estimated well costs for the #1 Federal "B", located in the E/2 of Section 1, T-18-S, R-26-E, Eddy County, New Mexico.

These estimated well costs have been furnished to each known working interest owner with a request that each participate in the well and pay his share of the estimated well cost to the operator.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Curtis W. Mewbourne".

Curtis W. Mewbourne

CWM:Bjd

Attachment

AUTHORITY FOR EXPENDITURE
MARK PRODUCTION COMPANY - #1 FEDERAL "B"
ATOKA (PENN) FIELD
E/2 SECTION 1, T-18-S, R-26-E
EDDY COUNTY, NEW MEXICO

ESTIMATED COST TO CASING POINT:

Survey and stake	\$ 200
Road and location	8,000
Surface damages and clean up	2,000
Drilling: Footage - 9600' @ \$13.35	128,160
Daywork - 4 days @ \$2,500	10,000
- 1 day @ \$2,400	2,400
Sample logging unit - 14 days @ \$140	1,960
Cement and cementing services	6,130
Conduction pipe - 200' of 16" @ \$12.29	2,458
Surface casing - 2000' of 8-5/8" @ \$9.00	18,000
Mud and chemicals and brine	25,500
Drillstem tests - 3 @ \$1,350	4,050
Geological services	900
Drilling overhead	1,450
Production supervision	1,050
Logging	5,700
Legal services	3,750
Equipment rental	1,000
Welding	300
Travel Expense	450
Trucking	1,800
New Mexico Tax @ 4%	9,010

\$234,268

ESTIMATED COMPLETION COSTS:

Producing casing - 9700' of 4-1/2" @ \$7.00	67,900
Cement and cementing services	5,000
Corrolation log and perforating	2,425
Temperature survey and BHP	400
Treating	6,833
Equipment rental	750
Welding	400
Completion unit	3,000
Tubing - 9600' of 2-3/8" @ \$2.50	24,000
Float equipment and centralizers	850
Packer	1,550
Tank battery and flow lines	10,000
Wellhead	5,478
Stakpack - 750 BTU	13,200
Completion overhead and supervision	2,100
Roustabout work, lines and connections	3,750
Legal services	500
Miscellaneous	1,000
Rig anchors	213
Safety control valves	1,460
Travel Expense	400
Dehydrator	9,200
Trucking	2,100
New Mexico Tax @ 4%	6,500

169,009

TOTAL

\$403,277

APPROVED:

COMPANY: _____

MARK PRODUCTION COMPANY

BY: _____

BY: _____

DATE: _____

DATE: _____

Dockets Nos. 21-74 and 22-74 are tentatively set for hearing on July 24 and August 7. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JULY 10, 1974

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas from seventeen prorated pools in Lea, Eddy, Roosevelt, and Chaves Counties, New Mexico, for August, 1974;
- (2) Consideration of the allowable production of gas from five prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for August, 1974.

CASE 3608: (Reopened) (Continued from the June 19th Examiner Hearing)

in the matter of Case No. 3608 being reopened pursuant to the provisions of Order No. R-3282, which order established temporary rules for the Carlsbad Permo-Penn Gas Pool, Eddy County, New Mexico, including a provision for 640-acre spacing. All interested parties may appear and show cause why said pool should not be developed on 320-acre spacing units.

CASE 5265: Application of David Fasken for an unorthodox location and a non-standard proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox gas well location of a well to be drilled to the Morrow formation at a point 1664 feet from the North line and 660 feet from the East line of Section 1, Township 21 South, Range 26 East, Eddy County, New Mexico. Applicant further seeks approval for a 281.3-acre non-standard proration unit for said well comprising all of Lots 1 through 8 of said Section 1.

CASE 5266: Application of David Fasken for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location for a well to be drilled to the Morrow formation at a point 1300 feet from the South and West lines of Section 29, Township 20 South, Range 25 East, Cemetery-Morrow Gas Pool, Eddy County, New Mexico, the S/2 of said Section 29 to be dedicated to the well.

CASE 5267: Application of Mark Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 1, Township 18 South, Range 26 East, Atoka-Pennsylvanian Pool, Eddy County, New Mexico, to be dedicated to a well to be drilled at an orthodox location 990 feet from the South and East lines of said Section 1. Also to be considered will

(Case 5267 continued from Page 1)

be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5268: Application of Anadarko Production Company, General American Oil Company of Texas and Shenandoah Oil Corporation for four waterflood projects, Eddy County, New Mexico. Applicants, in the above-styled cause, seek authority to institute four cooperative waterflood projects by the injection of water into the Grayburg-San Andres formation in Township 17 South, Range 30 East, Grayburg-Jackson Pool, Eddy County, New Mexico as follows:

Project No. 1: Anadarko's Loco Hills "A" Federal lease by the conversion of four wells in Sections 10 and 15 to water injection;

Project No. 2: Anadarko's Loco Hills "B" Federal lease by the conversion of three wells in Section 9;

Project No. 3: General American Parke "F" lease by the conversion of one well in Section 10;

Project No. 4: Shenandoah's Parke "B" lease by the conversion of two wells in Section 15.

CASE 5269: Application of Union Oil Company of California for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Estacado Unit Area comprising 1280 acres, more or less, of State and fee lands in Township 14 South, Range 35 East, Lea County, New Mexico.

CASE 5270: Application of Texaco Inc. for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying all of Section 33, Township 24 South, Range 26 East, White City-Pennsylvanian Gas Pool, Eddy County, New Mexico, to be dedicated to applicant's White City Com. Well No. 1 in Unit F of said Section 33.

CASE 5271: Application of Merrion & Bayless for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the W/2 of Section 13, Township 24 North, Range 6 West, Rio Arriba County, New Mexico, to be dedicated to a well to be drilled at a standard location for said unit in Unit F of said Section 13. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5107:

In the matter of the hearing called by the Federal Election Commission on its own motion to consider the institution of gas price-fixing in the United States, the Commission has received information from the Federal Reserve Board, the Federal Reserve Bank of New York, and the Federal Reserve Bank of Chicago, that the gas industry is engaged in a concerted effort to fix prices and to restrict production of gas in the United States. The Commission is of the opinion that such conduct is in violation of the Federal Election Campaign Act, and it is hereby ordered that the gas industry be prohibited from engaging in such conduct.

CASE 5108:

In the matter of the hearing called by the Federal Election Commission on its own motion to consider the institution of gas price-fixing in the United States, the Commission has received information from the Federal Reserve Board, the Federal Reserve Bank of New York, and the Federal Reserve Bank of Chicago, that the gas industry is engaged in a concerted effort to fix prices and to restrict production of gas in the United States. The Commission is of the opinion that such conduct is in violation of the Federal Election Campaign Act, and it is hereby ordered that the gas industry be prohibited from engaging in such conduct.

Respectfully submitted,
John Edgar Hoover, Director, Federal Bureau of Investigation

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John Edgar Hoover, Director, Federal Bureau of Investigation

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John Edgar Hoover, Director, Federal Bureau of Investigation

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John Edgar Hoover, Director, Federal Bureau of Investigation

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John Edgar Hoover, Director, Federal Bureau of Investigation

CASE 4745: (Reopened)

In the matter of Case No. 4745 being reopened pursuant to the provisions of Order No. 8-4881, which order established temporary rules for the Humble Oil-Refining Corp., New Haven, New Mexico. All interested parties may appear and show cause why said rules should not be rescinded or amended.

CASE 4746: (Reopened)

In the matter of Case No. 4746 being reopened pursuant to the provisions of Order No. 8-4881, which order established temporary rules for the Crosby-Russellman Associated Inc., Los Angeles, New Mexico. All interested parties may appear and show cause why said rules should not be rescinded.

CASE 5110: (Continued from January 16, 1954)

In the matter of the hearing called by the Federal Election Commission on its own motion to consider the institution of gas price-fixing in

(Case 5110 continued from Page 3)

the Washington Ranch-Morrow Gas Pool, Eddy County, New Mexico, to provide for fixing the total allowable natural gas production from said pool to an amount equal to reasonable market demand and to the capacity of the gas transportation facilities. Also to be considered will be the adoption of special rules and regulations for said pool including a provision for allocating the allowable production among the wells in the pool. NOTE: This case will be continued to the first Examiner Hearing in January, 1975.

CASE 5274: Southeastern nomenclature case calling for the creation, abolishment, and extension of certain pools in Lea, Eddy, and Chaves Counties, New Mexico.

(a) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the Black River-Wolfcamp Gas Pool. The discovery well is Amoco Production Company Herren Federal Gas Com Well No. 1 located in Unit K of Section 7, Township 24 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 27 EAST, NMPM
Section 7: SW/4

(b) Create a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the Cooper-Morrow Gas Pool. The discovery well is the El Paso Natural Gas Company Cooper Federal Well No. 1 located in Unit F of Section 21, Township 24 South, Range 36 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPM
Section 21: N/2

(c) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Malaga-Morrow Gas Pool. The discovery well is Phillips Petroleum Company Malaga A Well No. 1 located in Unit L of Section 2, Township 24 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 28 EAST, NMPM
Section 2: W/2

(d) Abolish the Bell Lake-Pennsylvanian Gas Pool in Lea County, New Mexico, described as:

TOWNSHIP 23 SOUTH, RANGE 33 EAST, NMPM
Section 36: SE/4

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 30: All
Section 31: All

(Case 5274 continued from Page 4)

TOWNSHIP 24 SOUTH, RANGE 33 EAST, NMPM
Section 1: NE/4

TOWNSHIP 24 SOUTH, RANGE 34 EAST, NMPM
Section 6: NW/4

(e) Create a new pool in Lea County, New Mexico, classified as a gas pool for Atoka production with a provision for 160-acre spacing units and designated as the Bell Lake-Atoka Gas Pool. The discovery well is the Continental Oil Company Bell Lake Unit Well No. 2 located in Unit N of Section 30, Township 23 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 30: SW/4

(f) Create a new pool in Lea County, New Mexico, classified as a gas pool for Atoka production and designated as the South Bell Lake-Atoka Gas Pool. The discovery well is the Continental Oil Company Bell Lake Unit 1 Well No. 4 located in Unit F of Section 6, Township 24 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 34 EAST, NMPM
Section 6: W/2

(g) Create a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production with a provision for 160-acre spacing units and designated as the South Bell Lake-Morrow Gas Pool. The discovery well is the Continental Oil Company Bell Lake State 3 Well No. 5 located in Unit G of Section 1, Township 24 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 33 EAST, NMPM
Section 36: SE/4

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 31: SW/4

TOWNSHIP 24 SOUTH, RANGE 33 EAST, NMPM
Section 1: NE/4

(h) Extend the North Bagley-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 12 SOUTH, RANGE 33 EAST, NMPM
Section 6: NE/4

- (i) Extend the Black River-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM
Section 12: SW/4

- (j) Extend the Burton Flat-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM
Section 27: N/2

- (k) Extend the Cabin Lake-Strawn Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM
Section 11: W/2 NE/4

- (l) Extend the Cemetary-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM
Section 8: All

- (m) Extend the North Dagger Draw-Upper Pennsylvanian Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM
Section 17: N/2

- (n) Extend the Eagle Creek-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 25 EAST, NMPM
Section 13: W/2 SW/4
Section 28: SW/4
Section 29: S/2

- (o) Extend the Hat Mesa-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPM
Section 10: E/2
Section 11: W/2

- (p) Extend the Loco Hills Queen-Grayburg-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM
Section 23: NE/4 NE/4

(q) Extend the Red Lake-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM
Section 18: N/2

(r) Extend the Rocky Arroyo-Canyon Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 22 EAST, NMPM
Section 4: S/2
Section 5: S/2

(s) Extend the Townsend-Strawn Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
Section 9: N/2 and SE/4

(t) Extend the Twin Lakes-San Andres Pool in Chaves County, New Mexico, to include therein:

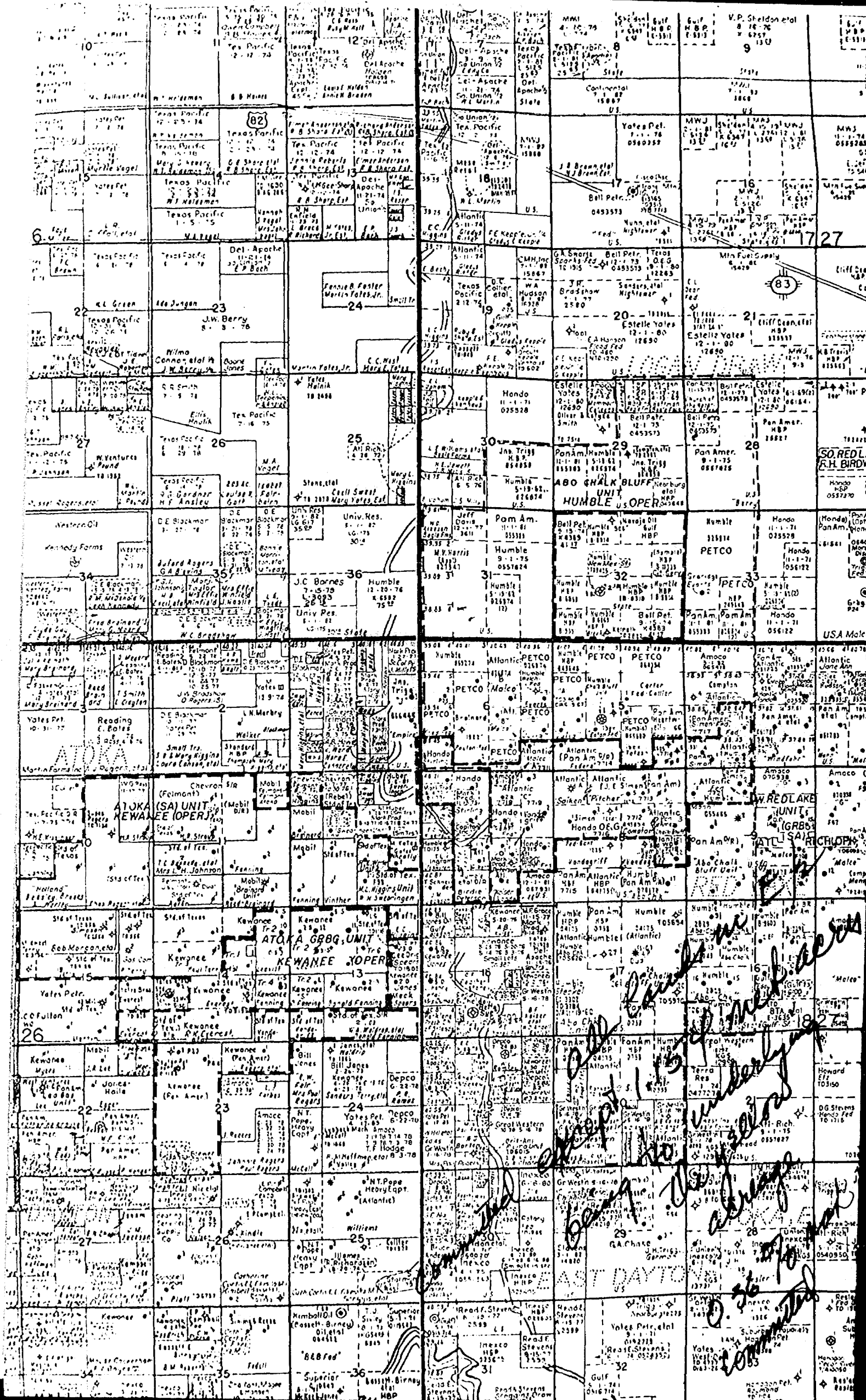
TOWNSHIP 8 SOUTH, RANGE 28 EAST, NMPM
Section 36: SW/4 SE/4

(u) Extend the North Vacuum-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM
Section 16: SE/4

(v) Extend the Vada-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 33 EAST, NMPM
Section 11: NW/4



AUTHORITY FOR EXPENDITURE
MARK PRODUCTION COMPANY - #1 FEDERAL "B"
ATOKA (PENN) FIELD
E/2 SECTION 1, T-18-S, R-26-E
EDDY COUNTY, NEW MEXICO

ESTIMATED COST TO CASING POINT:

Survey and stake	\$ 200
Road and location	8,000
Surface damages and clean up	2,000
Drilling: Footage - 9600' @ \$13.35	128,160
Daywork - 4 days @ \$2,500	10,000
- 1 day @ \$2,400	2,400
Sample logging unit - 14 days @ \$140	1,960
Cement and cementing services	6,130
Conduction pipe - 200' of 16" @ \$12.29	2,458
Surface casing - 2000' of 8-5/8" @ \$9.00	18,000
Mud and chemicals and brine	25,500
Drillstem tests - 3 @ \$1,350	4,050
Geological services	900
Drilling overhead	1,450
Production supervision	1,050
Logging	5,700
Legal services	3,750
Equipment rental	1,000
Welding	300
Travel Expense	450
Trucking	1,800
New Mexico Tax @ 4%	9,010

\$234,268

ESTIMATED COMPLETION COSTS:

Producing casing - 9700' of 4-1/2" @ \$7.00	67,900
Cement and cementing services	5,000
Corrolation log and perforating	2,425
Temperature survey and BHP	400
Treating	6,833
Equipment rental	750
Welding	400
Completion unit	3,000
Tubing - 9600' of 2-3/8" @ \$2.50	24,000
Float equipment and centralizers	850
Packer	1,550
Tank battery and flow lines	10,000
Wellhead	5,478
Stakpack - 750 BTU	13,200
Completion overhead and supervision	2,100
Roustabout work, lines and connections	3,750
Legal services	500
Miscellaneous	1,000
Rig anchors	213
Safety control valves	1,460
Travel Expense	400
Dehydrator	9,200
Trucking	2,100
New Mexico Tax @ 4%	6,500

169,009

TOTAL

\$403,277

BEFORE EXAMINER'S SIGNATURE
OIL CONSERVATION
MARK PRODUCTION COMPANY EXHIBIT NO. 5
CASE NO. 5262

APPROVED:

COMPANY: _____

MARK PRODUCTION COMPANY

BY: _____

BY: _____

DATE: _____

DATE: _____

Nelson Collier
1605 Bixby
Ardmore, Okla. 73401

Mark Production Company
330 Citizens Bank Building
Tyler, Texas 75701

Attention: Mr. Curtis W. Mewbourne

Gentlemen:

I wish to acknowledge receipt of your letter of February 6, 1974, relative to lease in Section 1, T-18-S, R-26-E, Eddy County, New Mexico.

Since you state in previous letters that I am the only interest not under lease in this section, and am holding up drilling action Mark Production Co. wishes to take in this area, I will conclude a lease specifying $\frac{1}{2}$ (one-half) royalty interest, (no cash bonus), covering my small holding.

As you have stated in your letters, my fractional interest is of no significant financial value. Therefore, the type lease requested above would not now or later be any financial burden to Mark Production Co.

Yours truly,

Nelson Collier

Nelson Collier

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
mark P.	EXHIBIT NO. 6
CASE NO. 5267	

February 6, 1974

Mr. Nelson Collier
1605 Bixby
Ardmore, Oklahoma 73401

Dear Mr. Collier:

We would appreciate hearing from you as to what terms you would accept in a lease in Section 1, T-18-S, R-26-E, Eddy County, New Mexico. Mark Production Company is prepared to drill a well in the very near future if we can conclude the leasing of your ownership.

Our records show you to own 1/80th of the minerals in six small tracts. We would certainly appreciate it if you would contact us either by a collect telephone call or by mail, so that we might conclude an oil and gas lease which is acceptable to you.

Very truly yours,

Curtis W. Mewbourne

CWM:Bjd

December 27, 1973

Mr. Nelson Collier
1605 Bixby
Ardmore, Oklahoma 73401

Dear Mr. Collier:

We would like to have your cooperation in concluding the leasing activity in the area on which we have furnished you an Oil and Gas Lease. We would like to begin preparations for the drilling of a well and would like to obtain some agreement from you on the Oil and Gas Lease.

We realize that it is a small interest and of minor economic value to you, but your cooperation would enable us to move forward to drill a well, which would benefit you and the other members of your family.

Please let us hear from you regarding the terms under which you will execute the Oil and Gas Lease we have furnished you. Either call us collect or write us here at this office, whichever you prefer. We would appreciate hearing from you.

Very truly yours,

Curtis W. Mewbourne

Bjd

C O P Y

November 1, 1973

Mr. Nelson Collier
1605 Bixby
Ardmore, Oklahoma 73401

Dear Mr. Collier:

I would like to ask you to reconsider your decision about executing the Oil and Gas Lease in Section 1, T-18-S, R-26-E, Eddy County, New Mexico. I can certainly appreciate that such a small interest does not seem such a large sum of money, but we are proceeding to make plans to drill a well in Section 1 and would like to ask your cooperation in concluding the leasing matters.

Your interest of 1/80th in the six lots represents only a very small portion, but, nonetheless, it is delaying the preparations for drilling the well. We have leases from the other members of the family and their heirs as well as the Swearingen Group, and we certainly hope that you will consent to giving us a lease on your interest.

I would be pleased to discuss this matter with you by telephone or in person if it will be any help in your decision.

Very truly yours,

Curtis W. Newbourn

CWM:Bjd

Attachments

MARK PRODUCTION COMPANY

CURTIS W. MEWBOURNE
PRESIDENT

330 CITIZENS BANK BUILDING
TYLER, TEXAS 75701
TELEPHONE (214) 597-3551

October 23, 1973

Mr. Nelson Collier
1605 Bixby
Ardmore, Oklahoma 73401

Dear Mr. Collier:

The attached Oil and Gas Lease and bank draft represent your interest in Section 1, T-18-S, R-26-E, Eddy County, New Mexico. We have previously leased the other members of the Swearingen group and their heirs and relatives. We would appreciate your executing the lease, having it acknowledged on the back side, and attaching it to the draft which should be placed in your bank for collection. We have also attached an extra copy of the lease for your files.

Your interest in the subject acreage is very small, and we would appreciate your cooperation in executing this lease.

Very truly yours,

Curtis W. Mewbourne

Curtis W. Mewbourne

CWM:Bjd

Attachments

Ardmore, Oklahoma
October 26, 1973

Gentlemen:

I wish to acknowledge receipt of above letter, with attachments, which are inclosed, unsigned.

I have not signed any lease for several years with 1/8 royalty interest, and would not at present sign a lease any where at less than 1/4 royalty interest. This is not to say that I would sign this particular lease even at 1/4 royalty interest at this time. Frankly, I cannot say at the moment just what my requirements would be. Thank you anyway for your interest.

Nelson Collier
Nelson Collier

OIL AND GAS LEASE

THIS AGREEMENT made this 22nd day of October, 1973, betweenNELSON COLLIERLessor (whether one or more), whose address is: 1605 Bixby, Ardmore, Oklahoma 73401and MARK PRODUCTION COMPANY

Lessee, WITNESSETH:

1. Lessor in consideration of TEN AND NO/100 Dollars(\$10.00) in hand paid, of the royalties herein provided and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil and gas, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land inEddy County, New Mexico, to-wit:Township 18 South, Range 26 East, N.M.P.M.Section 1: Tracts 213, 215, 216, 222, 243, 249, said Tracts being out of the Fairchild Farm Land as recorded in plat records of theCounty Clerk of Eddy County, New Mexico.

2. Without reference to the commencement, production or cessation at any time of drilling or other development operations and/or to the discovery, development or cessation at any time of production of oil or gas and without further payments than the royalties herein provided, and notwithstanding anything else herein contained to the contrary, this lease shall be for a term of five years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or land with which said land is pooled hereunder.

3. The royalties to be paid by Lessee, are: (a) on oil, one-eighth of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land, and sold, or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of one-eighth of the gas so sold or used, provided that on gas sold at the wells the royalty shall be one-eighth of the amount realized from such sale; while there is a gas well on this lease or on acreage pooled therewith but gas is not being sold or used, Lessee may pay or tender as royalty, on or before ninety (90) days after the date on which said well is shut in and thereafter at annual intervals the sum of \$1.00 per acre, and if such payment is made or tendered, this lease shall not terminate and it will be considered that gas is being produced from this lease in paying quantities. Payment or tender of said shut-in gas royalty may be made by the check or draft of Lessee mailed or delivered to the parties entitled thereto on or before the date said payment is due. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease, or any portion thereof as to oil and gas, or either of them, with other land, lease or leases in the immediate vicinity thereof to the extent, hereinafter stipulated, when in Lessee's judgment it is necessary or advisable to do so in order properly to explore, or to develop and operate said leased premises in compliance with the spacing rules of the New Mexico Oil Conservation Commission, or other lawful authority or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of 10% thereof, provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, units thereafter created may conform substantially in size with those prescribed by governmental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this lease, or any portion thereof as above provided as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing and designating the pooled acreage as a pooled unit. Lessee may at its election exercise its pooling option after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or lease upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on or production of oil or gas from any part of the pooled unit which includes all or a portion of the land covered by this lease regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument or the instrument designating the pooled unit, shall be considered as operations for drilling on or production of oil or gas from land covered by this lease whether or not the well or wells be located on the premises covered by this lease, and the entire acreage constituting such unit or units, as to oil and gas, or either of them, as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them, shall be entitled on production of oil and gas, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit a pro rata portion of the oil and gas, or either of them, produced from the pooled unit after deducting that used for operations on the pooled units. Such allocation shall be on an acreage basis—that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit that pro rata portion of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this lease and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land. The production from an oil well will be considered production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. In addition to the foregoing, Lessee at its option is hereby given the right and power from time to time to commit said land or any part or formation or mineral substance covered hereby to any cooperative or unit agreement or plan of development and operation, and to any modifications thereof, which have been approved by the New Mexico Oil Conservation Commission or other lawful governmental authority. In such event, the royalty payable to Lessor hereunder shall be computed and paid on the basis of the oil or gas allocated to such land under the terms of any such agreement or plan of operation, which basis shall be the same by which the royalty due the United States or the State of New Mexico is computed and paid. This lease shall not expire during the life of such agreement or plan and shall be subject to the terms thereof and said agreement or plan of operation shall be filed with the New Mexico Oil Conservation Commission, or other lawful authority, and Lessee shall record in the County in which the leased premises are situated, an instrument describing such agreement or plan of operation and reflecting the commitment thereto, and the same may be recorded either before or after the completion of wells.

5. If at the expiration of the primary term oil or gas is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary term, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas so long thereafter as oil or gas is produced from said land, or from land pooled therewith. If, after the expiration of the primary term of this lease and after oil or gas is produced from said land, or from land pooled therewith, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith. Any pooled unit designated by Lessee in accordance with the terms hereof, may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the leased premises are situated at any time after the completion of a dry hole or the cessation of production on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within 660 feet of and draining the lease premises, or land pooled therewith, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances. Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

6. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet of any residence or barn now on said land without Lessor's consent.

7. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

8. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or revision of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil or gas in paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas in paying quantities.

9. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil or gas on, in or under said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

Nelson Collier

Lessor

Lessee

LONG DISTANCE

TELEPHONE CALLS

DATE	CITY CALLED	AREA CODE	FIRM CALLED	PERSON ASKED FOR	PERSON CALLING	Time Placed	Time Started	Time Finished	Elapsed Time (Minutes)	Charges	DATE PAID	MISCELLANEOUS
10/17/75	Little Rock, Arkansas	316	MacCluskey Insurance		SLP	11:03		1:00	SLP			267-5543
	Seaside, N.J.	525	Electric Insurance		SLP	10:07		1:00	SLP			271-6283
	Little Rock	915	Kennedy	Phon.	SLP	3:06			SLP			563-1458
	Little Rock	405	Johnson & Co.		SLP	3:05			SLP			203-2485
	Little Rock	915	Barker, D.H.	EC Barker	SLP	3:40			SLP			612-5396
	Little Rock	814	Franklin & Howard	John Brey	SLP	4:15			SLP			363-7651
10/22	Roanoke	525	Wall-Randolph	Reggie	SLP	4:30			SLP			363-2442
10/23	Midland	915	Lucas	TEN	SLP				SLP			684-4411
	"	915	Ment	TEN	SLP				SLP			682-4871
	"	915	"	" & Muts	SLP				SLP			682-4871
	St. Anne, Ark.	501	Ant. Best Corp	Rexford	SLP				SLP			682-4871
	Roanoke, NM	505	Wanigan & Co.	Bill Stork	SLP				SLP			785-6000
	Albuquerque	915	Pit. Exploration	Robert Day	SLP				SLP			622-8762
	Roanoke, NM	505	Lib. Oil	Joe Kelly	SLP				SLP			677-3133
	Midland	915	Gas & Oil	Burke	SLP				SLP			623-3190
	"	915	Williamson, M. & Co.	T. Kind	SLP				SLP			682-1616
10/24	El Paso, NM	515	Adair & Cunningham	TEN	SLP				SLP			274-6285
10/29	Midland	915		TEN	SLP				SLP			682-4871
	Roanoke	505	Union Oil	Henry	SLP				SLP			622-8762
	"	"	"	"	SLP				SLP			"
	Midland	915	Barker & Co.	Barker	SLP				SLP			682-8296
	"	"	Wanigan & Co.	Wanigan	SLP				SLP			683-3306
	Albuquerque	"	Pat. Exp.	Pat.	SLP				SLP			677-2123
	Albuquerque	314	Henry & Co.	Henry	SLP				SLP			743-4437
	"	"	Henry & Co.	Henry	SLP				SLP			528-4566
	"	"	Henry & Co.	Henry	SLP				SLP			641-9141

February 6, 1974

Mr. Robert A. Brown
Fletcher, Oklahoma 73541

Dear Mr. Brown:

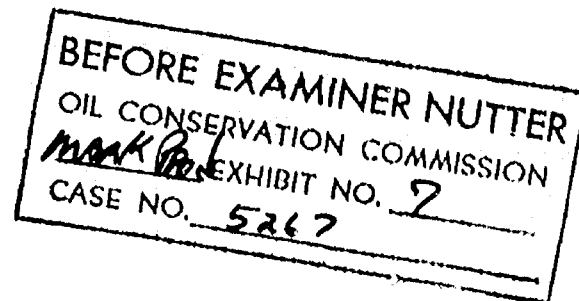
We have previously furnished you an oil and gas lease covering your 1/80th interest in six small tracts in Section 1, T-18-S, R-26-E, Eddy County, New Mexico. We have attempted to telephone you and also to contact you by mail without results.

We would appreciate your reviewing the oil and gas lease, and if it is acceptable to you, please execute it before a notary public and place the bank draft in your bank for collection. If you have any question whatsoever regarding this lease, please telephone our office collect or contact us by mail.

Very truly yours,

Curtis W. Newbourn

CWM:Bjd



TELEPHONE CALLS

[illegible]

December 27, 1973

Mr. Robert A. Brown
Fletcher, Oklahoma 73541

Dear Mr. Brown:

We are attempting to conclude the leasing in the area which we have contacted you regarding an Oil and Gas Lease. We have leases for virtually all of the members of your family, and we would appreciate your executing the Oil and Gas Lease which we have furnished you before a notary and placing the bank draft in your bank for collection.

We realize that it is a small interest, but we would certainly appreciate your cooperation in concluding this matter so that we might move forward to making plans for the drilling of a well.

We hope that your Christmas was a wonderful one, and we wish you the best in 1974.

Very truly yours,

Curtis W. Newbourne

Bjd

C O P Y

November 28, 1973

Mr. Robert A. Brown
Fletcher, Oklahoma 73541

Dear Mr. Brown:

In the latter part of October, we mailed you an Oil and Gas Lease with a bank draft attached covering your interest in Section 1, T-18-S, R-26-E, Eddy County, New Mexico. We have not heard from you regarding this lease and have been unable to reach you by telephone. The purpose of this letter is to be sure that you received our earlier correspondence.

We would appreciate your executing the original lease before a notary and placing the bank draft, with the executed lease attached, in your bank for collection.

Should you have any questions regarding this matter, please call us.

Very truly yours,

Curtis W. Mawbourne

Bjd

LONG DISTANCE

TELEPHONE CALLS

DATE	CITY CALLED	AREA CODE	FIRM CALLED	PERSON ASKED FOR	PERSON CALLING	Time Placed	Time Started	Time Finished	Elapsed Time (Minutes)	Charges	DATE PAID	MISCELLANEOUS
11/16	Middleland	915		TEN				Fed A #1				682-4871
	Medline	915	Petlog	Medline								617-2123
	Middleland	915	Mark	TEN								682-2984
11/19	Middleland	915	A. B. Waring		Bye			Fed A #1				682-4871
	Cooking, Inc	814	W. P. Brandon		Bye							943-4573
11/20	Middleland	913	MACPET	Belt	Cum			Cum OIA				621-9292
	Middleland	915		TEN	"			Fed A #1				682-4871
	Revere	303	Young Remanual	Revere	"			McDonald				778-7171
	Revere	214	Chas. Brown		Bye			GTA				528-9560
	Stetson	405		Pat Collins	Cum			Pat Collins				549-6454
	Lincoln	806		Legatita Meyer	"							352-2412
	Stetson	405		Pat Collins	"							549-6421
	Revere	913	MACPET	Walt. Belt	"			Cum OIA				621-9292
11/21	Middleland			TEN				Fed A #1				
	"	915	Mass	Northrup				McDonald				683-5391
	Revere	713	Revere	Joe Revere								227-4371
	"	713	Clinical Oil-Revere	Joe Revere								688-6371
11/23	Middleland	915	D. Metts		Cum			McDonald				682-2984
11/26	Middleland	516	Sumner	Cum	"			2nd A				393-5905
	Middleland	915	Stet. Station	TEN	"			2nd A				683-1651
	Shenoy	318	Wisconsin Oil	Shenoy	"			Shenoy				969-3111
	Revere	505	Revere Oil	Shenoy	"			Shenoy				622-8742
	Stetson	918	Stet. Station	Stetson	"			Stetson				767-3468
	Revere	913	Revere	Revere	"			Revere				226-1611

C O P Y

October 23, 1973

Mr. Nelson Collier
1605 Bixby
Ardmore, Oklahoma 73401

Dear Mr. Collier:

The attached Oil and Gas Lease and bank draft represent your interest in Section 1, T-18-S, R-26-E, Eddy County, New Mexico. We have previously leased the other members of the Swearingen group and their heirs and relatives. We would appreciate your executing the lease, having it acknowledged on the back side, and attaching it to the draft which should be placed in your bank for collection. We have also attached an extra copy of the lease for your files.

Your interest in the subject acreage is very small, and we would appreciate your cooperation in executing this lease.

Very truly yours,

Curtis W. Mawbourne

CWM:Bjd

Attachments

SAME LETTER TO: Robert A. Brown ✓

OIL AND GAS LEASE

THIS AGREEMENT made this 22nd day of October, 1973, between
ROBERT A. BROWN

Lessor (whether one or more), whose address is Fletcher, Oklahoma 73541
and MARK PRODUCTION COMPANY Lessee, WITNESSETH:

1. Lessor in consideration of TEN AND NO/100 Dollars (\$10.00) in hand paid, of the royalties herein provided and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil and gas, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in Eddy County, New Mexico to-wit:

Township 18 South, Range 26 East, N.M.P.M.

Section 1: Tracts 213, 215, 216, 222, 243, 249, said Tracts being out of the Fairchild Farm Land as recorded in plat records of the County Clerk of Eddy County, New Mexico.

2. Without reference to the commencement, prosecution or cessation at any time of drilling or other development operations and/or to the discovery, development or cessation at any time of production of oil or gas and without further payments than the royalties herein provided, and notwithstanding anything else herein contained to the contrary, this lease shall be for a term of five years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or land with which said land is pooled hereunder.

3. The royalties to be paid by Lessee, are: (a) on oil, one-eighth of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land, and sold, or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of one-eighth of the gas so sold or used, provided that on gas sold at the wells the royalty shall be one-eighth of the amount realized from such sale; while there is a gas well on this lease or an acreage pooled therewith but gas is not being sold or used, Lessee may pay or tender as royalty, on or before ninety (90) days after the date on which said well is shut in and thereafter at annual intervals the sum of \$1.00 per acre, and if such payment is made or tendered, this lease shall not terminate and it will be considered that gas is being produced from this lease in paying quantities. Payment or tender of said shut-in gas royalty may be made by the check or draft of Lessee mailed or delivered to the parties entitled thereto on or before the date said payment is due. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease, or any portion thereof as to oil and gas, or either of them, with other land, lease or leases in the immediate vicinity thereof to the extent, hereinafter stipulated, when in Lessee's judgment it is necessary or advisable to do so in order properly to explore, or to develop and operate said leased premises in compliance with the spacing rules of the New Mexico Oil Conservation Commission, or other lawful authority or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of 10% thereof, provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, units thereafter created may conform substantially in size with those prescribed by governmental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this lease, or any portion thereof as above provided as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing and designating the pooled acreage as a pooled unit. Lessee may at its election exercise its pooling option after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on or production of oil or gas from any part of the pooled unit which includes all or a portion of the land covered by this lease regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument or the instrument designating the pooled unit, shall be considered as operations for drilling on or production of oil or gas from land covered by this lease whether or not the well or wells be located on the premises covered by this lease, and the entire acreage constituting such unit or units, as to oil and gas, or either of them, as herein provided, shall be treated for all purposes, except the payment of royalties and payments out of production and each of them, shall be entitled on production of oil and gas, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit a pro rata portion of the oil and gas, or either of them, produced from the pooled unit after deducting that used for operations on the pooled units. Such allocation shall be on an acreage basis—that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit that pro rata portion of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this lease and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land. The production from an oil well will be considered production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit, and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. In addition to the foregoing, Lessee at its option is hereby given the right and power from time to time to commit and land for any part or portion of mineral substance covered hereby to any cooperative or unit agreement or plan of development and operation, and to any modifications thereof, which have been approved by the New Mexico Oil Conservation Commission or other lawful governmental authority. In such event, the royalty payable to Lessor hereunder shall be computed and paid on the basis of the oil or gas allocated to such land under the terms of any such agreement or plan of operation, which basis shall be the same by which the royalty due the United States or the State of New Mexico is computed and paid. This lease shall not expire during the life of such agreement or plan and shall be subject to the terms thereof and said agreement or plan of operation shall be filed with the New Mexico Oil Conservation Commission, or other lawful authority, and Lessee shall record in the County in which the leased premises are situated, an instrument describing such agreement or plan of operation and reflecting the commitment thereto, and the same may be recorded either before or after the completion of wells.

5. If at the expiration of the primary term oil or gas is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary term, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas so long thereafter as oil or gas is produced from said land, or from land pooled therewith. If, after the expiration of the primary term of this lease and after oil or gas is produced from said land, or from land pooled therewith, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith. Any pooled unit designated by Lessee in accordance with the terms hereof, may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the leased premises are situated at any time after the completion of a dry hole or the cessation of production on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within 660 feet of and draining the lease premises, or land pooled therewith, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances. Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

6. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet of any residence or barn now on said land without Lessor's consent.

7. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

8. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or revision of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil or gas in paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas in paying quantities.

9. Lessee hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil or gas on, in or under said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

Robert A. Brown

Lessor

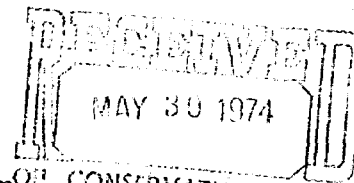
Lessee

JASON W. KELLAHIN
ROBERT E. FOX
W. THOMAS KELLAHIN

KELLAHIN AND FOX
ATTORNEYS AT LAW
500 DON GASPAR AVENUE
POST OFFICE BOX 1769
SANTA FE, NEW MEXICO 87501

TELEPHONE 982-4315
AREA CODE 505

May 24, 1974



Oil Conservation Commission
of New Mexico
P. O. Box 2008
Santa Fe, New Mexico 87501

Case 5267

Re: Mark Production Company
Application

Gentlemen:

I am enclosing the original and two copies
of the application of Mark Production Company
for compulsory pooling in Eddy County, New Mexico.

Please set for hearing for July 10, 1974.

Very truly yours,

W. T. Kellahin
W. Thomas Kellahin

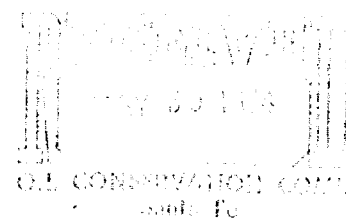
WTK:ks

Enclosure

cc: Mark Production
w/ encls.

DOCKET MAILED

Date 6-27-74



BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF MARK PRODUCTION COMPANY FOR
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

Case No. 5267

A P P L I C A T I O N

COMES NOW MARK PRODUCTION COMPANY, and as provided
by Section 65-3-14, New Mexico Statutes 1953, as amended,
applies to the Oil Conservation Commission of New Mexico
for an order pooling all the mineral interests in and
under the E/2 of Section 1, Township 18 South, Range 26
East, N.M.P.M., Eddy County, New Mexico and in support
thereof would show the Commission:

1. Applicant is a working interest owner in the
E/2 of Section 1, Township 18 South, Range 26 East, Eddy
County, New Mexico.

2. Applicant has obtained voluntary agreement for
pooling from all but the following:

- Send
to
Fletcher*
- (a) Robert A. Brown
General Delivery
Fletcher, Oklahoma 73541
 - (b) Nelson Collier
1605 Bixby
Ardmore, Oklahoma 73401
- 572 net acres*
572 net acres
DOCKET MAILED
6-27-54

That each nonconsenting interest owner has 1/80th
interest underlying Tract 213, 215, 216, and 222
each of which contains five acres more or less
within the unsurveyed area of the Fairchild Farm
land.

3. As required by the provisions of Commission Rule 104, applicant proposes to dedicate the E/2 of Section 1, Township 18 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, to the well.

4. Applicant requests that it be designated operator of the pooled unit requested above.

5. Applicant proposes to drill a well to test the Atoka-Pennsylvanian Pool at an orthodox well location 990 feet from the South line and 990 feet from the East line in Section 1, Township 18 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

6. Applicant has been unable to obtain voluntary agreement for the pooling of the unpooled interests indicated in paragraph 2 above, and in order to avoid the drilling of unnecessary wells, to protect correlative rights, and to prevent waste, the Commission should pool all interests in the spacing or proration unit as a unit.

WHEREFORE, applicant respectfully requests that the Commission set this matter for hearing before the Commission's duly appointed examiner, and that after notice and hearing as required by law the Commission enter its order pooling all interest underlying the E/2 of Section 1, Township 26 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, and designating applicant operator of the pooled unit, together with provision for applicant to recover its costs out of production including a risk factor to be determined by the Commission and with provisions for the

the payment of operating costs and costs of supervision
out of production to be allocated among the owners as
their interest may appear and for further orders as may
be proper in the premises.

Respectfully submitted,

MARK PRODUCTION COMPANY

BY



KELLAHIN & FOX

P. O. Box 1769

Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

dr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5267

Order No. R-

X-4831

APPLICATION OF MARK PRODUCTION COMPANY
FOR COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 10, 1974
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter

NOW, on this _____ day of July, 1974, the Commission
a quorum being present, having considered the testimony, the record
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That the applicant, Mark Production Company,
seeks an order pooling all mineral interests in the
Pennsylvanian formation underlying the E/2
of Section 1, Township 18 South, Range 26 East,
NMPM, Atoka-Pennsylvanian Pool, Eddy County, New
Mexico.

(3) That the applicant has the right to drill and proposes to drill a well ~~at a location~~ at a location 990 feet from the South line and 990 feet from the East line of said Section 1.

(4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(6) That the applicant should be designated the operator of the subject well and unit.

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional ~~200 percent~~ thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

-3-
Case No.
Order No. R

(11) That \$175 per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before November 1, 1974, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the E/2 of Section 1, Township 18 South, Range 26 East, NMPM, Atoka-Pennsylvanian Pool, Eddy County, New Mexico, are hereby pooled to form a standard 320 acre gas spacing and proration unit to be dedicated to a well to be drilled at ~~an~~ location 990 feet from the South line and 990 feet from the East line of said Section 1.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of November, 1974, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of November, 1974, Order (1) of this order shall be null and void and of no effect whatsoever;

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(11) That \$175 per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable attributable to each non-consenting working interest.

(12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before November 1, 1974, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the E/2 of Section 1, Township 18 South, Range 26 East, NMPM, Atoka-Pennsylvanian Pool, Eddy County, New Mexico, are hereby pooled to form a standard 320 acre gas spacing and proration unit to be dedicated to a well to be drilled at a ~~location~~ location 990 feet from the South line and 990 feet from the East line of said Section 1.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of November, 1974, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of November, 1974, Order (1) of this order shall be null and void and of no effect whatsoever;

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Commission and show cause why Order (1) of this order should not be rescinded.

(2) That Mark Production Company is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and ^{within} ~~at least~~ 30 days prior to commencing said well, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Commission and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided

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above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 200% of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$175 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

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

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

(13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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