

Case Number

6031

Application

Transcripts.

Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
September 14, 1977

EXAMINER HEARING

IN THE MATTER OF:

Application of Rex Alcorn for
compulsory pooling, Lea County,
New Mexico.

CASE
6031

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil	Lynn Teschendorf, Esq.
Conservation Commission:	Legal Counsel for the Commission
	State Land Office Building
	Santa Fe, New Mexico
For Rex Alcorn:	William F. Carr, Esq.
	CATRON, CATRON & SAWTELL
	Attorneys at Law
	53 Old Santa Fe Trail
	Santa Fe, New Mexico
For Mesa Petroleum Company:	Clarence E. Hinkle, Esq.
	HINKLE, COX, EATON, COFFIELD, &
	HENSLEY,
	Attorneys at Law
	Hinkle Building
	Roswell, New Mexico

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

I N D E X

2		<u>Page</u>
3	1. Appearances	1
4	2. The Witness, Mr. Rex Alcorn	
5	Direct Examination by Mr. Carr	4
6	Cross Examination by Mr. Hinkle	18
7	Witness Excused	19
8	3. The Witness, Mr. Dennis E. Crowley	
9	Direct Examination by Mr. Hinkle	20
10	Cross Examination by Mr. Carr	25
11	Cross Examination by Mr. Stamets	29
12	Witness Excused	30
13	4. Closing Statement by Mr. Carr	30
14	5. Closing Statement by Mr. Hinkle	31
15	6. Reporter's Certificate	33
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

sid morrish reporting service
General Court Reporting Service
 825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
 Phone (505) 982-9212

EXHIBIT INDEX

	<u>Page</u>
1	
2	
3	Alcorn's Exhibit No. 1, Form C-101 6
4	Alcorn's Exhibit No. 2, Letter 6
5	Alcorn's Exhibit No. 3, A.F.E. 7
6	Alcorn's Exhibit No. 4, Map 8
7	Alcorn's Exhibit No. 5, Letter 10
8	Alcorn's Exhibit No. 6, Letter 10
9	Alcorn's Exhibit No. 7, Letter 11
10	Alcorn's Exhibit No. 8, Letter 11
11	Alcorn's Exhibit No. 9, Letter 12
12	Alcorn's Exhibit No. 10, Rules of West Knowles Unit 12
13	Alcorn's Exhibit No. 11, Map 13
14	Alcorn's Exhibits Admitted 17
15	Mesa's Exhibit No. 1, Map 22
16	Mesa's Exhibit No. 2, Neutron Porosity Log 22
17	Mesa's Exhibits Admitted 25
18	
19	
20	
21	
22	
23	
24	
25	

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 MR. STAMETS: Call next case, Case Number 6031.

2 MS. TESCHENDORF: Case 6031, application of Rex
3 Alcorn for compulsory pooling and an unorthodox location, Lea
4 County, New Mexico.

5 MR. STAMETS: Call for appearances in this case.

6 MR. CARR: William F. Carr, Catron, Catron & Sawtell,
7 appearing on behalf of Mr. Alcorn.

8 MR. HINKLE: Clarence E. Hinkle, Hinkle, Cox, Eaton,
9 Coffield & Hensley, appearing on behalf of Mesa Petroleum
10 and we will have one witness.

11 MR. CARR: We will have one witness.

12 MR. STAMETS: Will the witnesses please stand and
13 be sworn.

14 (THEREUPON, the witnesses were sworn.)

15
16 REX ALCORN
17 was called as a witness on his own behalf, and having been
18 first duly sworn, testified upon his oath as follows, to-wit:

19
20 DIRECT EXAMINATION

21 BY MR. CARR:

22 Q Will you state your name and place of residence,
23 please?

24 A Rex Alcorn, Roswell, New Mexico.

25 Q Mr. Alcorn, by whom are you employed and in what

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 capacity?

2 A. Self-employed as a geologist.

3 Q. Have you previously testified before the Commission
4 and had your credentials accepted and made a matter of record?

5 A. Yes, many years ago.

6 Q. We will requalify the witness. Would you please
7 summarize for the examiner your educational background and
8 work experience?

9 A. I received a Bachelor of Science Degree from the
10 University of Texas in 1941, and after World War II joined
11 Sun Oil Company as a geologist for fifteen years. The
12 succeeding two years was with a smaller independent and
13 since 1965 I have been self-employed as a geologist in Roswell.

14 Q. Are you familiar with the application in this case?

15 A. Yes.

16 Q. Please state briefly what the applicant seeks?

17 A. Seeks an unorthodox location and compulsory pooling
18 for the location under eighty acres in the West Knowles-
19 Drinkard Field, Lea County.

20 MR. CARR: Are the witness' qualifications
21 acceptable?

22 MR. STAMETS: Your degree in '41 was in geology?

23 A. Yes, sir, Bachelor of Science.

24 MR. STAMETS: Yes, the witness' is considered
25 qualified as a geologist.

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

sid morrison reporting service
 General Court Reporting Service
 825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
 Phone (505) 982-9212

1 Q (Mr. Carr continuing.) Mr. Alcorn, have you
 2 prepared and has there been prepared under your direction
 3 and supervision certain exhibits for introduction in this
 4 case?

5 A Yes.

6 Q I would ask you to refer what has been marked as
 7 Exhibit Number One and explain to the Examiner what it is and
 8 what it shows?

9 A Exhibit Number One is the Commission's Form C-101,
 10 Application for Permit to Drill an oil well to the depth
 11 of approximately eighty-five hundred feet in Section 35,
 12 Township 16 S, Range 37 E, twenty-three hundred ten feet
 13 from the south line and nineteen hundred and eighty feet
 14 from the west side of the section.

15 Q And the second page of that exhibit?

16 A Attached to that is the Commission's Form C-102,
 17 Well Location and Acreage Dedication showing that location
 18 which has been staked for reasons of time.

19 Q I would ask you to refer to what has been marked as
 20 Exhibit Number Two and explain what it is and what it shows?

21 A Exhibit Number Two is a letter dated August 18, of
 22 this year from me to Mr. Ramey and the Commission and serves
 23 as an application requesting this hearing for an unorthodox
 24 location and compulsory pooling. Attached to that shows the
 25 ownership which indicates that I have the leasehold interest

sid morrison reporting service
 General Court Reporting Service
 825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
 Phone (505) 982-9212

1 under sixty-nine of the eighty acres and the other six
 2 owners have the eleven acres which is held by production.
 3 There is Mesa which is seven plus acres, Heritage Resources
 4 is one acre, PETCO is one point three three-five acres,
 5 Tom Brown is point five three three-oh acres, H. L. Brown,
 6 Junior is point two six six-five acres, and Elizabeth M.
 7 Brown is point two six six-five acres and it totals eighty
 8 acres.

9 Following that is a page showing the addresses of the
 10 owners of the eleven acres in question and following that
 11 are the receipts for certified mail and the receipts showing
 12 that the letter was received by those parties.

13 Q How much of the working interest has been committed
 14 to the producing unit which you are putting together?

15 A Sixty-nine acres at this point.

16 Q Do you anticipate that any other working interest
 17 owner will join in the drill of the well?

18 A No.

19 Q Now, I ask you to refer to what has been marked as
 20 Exhibit Number Three and explain to the Examiner what this
 21 is?

22 A Exhibit Number Three is an A.F.E., Detail Well
 23 Estimate, showing the cost of a producer and a dry hole at
 24 this location.

25 Q What are those costs?

1 the well and one hundred seventy-five dollars for monthly
2 administrative overhead costs and one hundred and twenty-
3 five for pumper's costs totaling three hundred dollars per
4 month.

5 Q Are these recommendations in line with what has
6 been charged by other operators in the area?

7 A Yes, certainly, to my knowledge.

8 Q Now, I ask you to refer to what has been marked as
9 Exhibit Number Five and explain to the Examiner what that
10 is?

11 A Exhibit Number Five is a letter carrying my
12 signature dated May 13, 1977, addressed to Mr. Northington
13 of Mesa Petroleum Company, requesting a farm-out of the
14 eleven acres under the eighty acre proposed unit.

15 Attached to my letter is a response from Mr. Northington
16 declining that request.

17 Q Refer to Exhibit Number Six and explain that, please?

18 A My letter dated July 25, 1977, and addressed to
19 Mesa Petroleum Company, Petroleum Corporation of Texas and
20 Heritage Resources owners of the acres that is held by
21 production and part of the eleven acres requesting them to
22 join in the drilling of the well.

23 Attached to my letter are responses from each of
24 those parties declining to join. Also attached are
25 certified mail receipts.

sid morish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

sid morrison reporting service
General Court Reporting Service
 825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
 Phone (505) 982-9212

Q Please explain Exhibit Number Seven?

A This is a letter to a Mr. Williams of Sun Oil Company who has between one and two acres under the location that has been farmed out to Mesa and the West Knowles Unit. The farm-out agreement calls for an option by Sun whereby they could convert their override to a twenty-five percent working interest -- rather fifty percent working interest or increase the override.

This letter requests that Mr. Williams advise me of their decision. Attached to my letter is a response from Mr. Williams of Sun advising me that they elect rather than taking a working interest to increase their override from a quarter to a five-sixteenths.

The question of that override determines the interest of the other working interest owners.

Q Now, refer to Exhibit Number Eight and explain that, please?

A A similar letter as Exhibit Number Six addressed to H. L. Brown, Junior, and Tom Brown, Inc., and Elizabeth M. Brown who are working interest owners of part of the eleven acres held by production requesting that they join in the drilling of the test.

Attached to that shows the interest, again, in two ways; one, in the event that Sun Oil Company increases their override and the other in the event they choose to exercise

1 their option to take a working interest. Also attached to
2 that are letters from those three parties responding
3 unfavorably to my request to join.

4 Q Would you please explain Exhibit Number Nine?

5 A Exhibit Number Nine is my letter dated August
6 26, to the six owners of the eleven acres advising them of
7 the date and time and place of this particular hearing.

8 Attached to that are copies of receipts of certified
9 mail and the return receipt as requested showing that that
10 letter was received.

11 Q Mr. Alcorn, do you request that you be designated
12 as the operator of this well?

13 A Yes.

14 Q Now, does this well offset production in the West
15 Knowles-Drinkard Pool, is that correct?

16 A Yes. It would be a field development well.

17 Q I would ask you to refer to what has been marked as
18 Exhibit Number Ten and explain to the Examiner what that
19 is?

20 A Exhibit Ten is a copy of the field rules for the
21 West Knowles-Drinkard Pool.

22 Q What are the spacing requirements for this pool?

23 A Eighty acre spacing -- Rule 4 states that each
24 well must be located not more than one hundred and fifty
25 feet from the center of a governmental quarter-quarter

sid morish reporting service
General Court Reporting Service
 825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
 Phone (505) 982-9212

1 section or lot.

2 Q And you are seeking an exception to this Rule 4
 3 here today?

4 A Yes.

5 Q How many feet to the north are you moving this
 6 particular well from a standard location?

7 A From a standard location, one hundred and eighty
 8 feet from what would be called an acceptable location in
 9 accordance with the rules.

10 Q And you are moving this to the north?

11 A Yes, sir.

12 Q And who owns the acreage to the north?

13 A Mesa and partners of the West Knowles Unit.

14 Q And how many feet from the north boundary of your
 15 unit are you proposing to drill this well?

16 A Three hundred and thirty feet.

17 Q Now, in looking at this in terms of movement from
 18 east to west how far have you deviated this location in an
 19 east-west direction from what would be considered a standard
 20 or orthodox location?

21 A East-west, not at all, it's nineteen hundred eighty
 22 feet from the west.

23 Q Please refer to Exhibit Number Eleven and explain
 24 to the Examiner what it shows?

25 A Exhibit Number Eleven is a geological map showing

1 the structure and thickness of the Drinkard B Bank pay zone.
2 The source of this map is the publication of the Symposium
3 of Oil & Gas Fields of the Roswell Geological Society.
4 It was prepared by reputable and qualified geologists, a man
5 by the name of Crowley.

6 It is being used and submitted because I feel it
7 does present an unbiased picture of this particular field.

8 Q Why are you seeking this particular location?

9 A There are two reasons that have been demonstrated.
10 One, is conditions of porosity and permeability and the
11 other is the oil water contact which is somewhat questionable.

12 Wells on the updip edge as well as the downdip south
13 edge of the field have demonstrated problems with porosity
14 and permeability. For instance, the dry hole we spoke of
15 earlier being a half mile to the southwest encountered water
16 on a drill stem test of the pay zone but during the three-
17 hour test it encountered only six hundred feet of water which
18 would indicate to me that that well has a porosity problem
19 and permeability and also is below the oil-water contact.
20 The two dry holes which are certainly prior to drilling on
21 the updip edge of the field and had permeability problems.

22 The oil-water contact is somewhat debatable. The
23 operators of the field in its early history used a figure of
24 minus forty-six thirty-two. The bottom perforation in the
25 west offset and the producer to the proposed location is at

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 minus forty-six twenty-one. A core analysis of the pay
2 zone of that particular well one could interpret the oil-
3 water contact as high as a minus forty-six fourteen.

4 On the other hand the discovery well which is
5 perforated at a minus forty-six thirty-two, which is the lowest
6 perforation, for all practical purposes is water free. So,
7 I think there has been demonstrated as far as production and
8 history of both dry holes and producing wells that there
9 is some sort of relationship between water production and
10 porosity and permeability. It is a similar situation that
11 is sometimes found along the Abo reef to the south.

12 But to summarize and not be too lengthy, I think
13 that it is somewhat obvious that a prudent operator would
14 have to achieve the maximum structural location in order
15 to reduce what already appears to be a somewhat risky
16 location.

17 Q Mr. Alcorn, how would drilling this well at an
18 orthodox location effect your plans?

19 A It would be very detrimental and I doubt very much
20 that the well would be drilled at a location other than the
21 one we are requesting and certainly would increase the risk,
22 considerably.

23 Q Is this location offset by producing wells?

24 A Yes, to the north and to the west.

25 Q In your opinion is the acreage in this tract presently

1 being drained?

2 A. Yes.

3 Q Who controls the offsetting acreage in all directions
4 in the unorthodox well location?

5 A. Mesa and its partners of the West Knowles.

6 Q And they have received notice of your application
7 and hearing today?

8 A. Yes, sir.

9 Q Would granting this application enable you to
10 recover oil in paying quantities from this well?

11 A. I certainly feel so. There is one thing I failed to
12 mention and should, the west offset in May produced from
13 thirteen to fourteen barrels of oil per day and from one
14 hundred and one hundred and twenty-five barrels of water a
15 day which had been its history for several months prior to
16 May.

17 It has not produced since that time because of
18 mechanical difficulties. That water has not been reported
19 It is the only well that is making appreciable water and it
20 is the lowest well, structurally, in the field.

21 Q In your opinion would approval of this application
22 be in the interest of conservation and the prevention of
23 waste?

24 A. Yes.

25 Q Would granting the application protect correlative

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

sid morrison reporting service
General Court Reporting Service
 825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
 Phone (505) 982-9212

1 rights?

2 A. Very definitely, not only the working interests
 3 under, owners, under the location but also the royalty
 4 owners, two of which, representing some twenty-three acres
 5 requested late last year that the location be developed
 6 but it has not been.

7 Q. Do you have anything that you would like to add
 8 to your testimony at this time?

9 A. Only that time is of the essence.

10 Q. Were Exhibit One through Ten prepared by you or under
 11 your direction?

12 A. They were prepared by me with the exception of
 13 the map.

14 Q. And that is Exhibit Eleven?

15 A. Yes.

16 Q. Have you reviewed that and from your own knowledge
 17 can you testify to its accuracy?

18 A. Yes, very definitely.

19 MR. CARR: At this time I would offer Applicant's
 20 Exhibits One through Eleven.

21 MR. STAMETS: These exhibits will be admitted.

22 MR. CARR: I have nothing further on direct.

23 MR. STAMETS: Are there questions of the witness?

24 MR. HINKLE: I have a few here.

25 MR. STAMETS: Please proceed, Mr. Hinkle.

CROSS EXAMINATION

2 BY MR. HINKLE:

3 Q Mr. Alcorn, referring to your Exhibit Number
4 Eleven, which is a structural map there -- I believe that
5 your testimony shows that the water-oil contact has been
6 determined to be either forty-six twenty-one or forty-six
7 thirty-two?

8 A Or possibly as high as forty-six fourteen.

9 Q Then, your contour that you show just below your
10 proposed well, forty-six hundred, is pretty close to the
11 water-oil contact is it not?

12 A I would say close, yes, even though it was minus
13 five thousand.

14 Q If that is the case what is your estimate of how
15 much of the eighty acres that you are going to dedicate to
16 this well is productive?

17 A That is the question that has been in my mind, Mr.
18 Hinkle, and I certainly cannot answer it accurately because
19 of the difficulty in determining what could be called an
20 accurate oil-water contact.

21 I am certainly hoping for something like forty to
22 sixty acres. I wouldn't be surprised if there were only, say,
23 thirty-five. But I really can't answer that question with
24 accuracy.

25 Q It would all depend on just where the oil-water

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 contact is, is that right?

2 A. And the conditions of permeability, yes.

3 Q. If I understand it you are only moving this well
4 one hundred and eighty feet to the north from the standard
5 location, is that right?

6 A. Yes.

7 Q. If you drill it at a standard location your testimony
8 is that you think that you will get a water well?

9 A. I think the chances of doing so would be greatly
10 increased.

11 Q. There is a good probability that it would be, water,
12 according to your plat?

13 A. Well, again, it depends on where that oil-water
14 contact is. I would say a possibility, but of course, us
15 geologists like the word possible.

16 MR. HINKLE: That's all.

17 MR. STAMETS: Are there any further questions of
18 the witness?

19 He may be excused.

20 (THEREUPON, the witness was excused.)

21
22 DENNIS E. CROWLEY

23 was called as a witness, and having been first duly sworn,
24 testified upon his oath as follows, to-wit:

25

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

DIRECT EXAMINATION

sid morrish reporting service
 General Court Reporting Service
 825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
 Phone (505) 982-9212

1
 2 BY MR. HINKLE:

3 Q State your name, residence, and by whom you are
 4 employed?

5 A Dennis E. Crowley, Division Geologist, Midland,
 6 Texas, employed by Mesa Petroleum Company.

7 Q And have you made a study of the area that is
 8 involved in this particular case?

9 A Yes, I have.

10 Q Have you previously testified before this Commission?

11 A Yes, I have.

12 Q And have qualified as a Petroleum Geologist?

13 A Yes.

14 MR. HINKLE: Are the witness' qualifications
 15 acceptable?

16 MR. STAMETS: The witness is considered qualified.

17 Q (Mr. Hinkle continuing.) You have heard the testimony
 18 of Mr. Alcorn in this case and have you prepared any exhibits
 19 in connection with this case?

20 A Yes, I have.

21 Q What is the position of Mesa with respect to this
 22 application, what do you want to --

23 A What interest do we have in it?

24 Q Yes.

25 A Well, Mesa has about a fifty-three percent working

1 interest in the unit consisting of the east half of Section
2 34 and the west half of the southeast quarter of Section
3 35, Township 16 S, Range 37 E, and also some adjoining
4 acreage to the south in the township to the south.

5 In the east half of the southwest quarter of Section
6 35 at the present time we have an interest in approximately
7 eight point six acres.

8 Q And you are familiar with the special pool rules
9 under which this case comes are you not?

10 A Yes, I am.

11 Q What do these rules provide as far as spacing is
12 concerned?

13 A They provide for eighty acre spacing in the unit.

14 Q As far as the location --

15 A As far as the location they can be located in either
16 the north half or the south half, the east half or the west
17 half of a governmental quarter section.

18 Q And what about the tolerance there?

19 A The rules -- each well, it says it should be located
20 within one hundred and fifty feet of the center of a
21 governmental quarter section or lot.

22 Q Now, I believe you stated that you had prepared
23 under your direction certain exhibits for introduction in
24 this case?

25 A Yes, sir.

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 Q Refer to Exhibit Number One and explain what
2 it shows?

3 A This is a structure map on top of the Drinkard
4 B Bank Porosity zone. It shows in heavy outline to the
5 north and south, there, the Drinkard Bank Trend and the
6 way it trends through the West Drinkard Pool, Knowles Pool,
7 and the structure contours are on top of the porosity in
8 the B Bank Trend.

9 Now, the B Bank, if you look at Exhibit Number Two,
10 which is the log of the Knowles Number One Well -- the B
11 Bank is the central portion of the Drinkard. It is
12 arbitrarily named by Mesa Petroleum and this structure map
13 is on top of this porosity.

14 Q Does this map show the oil-water contact?

15 A Yes, sir, it does. We show an oil-water contact
16 of a minus forty-six thirty-two, sub-sea. This is based
17 primarily on production testing in the Number One West
18 Knowles Well and the Number Two West Knowles Well.

19 The Number One is shown on Exhibit Number Two was
20 perforated from eighty-four twenty to thirty-two. The top
21 of the perfs there would be at a minus forty-six forty.
22 We acidized that zone and it made about fifty percent water
23 and fifty percent oil. We squeezed it and then went up the
24 hole and perforated the other two zones at eighty-three
25 thirty to fifty-eight and eighty-three ninety to eighty-four

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 twelve. The well was subsequently I.P.'d for six hundred
2 and six barrels a day and three hundred and seventy-one
3 M.C.F. It is not making any water now.

4 The number two well that shows to be a direct
5 west offset to Mr. Alcorn's proposed location encountered
6 water and we moved the retrievable bridge plug up above the
7 lower set of perfs and for about two days after doing this
8 the well produced mostly oil, very little water, and then
9 the water started coming again and we felt that we had
10 communications, you know, between the well bore there. But
11 the well was I.P.'d for two hundred and seventy-nine barrels
12 of oil and one hundred and fifteen barrels of water a day and
13 one hundred and nineteen M.C.F.

14 It is still making about one hundred barrels, one
15 hundred to one hundred and ten barrels, of water and the
16 water cut has not risen in the well.

17 MR. STAMETS: What is the oil production on that
18 well currently?

19 A. On the Number Two it is currently shut in due to
20 mechanical problems. It has a collapsed tubing on it but the
21 cum on it was from 3/10/75 to 6/30/77 was fifty-one thousand
22 and thirty-seven barrels of oil and twenty-four point eight
23 M.M.C.F. gas.

24 Its daily production when it was taken off production
25 due to mechanical difficulties was about fifteen barrels of

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 twelve. The well was subsequently I.P.'d for six hundred
2 and six barrels a day and three hundred and seventy-one
3 M.C.F. It is not making any water now.

4 The number two well that shows to be a direct
5 west offset to Mr. Alcorn's proposed location encountered
6 water and we moved the retrievable bridge plug up above the
7 lower set of perfs and for about two days after doing this
8 the well produced mostly oil, very little water, and then
9 the water started coming again and we felt that we had
10 communications, you know, between the well bore there. But
11 the well was I.P.'d for two hundred and seventy-nine barrels
12 of oil and one hundred and fifteen barrels of water a day and
13 one hundred and nineteen M.C.F.

14 It is still making about one hundred barrels, one
15 hundred to one hundred and ten barrels, of water and the
16 water cut has not risen in the well.

17 MR. STAMETS: What is the oil production on that
18 well currently?

19 A. On the Number Two it is currently shut in due to
20 mechanical problems. It has a collapsed tubing on it but the
21 cum on it was from 3/10/75 to 6/30/77 was fifty-one thousand
22 and thirty-seven barrels of oil and twenty-four point eight
23 M.M.C.F. gas.

24 Its daily production when it was taken off production
25 due to mechanical difficulties was about fifteen barrels of

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 A. The cost for a producer including the pump jack
2 and all surface equipment is three hundred twenty thousand
3 nine hundred and sixty-three dollars; and the dry hole is
4 two hundred seventeen thousand six hundred and twenty-nine
5 dollars.

6 Q. Mr. Alcorn, are these costs in line of the costs
7 of drilling and completing similar wells in the area?

8 A. Yes, the other A.F.E.'s that I have seen are
9 slightly higher than these figures.

10 Q. Who operates other wells in the area?

11 A. Mesa Petroleum Company is the operator of the
12 West Knowles Unit and C & K Petroleum Company.

13 Q. Please refer to what has been marked as Exhibit
14 Number Four and explain what it is and what it shows?

15 A. Exhibit Number Four is an ownership plat outlining
16 the eighty acres to be dedicated to the well.

17 It also shows the well location and the producing
18 wells and dry holes in the field and the particular area in
19 question.

20 Q. Okay. Do you consider this well to be a high risk
21 endeavor on your part?

22 A. Yes.

23 Q. Would you indicate where the dry holes are that
24 are wells that are drilled to the Drinkard that were dry holes
25 in the immediate area?

1 oil per day and one hundred barrels of water and forty
2 M.C.F. of gas.

3 Q (Mr. Hinkle continuing) Does Mesa have an
4 interest in the well offset to the north, Number Six?

5 A Yes, sir, we do. The Number Six was completed in
6 8/7/75, and has up until 6/30/77 has made sixty-six thousand
7 one hundred and forty barrels of oil and forty-four point
8 eight M.M.C.F. of gas.

9 Its daily production rate right now is seventy-
10 two barrels of oil and five barrels of salt water a day
11 and fifty-eight M.C.F. of gas.

12 Q From your Exhibit Number One and your study in this
13 area how much of the proposed eighty acres to be dedicated to
14 the subject well in your opinion is productive?

15 A I would estimate ten percent or less based on my
16 study of the structure map here.

17 Q If the well was drilled at the standard location
18 which would be one hundred and eighty feet south of the
19 proposed location in your opinion would it be a producing
20 well?

21 A No, sir, I believe it would be wet. It would be
22 structurally located unfavorably.

23 Q Do you have any recommendation to be made to the
24 Commission with respect to this matter?

25 A Yes, sir. I would recommend that the subject well

1 A. In the immediate area there is one dry hole
2 approximately half a mile southwest of the proposed location
3 and another approximately a half mile to the northeast of
4 the location. The one to the northeast having no porosity
5 or permeability and the one to the southwest was with a
6 permeability problem but recovered water on a test of the
7 producing zones.

8 Q. Is the proposed location in your opinion better or
9 worse from a structural point of view with the dry holes
10 drilled in the immediate area?

11 A. From a structural point of view it's more favorable
12 than the dry hole to the southwest and less favorable than
13 the dry hole to the northeast. The structural position is
14 more favorable. It's on the north edge of the producing
15 field and has permeability problems.

16 Q. Do you have a recommendation to make to the
17 Commission as to what risk factor should be assigned to this
18 well?

19 A. In view of the risk involved I would request maximum
20 penalties.

21 Q. Do you have a recommendation to make to the Commission
22 for overhead and administrative costs for drilling and
23 producing a well if, in fact, it is a producer?

24 A. Yes. The operating agreement and the accounting
25 procedure would call for fifteen hundred dollars for drilling

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone: (505) 982-9212

1 at Mr. Alcorn's location be restricted to a standard spacing
2 within the unit as per field rules.

3 Q In your opinion will the granting of this
4 application violate correlative rights?

5 A Yes.

6 MR. HINKLE: We would like to offer Exhibits One
7 and Two.

8 MR. STAMETS: These exhibits will be admitted.

9 MR. HINKLE: That's all I have.

10 MR. STAMETS: Are there questions of Mr. Crowley?
11 Mr. Carr --

12
13 CROSS EXAMINATION

14 BY MR. CARR:

15 Q Mr. Crowley, you indicated that you were familiar
16 with the special pool rules for the West Knowles-Drinkard
17 Pool, is that correct?

18 A Yes, sir.

19 Q And the pool rules, I understand, were adopted
20 pursuant to an application of Mesa, is that also correct?

21 A Yes, about two or two and a half years ago.

22 Q Is it safe to say that eighty acres was adopted
23 because it was Mesa's feeling that one well could drain
24 eighty acres?

25 A Yes, sir. We have proven pretty much that we have

1 communication throughout the field. One way we have shown
2 that, of course, that as the wells were drilled and put on
3 stream as we drilled subsequent wells we found that the
4 formation pressures, reservoir pressure, was declining as
5 we drilled these wells. We found this throughout. Then,
6 we run bottom hole pressure tests, too, so we feel that our
7 field is in communication and that our eighty acre spacing
8 is adequately draining these wells.

9 We have drilled them, as you will notice, on the
10 alternate forty's within the eighty acre block. We have
11 a regular spacing pattern established.

12 Q Now, you testified, I believe, that Mesa has wells
13 both to the north and the west of Mr. Alcorn's proposed
14 location?

15 A Yes, sir.

16 Q In your opinion are these wells to the north and
17 west draining the acreage immediately under the proposed
18 location?

19 A Yes, sir, we feel in due time that these wells will
20 produce and they are structurally high to this proposed
21 location they would drain any oil under the proposed location.

22 Q And really isn't the only reason you are opposing
23 this today is that you believe that you have wells that are
24 draining the acreage?

25 A Yes, sir, it is.

sid morrison reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 Q Okay. Do the people who have a working or over-
2 riding royalty interest in the acreage immediately surrounding
3 Mr. Alcorn's proposed location share in the production of
4 the wells to the north and west of it?

5 A I am not a land man so I couldn't answer that
6 question.

7 Q If they did not would you believe that the denying
8 the application or forcing this well to be drilled at a
9 location where a commercial well could not be obtained would
10 violate those individuals' correlative rights?

11 A I think it is a very, very risky location where it
12 is.

13 Q But my question was, the people who have an interest
14 in the northern part of the unit that Mr. Alcorn is attempting
15 to obtain approval for here today, if they do not share in
16 the production from the Mesa wells that are being drained do
17 you believe that adopting your recommendation would be in the
18 best interest of their correlative rights?

19 A No.

20 Q Okay. Now, Mr. Crowley, when you deal with an un-
21 orthodox well location do you believe that the number of
22 productive acres in the tract is the proper basis for the
23 Commission to base it's decision on?

24 A I think it should take it into consideration,
25 definitely.

sid morrison reporting service
General Court Reporting Service
 825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
 Phone (505) 982-9212

1 Q If this well were drilled at a standard location
 2 and a commercial producer was obtained no penalty need be
 3 assigned in that case for a non-productive acreage would
 4 it?

5 A I don't know. I wouldn't say so, no.

6 Q Isn't, in fact, the reason for the spacing
 7 requirements to keep a well back from the boundary of the
 8 producing units so that it does not unfairly crowd adjoining
 9 acreage?

10 A Yes.

11 Q Don't you believe that a proper matter for the
 12 Commission to consider is the amount of advantage obtained
 13 by moving to an unorthodox location?

14 A Not necessarily, no.

15 Q You don't think that that is a proper matter for
 16 the Commission's concern?

17 A State your question again.

18 Q My question is -- what I am really getting at here
 19 is don't you believe that the real concern that the Commission
 20 has here in the spacing rules is to see that the wells are
 21 not drilled in such a fashion to unfairly take advantage of
 22 production on the tracts?

23 A Yes.

24 Q And their legitimate concern with an unorthodox
 25 location is to consider how much of an advantage it would

1 gain?

2 A. Yes.

3 Q. And not just productive acres in a drilling unit?

4 A. Yes.

5 MR. CARR: I have no further questions.

6

7

CROSS EXAMINATION

8 BY MR. STAMETS:

9 Q. Mr. Crowley, do you know what the current status
10 of this pool is as far as productive capacity? Are there
11 any top allowable wells left?

12 A. I don't believe there is now. In the beginning we
13 had a number of them or some of these would make the full
14 three hundred and ten barrels a day which was the top
15 allowable at that time.

16 I think that all of them are pumping now and about
17 one hundred barrels a day to one hundred and twenty barrels
18 a day seem to be about the rate that they are producing from.

19 Q. If this well that is being considered here today
20 is close to the oil-water contact as both you and Mr. Alcorn
21 think that it is, do you believe that the well will produce
22 enough oil before it's watered out to injure Mesa?

23 A. It could. It could take some oil that normally
24 would be drained by the Number Two and Number Six wells, yes.

25 Q. Would this be oil drained off of Mesa's lease or

sid morrish reporting service
General Court Reporting Service
825 Calle Mijia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 oil that would be recovered by Mr. Alcorn on his lease that
2 Mesa would recover if his well wasn't drilled?

3 A. That's right.

4 Q. The second part of that is what it is so you don't
5 really feel that he is going to be draining any oil from
6 Mesa before the well is watered out? I am talking about
7 oil from across the lease line from Mesa's lease to his
8 well?

9 A. That's true.

10 MR. STAMETS: Are there any other questions of this
11 witness? He may be excused.

12 (THEREUPON, the witness was excused.)

13 MR. STAMETS: Is there anything further in this
14 case?

15 MR. CARR: I have a brief statement.

16 MR. STAMETS: Mr. Carr --

17 MR. CARR: Mr. Examiner, we believe here that the
18 real issue before the Commission is not the number of
19 productive acres in the proposed unit but the issue is
20 what advantage is gained by moving from a standard or orthodox
21 location to an unorthodox location and we believe the
22 Commission has adopted a formula in Order R-5461 which
23 appropriately handles this type of a situation.

24 We would emphasize that if Mr. Crowley's recommendation
25 is adopted and the well is drilled at a standard location

sid morrison reporting service
General Court Reporting Service
 825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
 Phone (505) 982-9212

1 the risk of getting a water well is increased.

2 If Mr. Alcorn's group is forced to drill at that
 3 location they will probably have to decide not to go
 4 ahead with it, the project. This creates a serious problem
 5 for those individuals who own a working interest or a
 6 royalty interest in the northern portion of the tract which
 7 Mr. Alcorn is attempting to compulsory pool today where
 8 they would be in a position where they are being drained
 9 and they are not able to, within reasonable economic
 10 constraints, to drill a well to protect their interests.

11 MR. STAMETS: I presume you are only asking for
 12 the acreage factor to be applied if the Commission deems
 13 that is necessary?

14 MR. CARR: That's correct.

15 MR. HINKLE: We do not object to the compulsory
 16 pooling. All we are objecting to is the location and we
 17 think we ought to stick by the special pool rules that have
 18 been adopted.

19 MR. STAMETS: Is there anything further in this
 20 case? The case will be taken under advisement and we will
 21 take about a fifteen minute recess.

22 (THEREUPON, the hearing was in recess.)

23
 24 MR. STAMETS: The hearing will please come to
 25 order.

1 MR. BARTON: Mr. Examiner, my name is Roy Barton,
2 Junior from Hobbs and I would like to make a statement in
3 Case 6031.

4 MR. STAMETS: From what respect?

5 MR. BARTON: A royalty owner.

6 MR. STAMETS: Okay.

7 MR. BARTON: As a royalty owner I would like to
8 support Mr. Alcorn's application in this case and state that
9 I feel like my correlative rights would not be protected
10 properly in denying this application.

11 MR. STAMETS: Thank you. That will be incorporated
12 in the record of Case 6031.

13 (THEREUPON, the hearing in Case 6031 was
14 concluded.)
15
16
17
18
19
20
21
22
23
24
25

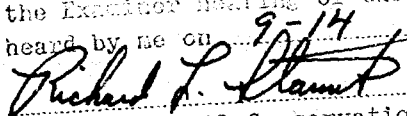
sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand 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.


Sidney F. Morrish, C.S.R.

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 6031,
heard by me on 9-14, 1977.
, Examiner
New Mexico Oil Conservation Commission

REX ALCORN
INGRAM BUILDING
100 SOUTH KENTUCKY
ROSWELL, NEW MEXICO 88201
PHONE 505 622-4396

December 24, 1977

Stamets

Mr. Joe D. Ramey
NMOCC
Box 2088
Santa Fe, New Mexico 87501

Re: Escrow Agent, NMOCC
Case No. 6031, Order No.
R-5533, West Knowles-Drinkard
Field, Sec. 35, T16S, R37E,
Lea County, New Mexico

Dear Sir:

In compliance with provision (12) of the NMOCC case and order described above, this is to advise that proceeds from the Rex Alcorn No. 1 Shipp well which are not disbursed will be placed in escrow with the Liberty National Bank, PO Box 1627, Lovington, New Mexico 88260, escrow agent.

Thank you.

Very truly yours,

Rex Alcorn

Rex Alcorn, Operator

RA:b

[Handwritten signature]

REX ALCORN

INGRAM BUILDING

100 SOUTH KENTUCKY

ROSWELL, NEW MEXICO 88201

PHONE 505 622-4396

OCT 07 1977

NEW MEXICO OIL CONSERVATION COMM
Santa Fe

October 5, 1977

Mr. Joe Ramey
New Mexico Oil Conservation Commission
PO Box 1980
Santa Fe, New Mexico 88240

Re: Case No. 6031,
Order No. 5533,
West Knowles-Drinkard Field,
Lea County, New Mexico

Dear Sir:

The attached is pursuant to the requirements of the above described
NMOCC order.

Thank you kindly.

Very truly yours,

Rex Alcorn

Rex Alcorn

RA:b
Attachments

REX ALCORN
INGRAM BUILDING
100 SOUTH KENTUCKY
ROSWELL, NEW MEXICO 88201
PHONE 505 622-4396

October 5, 1977

Mesa Petroleum Company,
Heritage Resources,
Tom Brown, Inc.,
H. L. Brown, Jr.,
Petroleum Corporation of Texas, &
Elizabeth M. Brown

Re: NMOCC Case No. 6031,
Order No. 5533,
Compulsory Pooling and
Unorthox Location,
West Knowles-Drinkard Field,
NE/4 SW/4 Sec. 35, T16S, R37E,
Lea County, New Mexico

Gentlemen:

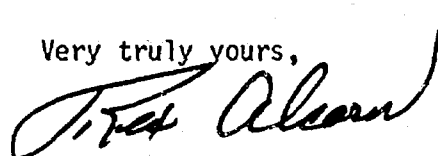
Pursuant to the requirements of the above described order, attached please find a copy of the order, description of division of interests, and AFE (detail cost estimate).

In accordance with the order each non-consenting party has 30 days from receipt of this notification in which to express their desire to join to the extent of their interest in the drilling of the approximate 8500' Drinkard test.

If you wish to join, your early response will be appreciated.

Thank you kindly.

Very truly yours,



Rex Alcorn

RA:b
cc : NMOCC
Attachments

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. 6031
Order No. R-5533

APPLICATION OF REX ALCORN FOR
COMPULSORY POOLING AND AN
UNORTHODOX LOCATION, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 14, 1977, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 27th day of September, 1977, 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, Rex Alcorn, seeks an order pooling all mineral interests underlying the E/2 SW/4 of Section 35, Township 16 South, Range 37 East, NMPM, West Knowles-Drinkard Pool, Lea County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at an unorthodox location 2310 feet from the South line and 1980 feet from the West line of said Section 35.

(4) That approval of the aforesaid unorthodox location will afford the applicant the opportunity to produce his just and equitable share of the oil and gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

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

(6) 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 oil and gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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

(8) 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.

(9) 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.

(10) 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.

(11) 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.

(12) That \$1500.00 per month while drilling and \$175.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges 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.

(13) 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.

(14) 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 December 31, 1977, 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 Drinkard formation underlying the E/2 SW/4 of Section 35, Township 16 South, Range 37 East, NMPM, West Knowles-Drinkard Pool, Lea County, New Mexico, are hereby pooled to form a standard 80-acre oil spacing and proration unit to be dedicated to a well to be drilled at an unorthodox location 2310 feet from the South line and 1980 feet from the West line of said Section 35.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 31st day of December, 1977, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Drinkard formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 31st day of December, 1977, Order (1) of this order shall be null and void and of no effect whatsoever; unless said operator obtains a time extension from the Commission for good cause shown.

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 Rex Alcorn 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.

(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 percent 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 \$1500.00 per month while drilling and \$175.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges 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 Lea 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.

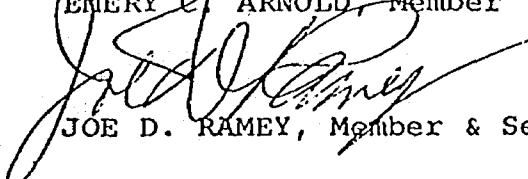
(13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman


EMERY C. ARNOLD, Member


JOE D. RAMEY, Member & Secretary

S E A L

jr/

Ownership of acreage and division of working interests for proposed 8,500' Drinkard test, West Knowles Field, under the 80 acres described as E/2 SW/4 Sec. 35, T 16 S, R 37 E, Lea County, New Mexico:

(Sun Oil Company owns 2.665 acres under the proposed location which are farmed-out to Mesa Petroleum Company and included in the West Knowles Unit. The farm-out agreement carries the provision that on each well drilled subsequent to the initial test, Sun has the option to increase their ORRI from 1/4 to 5/16 or to convert the ORRI to a 50% working interest. Owners of the working interest under Sun's 2.665 acres are Mesa (60%), Tom Brown (20%), H. L. Brown, Jr. (10%), and Elizabeth M. Brown (10%).

Sun has elected to increase their ORRI, thus the following ownership applies:

	<u>ACRES</u>	<u>WORKING INTEREST</u>
Rex Alcorn	69.0000	.86250000
Mesa	7.5990	.09498750 (Mesa's 6 ac. plus 60% 2.665 ac.)
Heritage	1.0000	.01250000
PETCO	1.3350	.01668750
Tom Brown	.5330	.00666250 (20% of 2.665 acres)
H. L. Brown, Jr.	.2665	.00333125 (10% of 2.665 acres)
Elizabeth M. Brown	.2665	.00333125 (10% of 2.665 acres)
	<u>80.0000</u>	<u>1.00000000</u>

A.F.C.
 REX ALCORN
 Detail Well Estimate

LEASE NAME Shipp WELL NO. 1

LOCATION Section 35, T 16 S - R 37 E : 2310' FSL & 1980' FWL

COUNTY Lea STATE New Mexico FIELD West Knowles - Drinkard

DRILLING INTANGIBLES:

	PRODUCER	DRY HOLE
1. Surface Damages Location \$400 plus 77 rds. road @ \$2.00	554	554
2. Drilling Cost 8500 Feet @ Per Foot		
3. Day Work 40 days @ \$3000 per day	120,000	120,000
4. Coring Service Well Surveys 9000	9,000	7,000
5. Testing two DST's @ \$1,100	2,200	2,200
6. Fuel Water 7,000	7,000	7,000
7. Mud 10,000 Mud Logging Service	10,000	10,000
8. Cementing Service & Cement 7,107 Equip 761	7,868	4,774
9. Company Labor Contractor Labor 2,400	2,400	
10. Digging Pits Filling Pits 1,000	1,000	1,000
11. Roads 1,700 Location & Grading 3,500	5,200	5,200
12. Acidizing 2,500 Fracturing Perforating 1,800	4,300	
13. Plugging		7,400
14. Trucking Cost	1,500	1,000
15. Development Superintendence	3,000	2,500
16. Geological	1,500	1,500
17. Well Servicing Unit 4 days @ \$600 (10 hour days)	2,400	
18. Other Costs 4% tax	7,117	6,805
TOTAL INTANGIBLES	185,039	176,933

WELL EQUIPMENT:

19. Casing 350 Feet of 13 3/8" 48# H-40	5,205	5,205
20. 200' 8 5/8" 24# K-55 & 24# 28# L-80	32,726	32,726

No. 157361

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

SENT TO
Elizabeth M. Brown
STREET AND NO.
2407 Ft. Worth National Bk. Bldg.
P.O. STATE AND ZIP CODE
Ft. Worth, Texas 76102

RETURN
1. Show to whom and date delivered 15¢
2. Show to whom, date and where delivered 35¢
RESTRICTED DELIVERY 50¢
SPECIAL DELIVERY (extra fee required) 50¢

PS Form 3800, Apr. 1976
NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See other side)
* GPO: 1975-O-591-452

No. 503198
RECEIPT FOR CERTIFIED MAILNO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO
Heritage Resources
STREET AND NO.
Box 777
P.O. STATE AND ZIP CODE
Davis, Oklahoma 73030

POSTAGE \$

CONSULT POSTMASTER FOR FEES

CERTIFIED FEE	€
SPECIAL DELIVERY	€
RESTRICTED DELIVERY	€
OPTIONAL SERVICES	
RETURN RECEIPT SERVICE	€
SHOW TO WHOM AND DATE DELIVERED	€
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	€
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	€
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	€

TOTAL POSTAGE AND FEES \$

POSTMARK OR DATE
OCT 5 1977
88201

PS Form 3800, Apr. 1976

No. 503199
RECEIPT FOR CERTIFIED MAILNO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO
Petroleum Corp. of Texas
STREET AND NO.
Box 911
P.O. STATE AND ZIP CODE
Breckenridge, Texas 76024

POSTAGE \$

CONSULT POSTMASTER FOR FEES

CERTIFIED FEE	€
SPECIAL DELIVERY	€
RESTRICTED DELIVERY	€
OPTIONAL SERVICES	
RETURN RECEIPT SERVICE	€
SHOW TO WHOM AND DATE DELIVERED	€
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	€
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	€
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	€

TOTAL POSTAGE AND FEES \$

POSTMARK OR DATE
OCT 5 1977
88201

PS Form 3800, Apr. 1976

No. 503200
RECEIPT FOR CERTIFIED MAILNO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO
Tom Brown, Inc.
STREET AND NO.
PO Box 2608
P.O. STATE AND ZIP CODE
Midland, Texas 79702

POSTAGE \$

CONSULT POSTMASTER FOR FEES

CERTIFIED FEE	€
SPECIAL DELIVERY	€
RESTRICTED DELIVERY	€
OPTIONAL SERVICES	
RETURN RECEIPT SERVICE	€
SHOW TO WHOM AND DATE DELIVERED	€
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	€
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	€
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	€

TOTAL POSTAGE AND FEES \$

POSTMARK OR DATE
OCT 5 1977
88201

PS Form 3800, Apr. 1976

No. 503197
RECEIPT FOR CERTIFIED MAILNO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO
Mesa Petroleum Co.
STREET AND NO.
1000 Vaughn Bldg.
P.O. STATE AND ZIP CODE
Midland, Texas 79701

POSTAGE \$

CONSULT POSTMASTER FOR FEES

CERTIFIED FEE	€
SPECIAL DELIVERY	€
RESTRICTED DELIVERY	€
OPTIONAL SERVICES	
RETURN RECEIPT SERVICE	€
SHOW TO WHOM AND DATE DELIVERED	€
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	€
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	€
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	€

TOTAL POSTAGE AND FEES \$

POSTMARK OR DATE
OCT 5 1977
88201

PS Form 3800, Apr. 1976

No. 503201
RECEIPT FOR CERTIFIED MAILNO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO
H. L. Brown, Jr.
STREET AND NO.
PO Box 2237
P.O. STATE AND ZIP CODE
Midland, Texas 79702

POSTAGE \$

CONSULT POSTMASTER FOR FEES

CERTIFIED FEE	€
SPECIAL DELIVERY	€
RESTRICTED DELIVERY	€
OPTIONAL SERVICES	
RETURN RECEIPT SERVICE	€
SHOW TO WHOM AND DATE DELIVERED	€
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	€
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	€
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	€

TOTAL POSTAGE AND FEES \$

POSTMARK OR DATE
OCT 5 1977
88201

PS Form 3800, Apr. 1976



DIRECTOR
JOE D. RAMEY

OIL CONSERVATION COMMISSION

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

LAND COMMISSIONER
PHIL R. LUCERO
January 6, 1978



STATE GEOLOGIST
EMERY C. ARNOLD

Rex Alcorn
Ingram Building
100 S. Kentucky
Roswell, New Mexico 88201

Dear Mr. Alcorn:

For the reasons set out in your letter of January 4, 1978, you are hereby granted an additional 30 day period in which to complete your Shipp Well No. 1 in Section 35, Township 16 South, Range 37 East, Lea County, New Mexico, said well being drilled on acreage pooled under the provisions of Commission Order No. R-5533.

Yours very truly,

JOE D. RAMEY
Director

JDR/RLS/fd

REX ALCORN
INGRAM BUILDING
100 SOUTH KENTUCKY
ROSWELL, NEW MEXICO 88201
PHONE 505 622-4396

100-3 1073

January 4, 1978

Mr. Joe D. Ramey
NMOCC
Box 2088
Santa Fe, New Mexico 87501

Re: Request for Extension,
Case No. 6031, Order No.
R-5533 : Rex Alcorn No. 1
Shipp, Sec. 35, T16S, R37E,
West Knowles-Drinkard Field,
Lea County, New Mexico

Dear Sir:

Order No. R-5533 provides that the above described test must be completed within 120 days after commencement of drilling operations. This test was spudded on September 30, 1977, with cable tools, drilled to 350' and 13/3/8" surface casing set. Therefore, in accordance with the Order, the well should be completed on or before January 28, 1978.

Lack of availability of rotary rigs delayed this venture for a period of 64 days from October 24, 1977, when cable tools moved off location until December 28, 1977, when rotary tools commenced operations. Tahoe Drilling Company is now engaged in drilling operations with a rig which is 80-90% new, and it has become obvious that time will be lost due to repairs, most of which are and hopefully will be of a minor nature.

It appears most probable that this test will not be completed by the required date, thus it is respectfully requested that an extension of time be granted by the NMOCC for a period of 30 days, and the order be amended accordingly.

Inclosed for your information are copies of Order No. R-5533, Drilling Contract, invoices pertaining to cable tool operations, letters from several drilling contractors indicating the status of rotary rig availability, NMOCC Forms C-101 and C-103, drilling prognosis, and daily report of the progress of drilling operations to date.

If further information is required to support this request, please advise.

Thank you kindly for your consideration.

Respectfully submitted,



Rex Alcorn, Operator

RA:b
Inclosures

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. 6031
Order No. R-5533

APPLICATION OF REX ALCORN FOR
COMPULSORY POOLING AND AN
UNORTHODOX LOCATION, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 14, 1977, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 27th day of September, 1977, 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, Rex Alcorn, seeks an order pooling all mineral interests underlying the E/2 SW/4 of Section 35, Township 16 South, Range 37 East, NMPM, West Knowles-Drinkard Pool, Lea County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at an unorthodox location 2310 feet from the South line and 1980 feet from the West line of said Section 35.

(4) That approval of the aforesaid unorthodox location will afford the applicant the opportunity to produce his just and equitable share of the oil and gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

(5) 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 oil and gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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

(8) 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.

(9) 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.

(10) 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.

(11) 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.

(12) That \$1500.00 per month while drilling and \$175.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges 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.

(13) 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.

(14) 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 December 31, 1977, 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 Drinkard formation underlying the E/2 SW/4 of Section 35, Township 16 South, Range 37 East, NMPM, West Knowles-Drinkard Pool, Lea County, New Mexico, are hereby pooled to form a standard 80-acre oil spacing and proration unit to be dedicated to a well to be drilled at an unorthodox location 2310 feet from the South line and 1980 feet from the West line of said Section 35.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 31st day of December, 1977, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Drinkard formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 31st day of December, 1977, Order (1) of this order shall be null and void and of no effect whatsoever; unless said operator obtains a time extension from the Commission for good cause shown.

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 Rex Alcorn 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.

(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 percent 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 \$1500.00 per month while drilling and \$175.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges 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 Lea 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.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman


EMERY C. ARNOLD, Member


JOE D. RAMEY, Member & Secretary

S E A L

ix/

REX ALCORN
INGRAM BUILDING
100 SOUTH KENTUCKY
ROSWELL, NEW MEXICO 88201
PHONE 805 622-4396

RIG PHONE

Caprock Answering Service

PROGRESS REPORT

Hobbs : 397-3291
Unit 8491

Rex Alcorn No. 1 Shipp
Sec. 35, T16S, R37E
2310' FSL & 1980' FWL
West Knowles-Drinkard Field
Lea County, New Mexico

Elevations: 3762' GR : 3772' DF : 3773' KB

- 8-30-77 : West Engineering surveyed location.
- 9-27-77 : Received results of NMOCC Case No. 6031, Order No. R 5533.
- 9-28-77
&
9-29-77 : C & O Services prepared road, location and cellar.
- 9-30-77 : Glenn's Water Well Service spudded with cable tools, and drilled 16" hole to 350 feet. Top Red Beds 217'.
- 10-4-77 : C & O prepared working pit.
- 10-21-77 : Ran 10 joints 13 3/8", 61# & 68#, H-40, 8RD, ST&C, Rg 3 casing to 345', bottom joint welded, collar set 39" below ground level.
Halliburton cemented with 225 sax Class C cement with 2% CaCl, circulated 25 sax of clean cement to pit, 30' left inside casing. NMOCC representative on location.
- 10-22-77
&
10-23-77 : WOC
- 10-24-77 : Released casing, bailed cellar, capped casing, moved off Cable Tools.
- 10-25-77
to
12-12-77 : Waiting on availability of rotary rig.
- 12-12-77 : Signed drilling contract with Tahoe Drilling Co., Midland, Texas.
- 12-16-77 : Abbott Bros., Hobbs, NM, installed pump and engine at location of water well just west of pad for Mesa Petroleum Co. No. 1 West Knowles Unit. Rapid Flo, Inc., Lovington, NM, ran 2" plastic line from water well to location.

- 12-17-77 : C & O Services moved on to dig and line mud pits.
- 12-18-77 : Link Rat Hole Service drilled rat hole and mouse hole.
- 12-19-77 : Tahoe Drilling Co. Rig No. 1 moving on location.
- 12-20-77 : Tahoe Rigging Up which will require several days inasmuch as rig is 80%-90% new.
- 12-21-77 : Rigging Up.
- 12-22-77 : Rigging Up.
- 12-23-77 : Rigging Up. Mud delivered to location by Marrs Mud, Inc., Lovington.
- 12-24-77 : Rigging Up. Tested surface casing with 1000# for 45 minutes; no decline in pressure. Shut-down for Christmas holidays.
- 12-25-77 : A very Merry Christmas to all!
- 12-26-77 : Completed rigging up.
- 12-27-77 : Started in hole with 11" Reed Y-11 bit. Spool would not accommodate bit even though specifications were correct. Spool rented from Land & Marine delivered from Odessa. Two-States Tank Rental Co. delivered 500 barrel tank to location for brine water to drill salt section. Permian Corporation delivered brine water. Cement @ 315'.
- 12-28-77 : Completed change-out of spool, nipples-up, started in hole with Bit #1 as above to drill out from under surface casing.
- 12-29-77 : Drilling at 500", red beds, Dev. @ 500' 1/4 degree. Halliburton delivered float equipment for 8 5/8" casing to location. Gandy delivered fresh water to location : Engine and pump on water well malfunctioned and well could not deliver sufficient water to location for beginning of drilling operations.
- 12-30-77 : Drilling at 1907' in red beds, Dev. @ 945' 3/4 degrees, Dev. @ 1500' 1/4 degrees. Abbott Brothers repaired water well pump and engine. Drilling with fresh water. Vis. 33.
- 12-31-77 : Drilling 2153' anhydrite. Trip for Bit #2, Reed 11" Y-13, @ 1965'. Dev. @ 1965' 3/4 degrees. Rig shut-down for 2' 15" for repairs. Water well not pumping capacity. Abbott Bros. to monitor. Vis. 33.
- 1-1-78 : TD 2572' in salt and anhydrite. Making trip for Bit No. 3, Reed S62J. Drilling with Brine, Vis. 32. Dev. @ 2572' 1 degree.
- 1-2-78 : Drilling 2857', salt. Vis. 33.
- 1-3-78 : TD 3158", salt and anhydrite. Vis. 33. Dev. @ 3150' 1 degree. Loss of pump pressure, making trip to locate cracked drill collar.

(EXPENDITURES TO DATE: \$117,396.04 including \$90,000 prepayment of rig and bits. Three invoices outstanding : Gandy for water and Land & Marine Rental Co. for spool rental and reaming of of spool. Expenditures to date paid in 1977.)

1-4-78 : TD 3158'. Found cracked drill collars, laid down. Ran in hole, bit plugged. Pulled bit and found rubber from inside kelly hose. Pump malfunctioned. Repairing pump (replacing bearings), replaced kelly hose with new hose. New drill collars delivered to location. Should be drilling late today. Approximately 12 hours lost due to pump repair at this writing. All but two hours of this time is at expense of drilling company.

Tahoe Drilling Co. Rig No. 1

RIG PHONE: Caprock Ans. Ser.
Hobbs
397-3291 Unit 8491

REX ALCORN
INGRAM BUILDING
100 SOUTH KENTUCKY
ROSWELL, NEW MEXICO 88201
PHONE 505 622-4396

NOTE: ANHYDRITE STRINGERS NEAR
BASE OF SALT MAY CAUSE
DEVIATION AND KEY SEAT
PROBLEMS. DO NOT CARRY TOO
MUCH WEIGHT FROM 2800-3200.

DRILLING PROGNOSIS

Rex Alcorn No. 1 Shipp : West Knowles Field, Sec. 35, T16S, R37E, Lea Co.

Projected Total Depth: 8,500 feet, Drinkard Formation

Casing : Surface set; 13 3/8" at 345'.
Intermediate; 8 5/8" at approx. 4200'.
Production; 4 1/2" at approx. 8,500'.

Circulate 3-4 hours prior to running casing and logging.
WOC 18 hours, pressure-up 1000# for 30-45 minutes

Bit Sizes: 11" from underneath surface casing to 4200'.
7 7/8" from 4200' to total depth.

Drilling Fluids: Fresh water from surface to 2100' : Brine from 2100'
to 4200' : Mud 8100' to total depth.

Fresh Water: From water well at Mesa No. 1 W. Knowles Unit well,
Engine and pump supplied and maintained by Abbott
Bros., Hobbs 392-5806.

Brine Water: Permian Corporation, Hobbs 392-6559.

Mud : Marrs Mud, Inc. (Wayne Marrs), Lovington 396-4876.

Brine Tank : Two-State Tank Service, Inc. Hobbs

Cementing : Halliburton 393-3651
(Drilprodco to run fluid caliper survey prior to running
intermediate casing to determine minimum amount of cement
required to circulate).

Samples : 10 foot samples from 3200' to 8200'.
5 foot samples from 8200' to total depth.

Drilling Time : Record 10 foot time from 3200' to 8200'.
Record 1 foot time from 8200' to total depth.

Deviation Surveys : Every 500 feet.

DST's : Halliburton as per operator.

Logging : Schlumberger as per operator.

Estimated Formation Tops: Rustler Anhydrite 2070, Top Salt 2200, Base Salt
3170, Yates 3250, Queen 4160, San Andres 4935,
Glorieta 6400, Paddock 6490, Tubb 8065, Drinkard
8260, Drinkard "B" Zone (Pay) 8360.

Notification: Rex Alcorn, Office, Roswell 622-4396 :Residence, Roswell 622-7474.
(Hobbs Holiday Inn 393-7771 on occasions)

NO. OF COPIES RECEIVED	
DISTRIBUTION	
SANTA FE	
FILE	
U.S.G.S.	
LAND OFFICE	
OPERATOR	

NEW MEXICO OIL CONSERVATION COMMISSION

Form C-103
Supersedes Old
C-102 and C-103
Effective 1-1-65

<p align="center">SUNDRY NOTICES AND REPORTS ON WELLS</p> <p align="center"><small>(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE APPLICATION FOR PERMIT - A (FORM C-101) FOR SUCH PROPOSALS.)</small></p>		<p>5a. Indicate Type of Lease State <input type="checkbox"/> Fee <input checked="" type="checkbox"/></p> <p>5. State Oil & Gas Lease No.</p>
1. <input checked="" type="checkbox"/> OIL WELL <input type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER	7. Unit Agreement Name	
2. Name of Operator Rex Alcorn	8. Firm or Lease Name Shipp	
3. Address of Operator Ingram Building, 100 South Kentucky, Roswell, New Mexico 88201	9. Well No. 1	
4. Location of Well UNIT LETTER K , 2310 FEET FROM THE South LINE AND 1980 FEET FROM THE West LINE, SECTION 35 TOWNSHIP 16 South RANGE 37 East NMPM.	10. Field and Pool, or Wildcat West Knowles-Drinkard	
15. Elevation (Show whether DF, RT, GR, etc.) 3762 GR	12. County Lea	

16. Check Appropriate Box To Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	OTHER <input type="checkbox"/>	CASING TEST AND CEMENT JOB <input type="checkbox"/>	OTHER <input checked="" type="checkbox"/> Set Surface Casing

17. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

Sept. 30, 1977: Spudded with cable tools (Glenn's Well Services, Tatum, NM) and drilled 16" hole to 350 feet. Top red beds 217'. Ran 10 joints 13 3/8", 61# & 68#, H-40, 8RD, ST&C, Rg 3 casing to 345 feet: Bottom joint welded.

Oct. 21, 1977: Halliburton cemented with 225 sax Cl. C cement with 2% CaCl, circulated 25 sax of clean cement to pit, 30' left inside casing.

Oct. 24, 1977: Moved off cable tools; Waiting on Rotary Rig.

18. I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE *Rex Alcorn* TITLE Operator DATE Oct. 26, 1977

APPROVED BY Orig. Signed by John Runyan TITLE Geologist DATE NOV 4 1977

CONDITIONS OF APPROVAL, IF ANY:

NO. OF COPIES RECEIVED	
DISTRIBUTION	
SANTA FE	
FILE	
U.S.G.S.	
LAND OFFICE	
OPERATOR	

NEW MEXICO OIL CONSERVATION COMMISSION

Form C-103
Supersedes Old
C-102 and C-103
Effective 1-1-65

5a. Indicate Type of Lease
State ☐ Fee ☒
5. State Oil & Gas Lease No.

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT - II" (FORM C-101) FOR SUCH PROPOSALS.)

1. OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/>	7. Unit Agreement Name
2. Name of Operator Rex Alcorn	8. Farm or Lease Name Shipp
3. Address of Operator Ingram Building, 100 So. Kentucky, Roswell, N. Mex. 88201	9. Well No. 1
4. Location of Well UNIT LETTER <u>K</u> <u>2310</u> FEET FROM THE <u>South</u> LINE AND <u>1980</u> FEET FROM THE <u>West</u> LINE, SECTION <u>35</u> TOWNSHIP <u>16 South</u> RANGE <u>37 East</u> NMPM.	10. Field and Pool, or Wildcat West Knowles-Drinkard
15. Elevation (Show whether DF, RT, GR, etc.) 3762 GR : 3772 DF : 3773 KB	12. County Lea

16. Check Appropriate Box To Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	OTHER <input type="checkbox"/>	CASING TEST AND CEMENT JOBS <input checked="" type="checkbox"/>	OTHER <input type="checkbox"/>

17. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1703.

10-24-77 Moved off Cable Tools
10-25-77
to
12-12-77 Waiting on availability of rotary rig.
12-18-77 Link Rat Hole Service drilled rat hole and mouse hole.
12-19-77 Tahoe Drilling Co. Rig No. 1 moving on location.

**** 12-24-77 Rigging-up rotary rig. Tested surface casing with 1000# for 45 minutes, no decline in pressure.

12-25-77 Shut-down for Christmas.
12-26-77
&
12-27-77 Completed rigging-up.
12-28-77 11" bit in hole to drill out from under surface casing.
12-29-77 Drilling red beds at 500'.

18. I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNED Rex Alcorn TITLE Operator DATE 12-31-77

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

Orville Whited
398-4833
Day or Night

STATEMENT
C & O SERVICES, INC.
P. O. Box 994 — Tatum, N.M. 88267
Office 398-8355
Roustabouts & Winch Trucks
Sterling City, Texas 76951
Phone (915) 378-5121

Charles Whited
398-3167
Day or Night

Date 9-29-77

Rex Alcorn
Box 1757
Roswell, New Mexico 88201

Inv. # 3762

Shipp # 1

Build road and location and put in cellar

\$4700.00

4% tax 188.00
Total 4888.00

*PAID 10-21-77
ck # 745
RA*

Thank You

1½% per cent will be added to accounts over 30 days.

№ 5104

GLENN'S WATER WELL SERVICE

Corky Glenn - Owner

BOX 692

TATUM, N. M. 88267

Phone 398-2424

Customer's

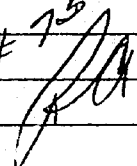
Order No. Shipp Lease Date Oct. 24, 1977 1977

M. Rex Alcorn

Address Ingram Building, 100 South Kentucky

Roswell, New Mexico 88201

SOLD BY		CASH	C. O. D.	CHARGE	ON ACCT.	MOISE RETD	PAID OUT	
QUANTITY	DESCRIPTION					PRICE	AMOUNT	
	Moved on location September 30, A.M.							
	Moved off location October 24, A.M.							
	350' of 16" hole @					10.00	3500	.00
	moving on and off location						200	.00
	12 hrs. running casing, bailing							
	out celler and capping well @					30.00	360	.00
	27 sacks of jel @					5.50	148	.50
							4208	.50
						tax	168	.34
							4376	.84

Pd. 11-8-77
 ck # 752


All claims and returned goods MUST be accompanied by this bill.

Rec'd. by _____

GRAYARC CO., INC., BROOKLYN, N. Y. 11232

HALTBURTON

A DIVISION OF HALLIBURTON COMPANY
FORM 1505 94

SEND ALL REMITTANCES TO

PAGE 1 OF

INVOICE

AL P.O. DRAWER 1431

DUNCAN, OKLAHOMA 73533

PAGES

NC

185226

FORM 1000-74 LEAD AND TARN		COUNTY LEA		STATE New Mexico	DATE 10-21-77
1 Shipp		OWNER Rex Alcorn		DUTY CAN USE ONLY	
ADDRESS Ingram Bldg. 100 So. Kentucky Roswell, N. Mex. 88201		CONTRACTOR Cable Tool		LOCATION 1 Hobbs	CODE 20340
TV. STATE / ZIP		SHIPPED VIA		LOCATION 2	CODE
011494		DELIVERED TO		LOCATION 3	CODE
REX ALCORN INGRAM BLDG 100 SO KENTUCKY ROSWELL, NM 88201		ORDER NO.		RULK MATERIAL DELIVERY TICKET NO. B-56249	
TERMS: NET		TOTAL ACID-30 DAYS		WELL TYPE Oil Development	CODE 00
DUE BY THE 30TH OF FOLLOWING MONTH. INTEREST CHANGED AFTER 60 DAYS FROM DATE OF INVOICE.		TYPE AND PURPOSE OF JOB 13 3/8 Surface			

PRICE REFERENCE	SECONDARY REF. OR PART NO.	CODE		DESCRIPTION	UNITS 1		UNITS 2		UNIT PRICE	AMOUNT	
		L	D		QTY.	MEAS.	QTY.	MEAS.			
00-117				1 C MILEAGE CHARGE	13	mi			1.10	14	30
01-016				1 C PUMP SERVICE	345	ft				283	95
04-050				1 B CLASS C. CEMENT	20	ST SK			3.69	830	25
09-400				1 B Calcium Chloride 2% w/pz	4	SK			14.10	56	40
				SERVICE CHARGE ON MATERIALS RETURNED							
00-207				1 B SERVICE CHARGE	233	CU. FT.			.57	132	81
00-306				1 B 21468	TOTAL WEIGHT 13	LOADED MILES 139.67			.37	51	68
				TAX REFERENCES				SUB TOTAL			
AS JOB SATISFACTORILY COMPLETED				800-029				nm			
AS OPERATION OF EQUIPMENT SATISFACTORY?								TAX			
AS PERFORMANCE OF PERSONNEL SATISFACTORY?								TAX			
Customer or His Agent				J.L. Eubank				TOTAL			
								1424 17			

Circulated App 25 also to Mr.

A.A.D.C. — July, 1964



ROTARY DRILLING BID PROPOSAL AND CONTRACT

Contract Numbers	Owner's
	Contractor's

TO: _____

Please submit bid on this drilling contract form for performing the work outlined below, upon the terms and for the consideration set forth, with the understanding that if the bid is accepted by

this instrument will constitute a contract between us. Your bid should be mailed or delivered not later than _____ P.M. on _____, 19____ to the following address:

DRILLING CONTRACT entered into between the parties designated as follows:

OWNER: Rex Alcorn

Address: Ingram Building 100 E. Kentucky Roswell, New Mexico 88201

CONTRACTOR: Tahoe Drilling Company

Address: 206 North Main Midland, Texas 79701

IN CONSIDERATION OF the mutual promises and agreements herein contained and the specifications and special provisions set forth in EXHIBIT "A" attached hereto and made a part hereof, Owner engages Contractor as an independent contractor to drill the hereinafter designated well in search of oil or gas, in conformity therewith.

1. LOCATION OF WELL:

Well Name and Number Shipp #1

Parish County Lea State New Mexico

Field Name _____ Well location and land description: T-16-S, R-37-E, Lea County, New Mexico, 2310 FSL, 1980 FWL

2. TIME ELEMENTS:

Contractor agrees to commence operations for the drilling of well by the 22 day of December, 1977, or within _____ days from the date of completion of roadway and other ingress or egress facilities, and the clearing and grading of location, whichever is the later date, and to thereafter prosecute operations hereunder with due diligence and without undue delays or interruptions. It is agreed by both parties that time is of the essence of this contract.

3. DEPTH:

Subject to the right of Owner to direct the stoppage of work at any time (as provided in Per. 6), the well shall be drilled to the depth as specified below:

3.1 Contract Footage Depth: The well shall be drilled to _____ feet or _____ formation, or to the depth at which the 4 1/2-5 3/8 casing (oil string) is set, whichever depth is first reached, on a footage basis and Contractor is to be paid for such drilling at the footage rate specified below, which depth is hereinafter referred to as the contract footage depth.

3.2 Day Work Basis Drilling: All drilling below the above specified contract footage depth shall be on a day work basis and Contractor shall be paid for such drilling at the applicable day work rate specified below.

3.3 Complete Day Work Basis Drilling: If all operations hereunder are performed at applicable day work rates, provisions of this contract applicable to drilling on a "footage basis" shall not apply.

3.4 Maximum Depth: Contractor shall not be required to drill said well under the terms of this contract below a maximum depth of _____ feet.

4. FOOTAGE RATE, DAY WORK RATES, BASIS OF DETERMINING AMOUNTS PAYABLE TO CONTRACTOR:

Owner agrees to pay Contractor for the work performed, services rendered, and material, equipment, and supplies furnished by Contractor a sum computed on the following rates:

4.1 For work performed on a footage basis the rate will be \$ _____ per linear foot of hole drilled determined by steel line measurement from the surface of the ground if Contractor digs cellar, or from the bottom of the cellar if Owner digs cellar, less footage made in regular size hole while working on day work basis.

4.2 For work performed on a day work basis the day work rate per twenty-four hour day with 4 man crew shall be:

Depth		Without Drill Pipe		With Drill Pipe	
From	To	Per Day	Per Hour	Per Day	Per Hour
Surface	<u>8500</u> ft.	\$ <u>3150.00</u>	\$ _____	\$ <u>3150.00</u>	\$ _____

Stand By Time Rate: \$ 3150.00 Per Day \$ _____ Per Hour
If under the above column "With Drill Pipe" no day work rate is specified, then the day work rate per 24-hour day when drill pipe is in use shall be the applicable day work rate specified above under the column "Without Drill Pipe" plus compensation for additional expense in an amount equal to (a) _____ cents per foot per day on _____ inch drill pipe, and (b) _____ cents per foot per day on _____ inch drill pipe, computed on the basis of the maximum drill pipe in use at any time during each 24-hour day.

Drill pipe shall be considered in use not only when in actual use but also while it is being picked up or laid down. When drill pipe is standing in the derrick it shall not be considered in use, provided, however, that if Contractor furnishes special strings of drill pipe, drill collars, and handling tools as provided for in Par. 7.13 and 7.14 of Exhibit "A", attached hereto and made a part hereof, the same shall be considered in use at all times when on location or until released by Owner. If Contractor is drilling with Owner's tubing or drill pipe, the charge on the day work rate basis shall be construed as without drill pipe unless otherwise specified in Par. 25. In no event shall fractions of an hour be considered in computing the amount of time drill pipe is in use but such time shall be computed to the nearest hour, with thirty minutes or more being considered a full hour and less than thirty minutes not to be counted.

4.3 In the event it is necessary to shut down Contractor's rig for repairs or maintenance while Contractor is performing day work hereunder, Contractor shall be allowed compensation at the applicable day work rate for such shut down time up to a maximum of 2 hours for any one repair or maintenance job.

4.4 Standby time shall be defined as the time when the rig is shut down although in readiness to begin or resume operations but Contractor is waiting on orders of Owner or on materials, services or other items to be furnished by Owner.

4.5 Owner shall reimburse Contractor for the costs of material, equipment, work, or services which are to be furnished by Owner as provided for herein but which for convenience are actually furnished by Contractor at Owner's request.

4.6 The term day work shall apply to the work performed by the Contractor at a stipulated sum per day as distinguished from work for which the Contractor is compensated at a stipulated price per foot of hole drilled. Unless otherwise provided herein, the term day work shall include the following work performed by the Contractor: (a) All drilling below the contract footage depth as provided in Par. 3.1, including the setting of any string of casing below such depth; (b) All work performed by the Contractor, whether or not prior to reaching the contract footage depth, in an effort to restore the hole to such condition that further drilling or other operations may be conducted, in the event of loss of or damage to the hole as a result of the failure of Owner's casing or equipment either during or after the running and setting of such casing or as a result of the subsequent failure of the cementing job resulting in parted casing; (c) All other work performed by Contractor at the request of Owner, regardless of depth, which is not within the scope of the work to be performed on a footage basis, including all coring, drill stem testing, bailing, gun or jet perforating, electric logging, acid treatment, shooting, cleaning out, hydraulic fracturing, plugging, running tubing, setting liners, squeeze cementing, abandoning well and installation of well head equipment.

4.7 In determining the amount of day work time for which the Contractor is to be compensated at the applicable day work rate, it is agreed that such day work time shall begin when Contractor at the request of Owner suspends normal drilling operations being conducted on a footage basis for the purpose of conducting operations to be performed hereunder on a day work basis. There shall be included in day work time any time required to condition the hole preparatory to performing such day work and also the time required to restore the hole to the same drilling conditions which existed when operations were suspended for the purpose of beginning day work, in order to again resume normal drilling operations.

5. TIME OF PAYMENT:

Subject to Owner's right to require that Contractor furnish him with satisfactory evidence that Contractor has paid all labor and material claims chargeable to Contractor, payment becomes due by Owner to Contractor as follows:

5.1 If the well is drilled to total depth on a footage basis, payment becomes due when Contractor completes the performance of the services which he agrees to perform under this contract and the acceptance thereof by the Owner; provided, however, that if Contractor prior to the completion of the contract performs a substantial amount of day work, payment for such day work shall become due and payable within twenty days after the end of the month in which such day work was performed.

5.2 If the entire hole or the bottom section of the hole is drilled on a day work basis, payment shall become due as follows: Upon Contractor's completion of the footage basis drilling to the depth specified above and upon acceptance by Owner of the hole as drilled to such depth in accordance with this agreement, payment becomes due for all footage drilled and for all work performed on a day work basis to the date of completion of the footage drilled. Payment for drilling and other work performed at day work rates below the depth specified at which day work basis drilling commences shall become due upon acceptance by Owner of the work performed in accordance with this contract within twenty days after the end of the month in which such day work was performed.

5.3 Late Payment: Any sum or sums not paid within 15 days after the due date specified shall bear interest of 10% per annum or the maximum legal rate, whichever is less, from date of invoice until paid.

Notwithstanding the provisions of Par. 3 with respect to the depth to be drilled, the Owner shall have the right to direct the stoppage of the work to be performed by Contractor hereunder at any time prior to reaching the specified depth, and even though Contractor has made no default hereunder, and in such event Owner shall be under no obligation to Contractor except as follows:

6.1 If such work stoppage occurs prior to the spudding of the well, Owner shall pay to Contractor the sum of the following: (a) all expenses reasonably and necessarily incurred and to be incurred by Contractor by reason of the contract and by reason of the premature stoppage of the work, excluding, however, expenses of normal drilling crew and supervision; (b) ten percent (10%) of the amount of such reimbursable expenses; and (c) a sum calculated at the standby rate for all time from the date upon which Contractor commences any operations hereunder down to such date subsequent to the date of work stoppage as will afford Contractor reasonable time to dismantle his rig and equipment.

6.2 If such work stoppage occurs after the spudding of the well, Owner shall pay the Contractor (a) the amount owing Contractor at the time of such work stoppage under the footage rate, applicable day work rate, and standby rate; but in such event Owner shall pay Contractor for a minimum footage of _____ feet regardless of whether or not the well has been drilled to such depth at the time of work stoppage; or (b) at the election of Contractor and in lieu of the foregoing Owner shall pay Contractor for all expenses reasonably and necessarily incurred and to be incurred by Contractor by reason of this contract and by reason of the premature stoppage of work plus the sum of \$ _____.

7. OPTIONAL RIGHT OF OWNER IN THE EVENT OF DEFAULT BY CONTRACTOR:

In the event Owner is dissatisfied with the performance of Contractor hereunder on account of unreasonably slow progress or incompetency in the performance of the contract as a result of causes reasonably within the control of Contractor, Owner shall give Contractor written notice in which Owner shall specify in detail the cause of his dissatisfaction. Should Contractor fail or refuse to remedy the matters complained of within five days after the written notice is received by Contractor, Owner shall have the right at his option to take over the operation of Contractor's equipment for the purpose of completing the drilling of the well. Should such drilling operation be taken over by the Owner, the cost of the operations conducted by Owner, without any allowance to Contractor for the use of the drilling tools, machinery, and appliances of Contractor, shall be deducted from the contract price calculated in accordance with the terms of this contract as though Contractor had completely performed said contract; and the balance, if any, shall be paid to Contractor. Owner shall return such drilling tools, machinery, and appliances to Contractor when the drilling of said well has been completed in as good condition as when taken over by Owner, normal wear and tear excepted. In the event the drilling operations are taken over by Owner as herein provided, all operations thereafter conducted shall be at the risk of Owner and the indemnity provisions of this contract shall not apply to such operations by Owner.

8. CASING PROGRAM:

8.1 The casing program to be followed in the drilling of said well is set forth in Exhibit "A", and the Contractor shall drill a well sufficient in size to set at the approximate depth therein indicated the size of casing so specified. The exact setting depths for each string of casing shall be specified by the Owner. The Owner may modify said casing program provided any modification thereof which materially increases the Contractor's hazards or costs of performing his obligations hereunder can only be made by mutual consent of Contractor and Owner.

8.2 The setting of any string of casing within the footage contract depth shall be performed by Contractor and the compensation payable to Contractor at the footage rate shall cover such work, which work shall include rig time for cementing casing, testing cement jobs on each string of casing, and the time required by governmental regulatory authorities having jurisdiction thereof or as directed by Owner for allowing cement to set. If, however, the time so required is in excess of the "allowed cement time" as specified in Par. 1 of Exhibit "A", all work performed and time consumed in cementing or recementing and for allowing cement to set shall be paid for at the applicable day work rate. Allowed cement time will start at the time the plug hits bottom.

8.3 The setting of any string of casing below the footage contract depth shall be performed by Contractor under the direction of Owner but Owner shall pay Contractor for all time so consumed at the applicable day work rate.

8.4 Before each string of casing is run, Contractor agrees to condition the walls of the hole if necessary, so that the hole is free from obstructions which might impede the lowering of the casing. Contractor agrees to keep thread protectors on the casing until it is run and to grease the threads as it is made up with a suitable pipe lubricant furnished by Owner.

8.5 Owner reserves the right to require Contractor to set strings of casing or liners in addition to those listed (subject to the limitations upon Owner's right to modify the casing program as provided for in Par. 8.1) and in such event Contractor agrees to provide rig time for cementing and testing cement on such liners and strings of casing and to provide rig time for performing cement squeezing jobs as required by Owner. Owner shall pay Contractor for time consumed by such work at the applicable day work rate.

9. LABOR, EQUIPMENT, MATERIALS, SUPPLIES, AND SERVICES:

The furnishing of labor, equipment, appliances, materials, supplies, and services of whatever character necessary or proper in the drilling and completion of said well and not otherwise specifically provided for herein shall be furnished by Contractor or Owner as specified in Exhibit "A" attached hereto and made a part hereof.

10. DRILLING METHODS AND PRACTICES:

10.1 Contractor agrees to perform all work to be conducted by him under the terms of this contract with due diligence and care and in a good and workmanlike manner and shall provide a competent superintendent to supervise the work.

10.2 Contractor shall maintain well control equipment in good condition at all times and shall use all reasonable means to control and prevent fires and blow-outs and to protect the hole.

10.3 Subject to the terms hereof, at all times during the drilling of the well, Owner shall have the right to control the mud program, and the drilling fluid must be of a type and have characteristics acceptable to Owner and be maintained by Contractor in accordance with the specifications shown in Par. 2 of Exhibit "A". No change or modification of said specifications which materially increases the Contractor's hazards or costs of performing his obligations hereunder shall be made by Owner without consultation with and consent of the Contractor. Owner shall have the right to make any tests of the drilling fluid which may be necessary. Should no mud control program be specified by Owner in Exhibit "A", Contractor shall have the right to determine the mud program and the type and character of drilling fluid during the time that Contractor is performing work upon a footage basis under the terms of this contract.

10.4 Contractor shall measure the total length of drill pipe in service with a steel tape at the point where the contract footage depth has been reached; and when requested by Owner, before setting casing or liner and after reaching final depth.

10.5 Contractor agrees to furnish equipment, workmen and instruments acceptable to owner and to make slope tests as provided in the Exhibit "A". Unless operations are on a day-work basis, all such slope tests shall be made at contractor's sole risk, cost and expense. If, in the opinion of the owner, it becomes advisable to obtain the use of an additional slope test instrument and accessory equipment for the purpose either of checking previous readings or of determining the direction of the drift, the rental charges therefore shall be paid by owner, and the running of same shall be on a day-work basis. Should the hole at any depth have either a deviation from vertical or change in over-all angle in excess of the limits prescribed in Exhibit "A", contractor agrees that during the time contractor is performing work on a footage basis, contractor shall at his expense restore the hole to a condition suitable to the owner either by conventional methods and procedures while drilling ahead or by cementing off and redrilling."

11. COMPLETION TESTS AND INSTALLATION OF WELL CONNECTIONS OR ABANDONMENT:

Contractor will either complete the well and install well head equipment and connections or plug and abandon same, in accordance with Owner's instructions, at the applicable rates set forth in Par. 4 above, using equipment, materials and services to be furnished and paid for by either Owner or Contractor as specified in Exhibit "A".

12. CORING AND CUTTINGS:

12.1 As directed by Owner and utilizing the type of coring equipment specified and furnished as shown in Exhibit "A" Contractor agrees at any time to take either rat-hole or full-hole conventional or wire line cores in the manner requested by Owner. Regardless of depth, all coring shall be paid for at the applicable day work rate. All coring footage shall be deducted from the total footage charge if the well is being drilled on footage basis at that depth. Reaming of the rat-hole shall be paid for at the applicable day work rate.

12.2 When requested by Owner, Contractor shall save and identify the cuttings and cores, free from contamination, and place them in separate containers which shall be furnished by the Owner; such cuttings and cores shall be made available to a representative of Owner at the location.

13. FORMATIONS DIFFICULT OR HAZARDOUS TO DRILL:

13.1 In the event chert, nyrite, quartzite, granite, igneous rock or other impenetrable substance, is encountered while drilling on the footage basis and the footage drilled during each twenty-four (24) hour period multiplied by the footage rate does not equal the applicable day work rate plus cost of bits, all drilling operations shall be conducted on a day work basis at the applicable day work rate, with Owner furnishing the bits, until normal drilling operations and procedures can be resumed. The footage drilled on day work rate shall be deducted from the footage charge.

13.2 In the event of loss of circulation, partial loss of circulation, water flow, domal formation, abnormal pressures, heaving shale, or similar formation, salt or other similar condition, is encountered which makes drilling abnormally difficult or hazardous, causes sticking of drill pipe or casing, or other similar difficulty which precludes drilling ahead under reasonably normal procedures, Contractor shall, in all such cases, without undue delay, exert every reasonable effort to overcome such difficulty. When such condition is encountered, Owner shall assume risk of loss of or damage to the hole and to Contractor's equipment in the hole. Should such condition or conditions persist in spite of Contractor's efforts to overcome them, then after a period of twenty-four (24) hours time consumed in such efforts, further operations shall be conducted on a day work basis at the applicable day work rate until such conditions have been overcome and normal drilling operations can be resumed. The total time furnished by Contractor under the terms of this paragraph shall be limited to twenty-four (24) hours. The footage drilled while on day work basis shall be deducted from the footage charge.

14. REPORTS TO BE FURNISHED BY CONTRACTOR:

14.1 Contractor shall keep and furnish to Owner an accurate record of the work performed and formations drilled on the AAODC-API Daily Drilling Report Form or other form acceptable to Owner. A legible copy of said form signed by Contractor's representative shall be furnished by Contractor to Owner.

14.2 Delivery tickets covering any material or supplies furnished by Owner shall be turned in each day with the daily drilling report. The quantity, description, and condition of materials and supplies so furnished shall be checked by Contractor and such tickets shall be properly certified by Contractor.

15. INGRESS AND EGRESS TO LOCATION:

Owner hereby assigns to Contractor Owner's rights of ingress and egress with respect to the tract of land where the well is to be located for the performance by Contractor of all work contemplated by this contract. Should the Contractor be denied free access to the location for any reason not reasonably within the Contractor's control, any time lost by the Contractor as a result of such denial shall be paid for at a reasonable rate in keeping with the type of operations at that time. In the event there are any restrictions, conditions, or limitations on Owner's access to the well location, Contractor agrees to be bound by such restrictions, conditions, or limitations, and Contractor agrees to observe same.

16. INSURANCE:

During the life of this contract, Contractor shall at Contractor's expense maintain, with an insurance company or companies authorized to do business in the state where the work is to be performed and satisfactory to Owner, insurance coverages of the kind and in the amounts set forth in Exhibit "A". Contractor shall, if requested to do so by Owner, procure from the company or companies writing said insurance a certificate or certificates satisfactory to Owner that said insurance is in full force and effect and that the same shall not be cancelled or materially changed without Ten (10) days prior written notice to Owner.

17. PAYMENT OF CLAIMS:

Contractor agrees to pay all claims for labor, material, services, and supplies to be furnished by Contractor hereunder, and agrees to allow no lien or charge to be fixed upon the lease, the well, or other property of the Owner or the land upon which said well is located.

18. RESPONSIBILITY FOR LOSS OR DAMAGE:

18.1 Contractor's Surface Equipment: Contractor shall assume liability at all times, regardless of whether the work is being performed on a footage basis or day work basis, for damage to or destruction of Contractor's surface equipment, including but not limited to all drilling tools, machinery, and appliances, for use about the surface, regardless of when or how such damage or destruction occurs, and Owner shall be under no liability to reimburse Contractor for any such loss except loss or damage thereto caused by gross negligence or willful acts or omissions of Owner or Owner's agents, servants, or employees or any loss or damage thereto occurring during the time that the operation of Contractor's equipment has been taken over by Owner as provided for in Par. 7 hereof.

18.2 Contractor's In-Hole Equipment—Footage Basis: Contractor shall assume liability at all times while work is being performed on a footage basis for damage to or destruction of Contractor's in-hole equipment, including but not limited to, drill pipe, drill collars, and tool joints, and Owner shall be under no liability to reimburse Contractor for any such loss except loss or damage thereto caused by gross negligence or willful acts or omissions of Owner or Owner's agents, servants, or employees or any loss or damage thereto occurring during the time that the operation of Contractor's equipment has been taken over by Owner as provided for in Par. 7, and except as provided for in Par. 13.2 hereof.

18.3 Contractor's In-Hole Equipment—Day Work Basis: Owner shall assume liability at all times while work is on a day work basis for damage to or destruction of Contractor's in-hole equipment, including but not limited to, drill pipe, drill collars, and tool joints; and Owner shall reimburse Contractor for the actual cash value of any such loss or damage provided such loss or damage is not due to the negligence of Contractor, his agents, servants or employees.

18.4 Owner's Equipment: Owner shall assume liability at all times for damage to or destruction of Owner's equipment, including but not limited to casing, tubing, well head equipment, and tankage, and Contractor shall be under no liability to reimburse Owner for any such loss or damage except that due to negligence of Contractor, his agents, servants and employees.

18.5 The Hole—Footage Basis: Subject to the provisions of Par. 13 hereof (relating to formations difficult or hazardous to drill) and to loss of circulation) should a fire or blow-out occur or should the hole for any cause attributable to Contractor's operations be lost or damaged while Contractor is engaged in the performance of work hereunder on a footage basis, all such loss of or damage to the hole shall be borne by the Contractor; and if the hole is not in condition to be carried to the contract depth as herein provided, Contractor shall, if requested by Owner, commence a new hole without delay at Contractor's cost; and the drilling of the new hole shall be conducted under the terms and conditions of this contract in the same manner as though it were the first hole. In such case Contractor shall not be entitled to any payment or compensation for expenditures made or incurred by Contractor on or in connection with the abandoned hole, except for day work earned in coring, testing, and logging said well for which Contractor would have been compensated had such hole not been junked and abandoned.

Notwithstanding the foregoing provisions, if the hole is lost or damaged without negligence on the part of the Contractor but as a result of the failure of Owner's casing or equipment either during or after the running and setting of such casing, or as a result of subsequent failure of the cementing job resulting in parted casing, such loss shall be borne by the Owner and Contractor shall nevertheless be paid: (a) For all footage drilled and other work performed by Contractor prior thereto; (b) For work performed in an effort to restore the hole to such condition as that further drilling or other operations may be conducted at the applicable day work rate; and (c) The cost of dismantling the rig and moving to and rigging up Contractor's equipment prior to starting the drilling of a new hole at a location designated by Owner if such be required. The work of drilling the new hole shall be performed by the Contractor under the terms and conditions of this contract.

18.6 The Hole—Day Work Basis: In the event the hole should be lost or damaged while Contractor is working on a day work basis or as a result of work performed on a day work basis unless such loss or damage is caused by negligence of Contractor, his agents, servants, or employees, Owner shall be responsible for any such loss of or damage to the hole.

18.7 Underground Damage: Owner agrees to indemnify Contractor for any and all sums which Contractor shall become liable by final judgment to pay for damages resulting from operations under this contract on account of injury to, destruction of, or loss or impairment of any property right in or to oil, gas, or other mineral substance or water, if at the time of the act or omission causing such injury, destruction, loss, or impairment, said substance had not been reduced to physical possession above the surface of the earth, and for any loss or damage to any formation, strata, or reservoir beneath the surface of the earth.

18.8 Inspection of Materials Furnished by Owner: Contractor agrees to inspect all materials furnished by Owner before using same and to notify Owner of any apparent defects therein; and Contractor's use of such materials without notifying Owner shall be conclusive evidence that such materials were free from apparent defects. Contractor shall not be liable for any loss or damage resulting from the use of materials furnished by Owner containing latent defects.

18.9 Indemnity by Contractor: Contractor agrees to protect, indemnify, and save harmless the Owner from and against all claims, demands, and causes of action in favor of Contractor's employees or third parties on account of personal injuries or death or on account of property damages (other than property damages as hereinabove in this Par. 18 specifically provided for) arising out of the work to be performed by Contractor hereunder and resulting from the negligent acts or omissions of Contractor, Contractor's agents, employees, and subcontractors.

19. INDEPENDENT CONTRACTOR RELATIONSHIP:

19.1 In the performance of the work herein contemplated, Contractor is an independent contractor, with the authority to control and direct the performance of the details of the work, Owner being interested only in the results obtained. But the work contemplated herein shall meet the approval of Owner and be subject to the general right of inspection and supervision herein provided to Owner to secure the satisfactory completion thereof. Contractor agrees to comply with all laws, rules, and regulations, federal, state, and municipal, which are now, or may in the future become, applicable to Contractor, Contractor's business, equipment, and personnel engaged in operations covered by this contract or accruing out of the performance of such operations.

19.2 The actual performance and superintendence of all work hereunder shall be by Contractor, but Owner shall be privileged to designate a representative or representatives who shall at all times have access to the premises for the purpose of observing or inspecting the work performed by Contractor, in order to judge whether, in Owner's opinion, such work is being performed by Contractor in accordance with the provisions of this contract. Such representative or representatives shall be empowered to act for Owner in all matters relating to Contractor's performance of the work herein undertaken.

D. NO WAIVER EXCEPT IN WRITING:

It is fully understood and agreed that none of the requirements of this contract shall be considered as waived by either party unless the same is done in writing, and then only by the persons executing this contract, or other duly authorized agent or representative of the party.

E. FORCE MAJEURE:

Neither Owner nor Contractor shall be liable to the other for any delays or damage or any failure to act due, occasioned or caused by reason of federal or state laws or the rules, regulations, or orders of any public body or official purporting to exercise authority or control respecting the operations covered hereby, including the procurement or use of tools and equipment, or due,

occasioned or caused by strikes, action of the elements, or causes beyond the control of the party affected thereby; and any delay due to the above causes or any of them shall not be deemed to be a breach of or failure to perform this contract of any part thereof.

22. INFORMATION CONFIDENTIAL:

All information obtained by the Contractor in the conduct of drilling operations on this well, including, but not limited to, depth, formations penetrated, the results of coring, testing, and surveying, shall be considered confidential and shall not be divulged by Contractor, or his employees, to any person, firm, or corporation other than Owner's designated representatives.

23. ASSIGNMENT OF CONTRACT:

Contractor agrees not to sublet or assign this contract except for work normally performed by subcontractors without the written consent of the Owner.

24. NOTICES AND PLACE OF PAYMENT:

All notices to be given with respect to this contract unless otherwise provided for shall be given to the Contractor and to the Owner respectively at the addresses hereinabove shown. All sums payable hereunder to Contractor shall be payable at his address hereinabove shown unless otherwise specified herein.

25. ARBITRATION:

Every controversy or claim arising out of or relating to this Contract, or the alleged breach thereof, will be settled by arbitration according to the law pursuant to the rules then obtaining of the American Arbitration Association, and judgment upon the award so rendered may be entered in any court having jurisdiction thereof.

26. SPECIAL PROVISIONS:

All claims will be prepaid before moving on location

27. ACCEPTANCE OF CONTRACT:

This instrument shall not become a binding contract until Owner has noted its acceptance and Owner shall be under no obligation to Contractor until such acceptance has been noted and a fully executed copy of this agreement sent to Contractor. Contractor will sign all copies of this instrument and return all but one signed copy to Owner.

Owner

By _____

The foregoing contract is accepted by the undersigned as Contractor this _____ day of _____, 19____, subject to rig availability, and subject to all of its terms and provisions, with the understanding that it will not be binding upon Owner until Owner has noted its acceptance, and with further understanding that unless said contract is thus executed by Owner within _____ days of the above date Contractor shall be in no manner bound by its signature thereto.

Contractor

By _____

Accepted this 12th day of December, 1977,
which is the effective date of this agreement.

By [Signature] Owner
Operator
Title

To Drilling Contract dated _____, 196_____

Owner Rex AlcornContractor Tahoe Drilling CompanyWell Name and Number SHIPP #1

SPECIFICATIONS AND SPECIAL PROVISIONS

1. CASING PROGRAM (See Par. 8)

	Size	Weight	Approx. Setting Depth	To Be Set By	Allowed Cement Time
Conductor	_____ in.	_____ lbs./ft.	_____ ft.	_____	_____ hours
Surface	_____ in.	_____ lbs./ft.	_____ ft.	_____	_____ hours
Protection	_____ in.	_____ lbs./ft.	_____ ft.	_____	_____ hours
Oil String	_____ in.	_____ lbs./ft.	_____ ft.	_____	_____ hours
Liner	_____ in.	_____ lbs./ft.	_____ ft.	_____	_____
Tubing	_____ in.	_____ lbs./ft.	_____ ft.	_____	_____

2. MUD CONTROL PROGRAM (See Par. 10.3)

Depth Interval (ft.)	Type Mud	Weight (lbs./gal.)	Viscosity (Secs)	Water Loss (cc)
From _____ To _____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Mud weight considered to constitute existence of "Abnormal Pressure" (Par. 13.2) _____ lbs. per gal.
 Other mud specifications: _____

3. STRAIGHT HOLE SPECIFICATIONS (See Par. 10.5)

Well Depth	Maximum Distance Between Surveys, Feet	Maximum Deviation from Vertical, Degrees	Maximum Change of Angle (or Over-All Angle) Between Any Two Surveys, Degrees(1)
From _____ To _____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Location of well bore at _____ feet shall be _____

- (1) a. Reduce proportionately for survey intervals less than 100 feet, but do not use intervals shorter than 30 feet.
 b. If these limits are exceeded and the distance between surveys is more than 100 feet, Contractor shall take intermediate surveys no more than 100 feet apart. If such intermediate surveys show that above limits for any interval have been exceeded, Contractor shall correct hole deviation to within limits of above specifications.
 c. When directional surveys are required, the change of angle shall be the change of over-all angle.

4. INSURANCE (See Par. 16)

- 4.1 Adequate Workmen's Compensation Insurance complying with State Laws applicable or Employers' Liability Insurance covering all of Contractor's employees working under this agreement.
 4.2 Comprehensive Public Liability Insurance or Public Liability Insurance with limits not less than \$ 250.00 for the death or injury of any one person and \$ 500,000 for each accident.
 4.3 Comprehensive Public Liability Property Damage Insurance or Public Liability Property Damage Insurance with limits of not less than \$ 250,000 for each accident and \$ 500,000 aggregate per policy.
 4.4 Automobile Public Liability Insurance with limits of \$ 250,000 for the death or injury of each person and \$ 500,000 for each accident; and Automobile Public Liability Property Damage Insurance with limits of \$ 250.00 for each accident.
 4.5 _____
 4.6 _____

EQUIPMENT, MATERIALS AND SERVICES TO BE FURNISHED BY CONTRACTOR

The machinery, equipment, tools, materials, supplies, instruments, services and labor hereinafter listed, including any transportation required for such items, shall be provided at the location at the expense of Contractor unless otherwise noted hereon and otherwise provided for in Par. 7 hereof.

5.1 Drilling Rig

Complete drilling rig, designated by Contractor as his rig No. 1, the major items of equipment being:
50 National

Drawworks: 2 353-Caterpillar-8 15 H.P. (Make and Model) No. on Rig # 1
3 1/4 x 14 x 5 1/4 Compound Drive
 (Exhibit Page 1)

EXHIBIT "A" (Continued)

Auxiliary Pump: Make, Size, and Power National C-250 W/ 2-671 Detroit
 Rollers: Number, Make, H. P. and W. P. _____
 Steam Drilling Engine: Make and Size _____
 Derrick or Mast: Make, Size, and Capacity 126 FT. Lea Seamoore 420,000
 Substructure: Size and Capacity 10' - 450,000
 Drill Pipe: Size 4 1/2 XH in. 6500 ft.; Size E in. _____ ft.; Size _____ in. _____ ft.
 Drill Collars: Number and Size _____
 Blowout Preventers: 10" - 900S- Shaffer Double Hydraulic

Size	Series or Test Pr.	Make & Model	Number
10"	S-900	Shaffer Hydraulic	1

- 5.2 Trucking service and other transportation, hauling or winching services as required to move Contractor's property to location, rig up Contractor's rig, tear down Contractor's rig, and remove all of Contractor's property from location.
- 5.3 Drilling bits, reamers, stabilizers, reamer cutters, and other drilling tools or devices (except while on daywork).
- 5.4 Contract fishing tool services and fishing tool rentals (except while on daywork).
- 5.5 Derrick timbers.
- 5.6 Normal strings of drill pipe and drill collars specified above.
- 5.7 Conventional drift indicator.
- 5.8 Steel or earthen mud pits and reserve pits.
- 5.9 Services in connection with erection and dismantling of Contractor's derrick.
- 5.10 Necessary pipe racks and rigging up material.
- 5.11 Normal storage for mud and chemicals.
- 5.12 Necessary spools, flanges and fittings to connect blowout preventers to Owner's well head equipment.

A. EQUIPMENT, MATERIALS AND SERVICES TO BE FURNISHED BY OWNER

The machinery, equipment, tools, materials, supplies, instruments, services and labor hereinafter listed, including any transportation required for such items, shall be provided at the location at the expense of Owner unless otherwise noted hereon and otherwise provided for in Par. 7 hereof.

- 6.1 Furnish and maintain adequate roadway and/or canal to location, rights-of-way, including rights-of-way for fuel and water lines, river crossings, highway crossings, gates and cattle guards.
- 6.2 Stake location, clear and grade location, and provide turnaround, including surfacing when necessary.
- 6.3 Test tanks with pipe and fittings.
- 6.4 Mud storage tanks with pipe and fittings.
- 6.5 Separator with pipe and fittings.
- 6.6 Labor to connect and disconnect mud tank, test tank, and separator.
- 6.7 Labor to disconnect and clean test tanks and separator.
- 6.8 Drilling mud, chemicals, lost circulation materials and other additives.
- 6.9 Pipe and connections for oil circulating lines.
- 6.10 Labor to lay, bury and recover oil circulating lines.
- 6.11 Drilling bits, reamers, reamer cutters, stabilizers and special tools while operating on daywork basis.
- 6.12 Contract fishing tool services and tool rental while operating on a daywork basis.
- 6.13 Wire line core bits or heads and wire line core catchers if required.
- 6.14 Conventional core bits and core catchers.
- 6.15 Diamond core barrel with head.
- 6.16 Cement and cementing service.
- 6.17 Electrical and Gamma-Neutron logging services.
- 6.18 Directional, caliper, or other special services.
- 6.19 Gun or jet perforating services.
- 6.20 Explosives and shooting devices.
- 6.21 Formation testing, hydraulic fracturing, acidizing and other related services.
- 6.22 Equipment for drill stem testing.
- 6.23 Mud logging services.
- 6.24 Sidewall coring service.
- 6.25 Welding service for welding bottom joints of casing, guide shoe, float shoe, float collar and in connection with installing of well head equipment if required.
- 6.26 Casing, tubing, liners, screen, float collars, guide and float shoes and associated equipment.
- 6.27 Casing scratchers and centralizers.
- 6.28 Well head connections and all equipment to be installed in or on well or on the premises for use in connection with testing, completion and operation of well.
- 6.29 Special or added storage for mud and chemicals.

EQUIPMENT, MATERIALS AND SERVICES TO BE FURNISHED BY DESIGNATED PARTY

The machinery, equipment, tools, materials, supplies, instruments, services, and labor listed as the following numbered items shall be provided at the location and at the expense of the designated party.

EXHIBIT "A" (Continued)

ITEM	TO BE PROVIDED BY AND AT EXPENSE OF	
	Owner	Contractor
7.1 Cellar and runways.....		
7.2 Fuel (located at.....)		X
7.3 Fuel Lines (length.....)		X
7.4 Water at source.....	X	
7.5 Water well.....		
7.6 Water lines.....		
7.7 Water storage tanks..... capacity..... (Brine Only).....	X	
7.8 Labor to operate water well or water pump.....		X
7.9 Maintenance of water well, if required.....		
7.10 Mats for engines and boilers, or motors and mud pumps.....		
7.11 Transportation of Contractor's property:		
Move in.....	X	
Move out.....	X	
7.12 Materials for "boxing in" rig and derrick.....		
7.13 Special strings of drill pipe and drill collars as follows:	X	
.....		
7.14 Kelley joints, subs, elevators and slips for use with special drill pipe.....		
7.15 Drill pipe protectors for Kelly joint and each joint of drill pipe running inside of casing for use with normal strings of drill pipe.....		
7.16 Drill pipe protectors for Kelly joint and each joint of drill pipe running inside of casing for use with special strings of drill pipe.....	X	
7.17 Coring reel with wire line of sufficient length for coring at maximum depth specified in contract.....	X	
7.18 Wire line core barrel.....		
7.19 Conventional core barrel.....		
7.20 Rate of penetration recording device.....	X	X
7.21 Extra labor for running and cementing casing.....	X	
7.22 Casing tools.....	X	
7.23 Running of casing-conductor.....	X	
7.24 Running of casing-surface.....		
7.25 Running of casing protection.....		
7.26 Running of casing production.....		
7.27 Running of casing liner.....	X	
7.28 Power casing tongs.....		
7.29 Tubing tools.....		
7.30 Power tubing tong.....		
7.31 Swabbing unit with swabbing line.....		
7.32 Swab.....		
7.33 Swab lubricator.....		
7.34 Swab rubbers.....		
7.35.....		
7.36.....		
7.37.....		
7.38.....		
7.39.....		
7.40.....		

8. OTHER PROVISIONS:

Initialed by the
Parties as correct:

For Owner.....

For Contractor.....



FORSTER DRILLING CO., INC.

5502 W. INDUSTRIAL
P. O. BOX 3526
MIDLAND, TEXAS 79702

AREA CODE 915
697-3166
563-0221

September 22, 1977

Rex Alcorn
P. O. Box 1757
Roswell, New Mexico 88201

Dear Mr. Alcorn;

We were pleased to have been invited to bid on the drilling of your 8700' well near Humble City, New Mexico. Unfortunately, we will not have a rig available before February 20, 1977.

We do appreciate the opportunity to bid and hope to be of service in the near future.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. E. Grimes". The signature is stylized with a large, sweeping initial "L" and a long, horizontal stroke at the end.

L. E. Grimes
Vice-President

LEG/jah

RIAL DRILLING COMPANY, INC.

P. O. DRAWER 3068
MIDLAND, TEXAS 79702

915/683-5271

October 19, 1977

Mr. Rex Alcorn
Ingram Building
100 South Kentucky
Roswell, New Mexico 88201

Dear Mr. Alcorn:

Your request for a bid to drill your Shipp #1 in Lea County, New Mexico, is very much appreciated. Thank you!

In declining to bid on this well, let me explain. The only rig I have capable of drilling your well is currently running on an extended daywork contract and will not be released in the foreseeable future, certainly not before February 1, 1978. You can see that this will not meet your January 1, deadline.

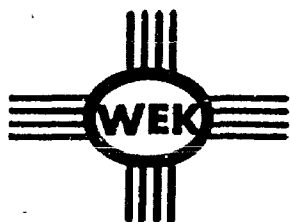
Certainly we want to work for you whenever we have equipment available. Perhaps you would care to be added to our drilling list and take the rig when your time comes up.

Very truly yours,

RIAL DRILLING COMPANY, INC.

Frank Swinehart
Frank Swinehart

FS:jp



KENNETH D. REYNOLDS - ARTESIA
LESLIE K. EVERTSON - ROSWELL

DRILLING CO., INC. - OIL WELL DRILLING CONTRACTORS

P. O. Box 2055 ROSWELL, NEW MEXICO 88201
TELEPHONES: ARTESIA 505/746-6757
ROSWELL 505/623-5070

October 31, 1977

Mr. Rex Alcorn
Ingran Bldg.
1000 S. Kentucky
Roswell, New Mexico 88201

Re: Drilling your No. 1 Shipp Well

Dear Mr. Alcorn:

We thank you for the opportunity to bid on your 8500' No. 1 Shipp well in the West Knowles-Drinkard Field in Lea County, however, at this time we must decline to bid your well as it is impossible with our present schedule to accomplish spudding on or before January 1, 1978. The nearest date we would have a rig available would be in the later part of February 1978. With this in mind, we must not bid this project.

Hope you will retain us on your bidders list for any future wells.

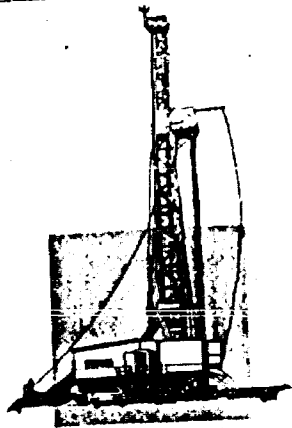
Thank you.

Sincerely,

WEK DRILLING CO., INC.

Arnold Newkirk
Arnold Newkirk

AN:bn



MORANCO

P. O. BOX 1860 HOBBS, NEW MEXICO 88240 (505) 397-3511 (915) 563-0562

October 14, 1977

Mr. Rex Alcorn
Ingram Building
100 South Kentucky
Roswell, New Mexico 88201

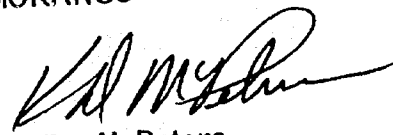
Dear Sir:

Thank you for your bid request on your 3,500' Drinkard Test,
located in Section 35, T16S, R37E, Lea County, New Mexico.

We reluctantly have to "No Rig" your bid request. Our rigs are
presently committed until the middle of February, 1978.

Yours very truly,

MORANCO



K. D. McPeters

KDM/s



The More Hole Per Dollar People!

McVAY DRILLING COMPANY

308 PHILTOWER

TULSA, OKLAHOMA 74103

C. R. McVay
J. C. McVay

TULSA TELEPHONES
LU 7-2213
LU 4-5472
HOBBS TELEPHONE
505 393-3744

September 29, 1977

Rex Alcorn
Ingram Building
100 South Kentucky
Roswell, New Mexico 88201

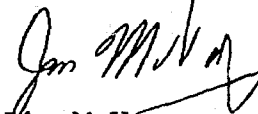
Dear Mr. Alcorn:

Thank you for the opportunity to bid on drilling of your 8500 foot Shipp Well #1, located in Lea County, New Mexico. Unfortunately, we do not have a rig available at this time, nor do we anticipate having one available prior to early 1978.

If we may be of service at some time next year, please do not hesitate to call.

Yours truly,

MCVAY DRILLING COMPANY


Jim McVay

JCM/aj

MGF

DRILLING CO., INC.

Seventh Floor • Vaughn Building • P. O. Box 5766 • Midland, Texas 79701 • (915) 684-7173
October 6, 1977

Mr. Rex Alcorn
Ingram Building
100 South Kentucky
Roswell, New Mexico 88201

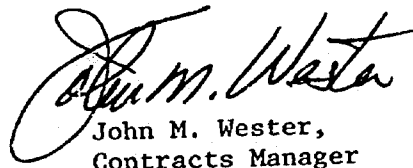
Subject: Your Well: No. 1 Shipp, Lea County, New Mexico

Dear Mr. Alcorn:

Thank you for your inquiry regarding the drilling of the above subject well. We are unable to submit a bid as our Rigs of this depth rating are currently under contract and we do not anticipate their being available until the latter part of January, 1978.

We look forward to your future inquiries and trust we may be of service to you in the near future.

Very truly yours,



John M. Wester,
Contracts Manager

JMW/vld

Capitan Drilling Company, Inc.

W. NELSON REES, PRES.
MARVIN L. SMITH, V. PRES.
W. C. SMITH V. PRES.

PHONE 362-2323 - 563-2086

P. O. BOX 6725

ODESSA, TEXAS 79762



October 3, 1977

Mr. Rex Alcorn
Ingram Bldg.
100 S. Kentucky
Roswell, NM 88201

Re: Well Sec. 35, T-16-S, R-37-E
Lea County
#1 Shipp

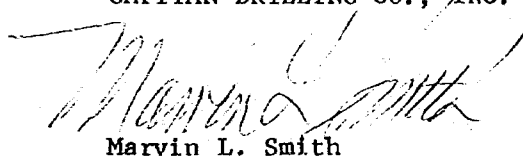
Gentlemen:

We would like to drill your well; however, it will
be about January 20, 1978 before our rig would be ready.

Thanking you for the opportunity of bidding on
this well, we are

Very truly yours,

CAPITAN DRILLING CO., INC.



Marvin L. Smith

MLS/nk

THE ARD DRILLING COMPANY, INC.

P. O. BOX 1030

MIDLAND, TEXAS 79702

September 20, 1977

308 WALL TOWERS EAST
915-684-5716

Mr. Rex Alcorn
Ingram Building
100 South Kentucky
Roswell, New Mexico 88201

Dear Mr. Alcorn:

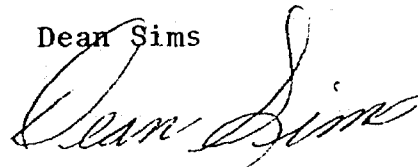
Thank you for the opportunity to submit a bid on your prospect. The Ard Drilling Company, Inc. does not have the equipment available at this time to drill your prospect, and we do not expect to have a rig available before February 1978.

If we may be of service at any other time, please do not hesitate to call on us.

Very truly yours,

THE ARD DRILLING COMPANY, INC.

Dean Sims



DS:bt



P. O. Box 952, Odessa, Texas 79760
(915) 381-0910 or 563-2023



October 12, 1977

Mr. Rex Alcorn
Ingram Building
100 South Kentucky
Roswell, New Mexico 88201

Re: Shipp #1
Section 35, 65/37E
Lea County, New Mexico

Dear Mr. Alcorn:

Thank you very much for the opportunity to quote on the captioned well. However, our rig schedule precludes us from making a responsive bid, as we will not have equipment available until the last of January.

Yours truly,

VERNA DRILLING COMPANY

A handwritten signature in dark ink, which appears to read "W. C. Hooper, Jr.", is written over the typed name.

W. C. Hooper, Jr.

WCH/dp



OIL CONSERVATION COMMISSION

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



DIRECTOR
JOE D. RAMEY

LAND COMMISSIONER
PHIL R. LUCERO
September 27, 1977

STATE GEOLOGIST
EMERY C. ARNOLD

Mr. William F. Carr
Catron, Catron & Sawtell
Attorneys at Law
Box 788
Santa Fe, New Mexico

Re: CASE NO. 6031
ORDER NO. R-5533

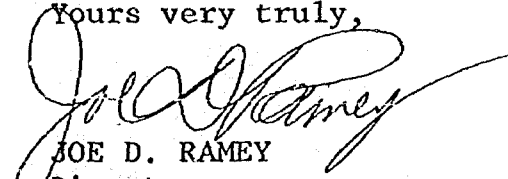
Applicant:

Rex Alcorn

Dear Sir:

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

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC x
Artesia OCC x
Aztec OCC

Other Clarence Hinkle, Roy Barton

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. 6031
Order No. R-5533

APPLICATION OF REX ALCORN FOR
COMPULSORY POOLING AND AN
UNORTHODOX LOCATION, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 14, 1977, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 27th day of September, 1977, 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, Rex Alcorn, seeks an order pooling all mineral interests underlying the E/2 SW/4 of Section 35, Township 16 South, Range 37 East, NMPM, West Knowles-Drinkard Pool, Lea County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at an unorthodox location 2310 feet from the South line and 1980 feet from the West line of said Section 35.

(4) That approval of the aforesaid unorthodox location will afford the applicant the opportunity to produce his just and equitable share of the oil and gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

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

-2-

Case No. 6031
Order No. R-5533

(6) 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 oil and gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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

(8) 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.

(9) 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.

(10) 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.

(11) 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.

(12) That \$1500.00 per month while drilling and \$175.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges 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.

(13) 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.

(14) 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 December 31, 1977, the order pooling said unit should become null and void and of no effect whatsoever.

-3-

Case No. 6031
Order No. R-5533

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Drinkard formation underlying the E/2 SW/4 of Section 35, Township 16 South, Range 37 East, NMPM, West Knowles-Drinkard Pool, Lea County, New Mexico, are hereby pooled to form a standard 80-acre oil spacing and proration unit to be dedicated to a well to be drilled at an unorthodox location 2310 feet from the South line and 1980 feet from the West line of said Section 35.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 31st day of December, 1977, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Drinkard formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 31st day of December, 1977, Order (1) of this order shall be null and void and of no effect whatsoever; unless said operator obtains a time extension from the Commission for good cause shown.

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 Rex Alcorn 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.

(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 percent 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 \$1500.00 per month while drilling and \$175.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges 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.

-5-

Case No. 6031

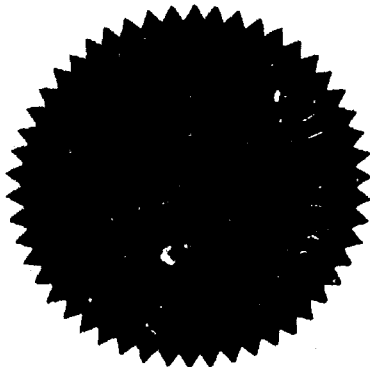
Order No. R-5533

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Lea 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.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



PHIL R. LUCERO, Chairman

Emery C. Arnold
EMERY C. ARNOLD, Member

Joe D. Ramey
JOE D. RAMEY, Member & Secretary

S E A L

jr/

NO. OF COPIES RECEIVED	
DISTRIBUTION	
SANTA FE	
FILE	
U.S.G.S.	
LAND OFFICE	
OPERATOR	

NEW MEXICO OIL CONSERVATION COMMISSION

Form C-101
Revised 1-1-65

Case 6031

5A. Indicate Type of Lease STATE <input type="checkbox"/> FEL <input checked="" type="checkbox"/>
5. State Oil & Gas Lease No.
7. Unit Agreement Name
8. Farm or Lease Name Shipp
9. Well No. 1
10. Field and Pool, or Wildcat West Knowles-Drinkard
12. County Lea
19. Proposed Depth 8,500 Ft.
19A. Formation Drinkard (Yeso)
20. Rotary or C.T. Rotary
21. Elevations (Show whether DF, RT, etc.) 3762.0 GR
21A. Kind & Status Plug. Bond Individual Well
21B. Drilling Contractor
22. Approx. Date Work will start September 28, 1977

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK	
1a. Type of Work b. Type of Well OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/> DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input type="checkbox"/> SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>	2. Name of Operator REX ALCORN
3. Address of Operator Ingram Building, 100 So. Kentucky, Roswell, New Mexico 88201	
4. Location of Well UNIT LETTER K LOCATED 2,310 FEET FROM THE South LINE AND 1,980 FEET FROM THE West LINE OF SEC. 35 TWP. 16S RGE. 37E NMPM	
23. PROPOSED CASING AND CEMENT PROGRAM	

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
15"	13 3/8"	48#	350'	350	Circulate
11"	8 5/8"	24# & 28#	4,200'	350	1,800'
7 7/8"	4 1/2"	11.6# & 10.5#	8,500'	400	4,800'

Drill 15" hole to 350', set surface casing as above; drill 11" hole to 4200', set intermediate string as above; drill 7 7/8" hole to TD; drill stem test; run logs; set 4 1/2" production string as above; perforate; acidize; swab and complete.

Blowout Preventer: 10" 900 series as per attached sketch.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

Signed Ray Alcorn Title Operator & Geologist Date Sept. 12, 1977

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

NEW MEXICO DEPARTMENT OF ENERGY
WELL LOCATION AND ACREAGE DECLARATION

All distances must be in feet. Use outer boundary.

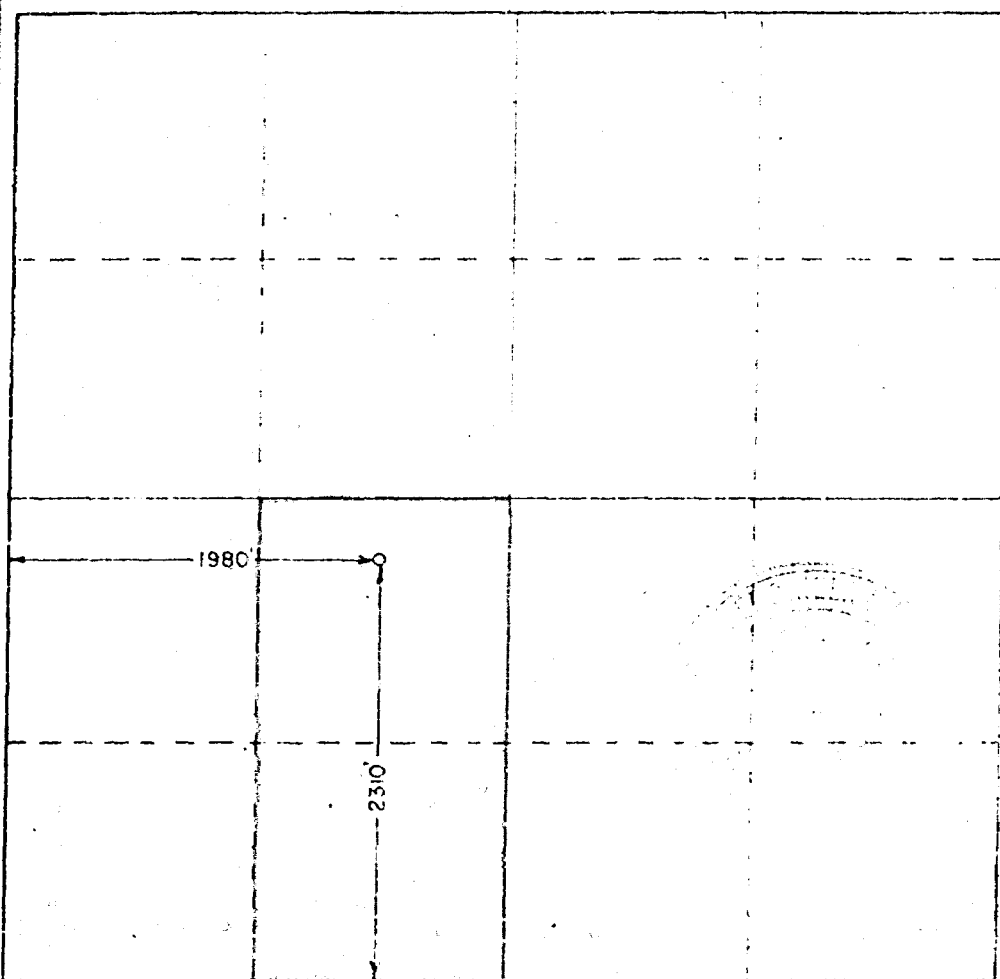
REX ALCORN		SHIPP		1
K	35	16 South	37 East	Leo
Acreage of the location of well:				
2310	feet from the	South	1980	feet from the
Producing Formation		West		
3762.0	Permian: Drinkard	West Knowles-Drinkard		E/2SW/4 80

1. Outline the acreage dedicated to the subject well by colored pencil or machine marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (state as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, are the interests of all owners being consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation Hearing re Force-pooling, Sept. 14, 1977
(Case 6031)

If answer is "no," list the owners and tract descriptions which have actually been consolidated (Use reverse side of this form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Rex Alcorn

Rex Alcorn

Operator

Self

Sept. 12, 1977

I hereby certify that the well location shown on this plat was plotted from field notes or actual surveys made by me or under my supervision and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed

August 30, 1977

Registration of Leasehold Interest and of a Survey

John W. West

676

REX ALCORN
INGRAM BUILDING
100 SOUTH KENTUCKY
ROSWELL, NEW MEXICO 88201
PHONE 505 622-4386

Case 6031

August 18, 1977

Mr. Joe Ramey
New Mexico Oil Conservation Commission
PO Box 1980
Santa Fe, New Mexico 88240

Re: Application for Compulsory
Pooling, West Knowles-Drinkard
Field, Sec. 35, T16S, R37E,
Lea County, New Mexico

Dear Sir:

The undersigned proposes to drill an 8500' Drinkard test in Section 35, T 16 S, R 37 E, 2310 feet from the south line and 1980 feet from the west line of section 35. Acreage to be dedicated to this test is described as E/2 SW/4 of section 35. The undersigned is the owner of the leasehold interest under 69 of the 80 acres with the remaining 11 acres held by production and owned by Mesa Petroleum Company, Heritage Resources, Petroleum Corporation of Texas, Tom Brown, Inc., H. L. Brown, Jr., and Elizabeth M. Brown.

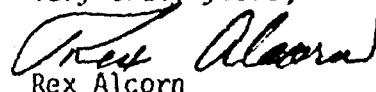
The various interests owned by the aforementioned are shown on the attached sheet. These owners have declined an offer to farmout their interests, and have also declined to join to the extent of their individual interest in the drilling of the proposed test.

This is to request a hearing before the Commission members for the purpose of compulsory pooling the owners of the 11 acres, and for approval of the proposed location. The structural position and performance of the west offset to the proposed test as well as the dry hole two locations south and west indicate that considerable risk is involved even though the aforementioned location is believed to offer the most favorable structural advantage. Therefore, it is further requested that the working interest owners be permitted to recuperate 300% of all drilling, completion, and operating costs prior to participation in any revenue by the owners of the 11 acres.

Leases owned by the undersigned expire as early as October 1st of the current year, therefore it would be appreciated if this matter could be placed on your docket at the earliest possible date. Copies of this letter have been forwarded to the owners of the 11 acres by certified mail with return receipt requested. The attorney representing the undersigned is Mr. W. F. Carr of Santa Fe.

Thank you most kindly.

Very truly yours,


Rex Alcorn

RA:b
Attachments

Copies: (attached sheet)

Ownership of acreage and division of working interests for proposed 8,500' Drinkard test, West Knowles Field, under the 80 acres described as E/2 SW/4 Sec. 35, T 16 S, R 37 E, Lea County, New Mexico:

(Sun Oil Company owns 2.665 acres under the proposed location which are farmed-out to Mesa Petroleum Company and included in the West Knowles Unit. The farm-out agreement carries the provision that on each well drilled subsequent to the initial test, Sun has the option to increase their ORRI from 1/4 to 5/16 or to convert the ORRI to a 50% working interest. Owners of the working interest under Sun's 2.665 acres are Mesa (60%), Tom Brown (20%), H. L. Brown, Jr. (10%), and Elizabeth M. Brown (10%).

Sun has elected to increase their ORRI, thus the following ownership applies:

	<u>ACRES</u>	<u>WORKING INTEREST</u>
Rex Alcorn	69.0000	.86250000
Mesa	7.5990	.09498750 (Mesa's 6 ac. plus 60% 2.665 ac.)
Heritage	1.0000	.01250000
PETCO	1.3350	.01668750
Tom Brown	.5330	.00666250 (20% of 2.665 acres)
H. L. Brown, Jr.	.2665	.00333125 (10% of 2.665 acres)
Elizabeth M. Brown	.2665	.00333125 (10% of 2.665 acres)
	<u>80.0000</u>	<u>1.00000000</u>

(Ltr. dated August 18, 1977, to Mr. Joe Ramey, NMOCC, re compulsory pooling,
West Knowles-Drinkard Field, Lea County, New Mexico.)

copies: Mesa Petroleum Company
1000 Vaughn Building
Midland, Texas 79701

Heritage Resources
PO Box 777
Davis, Oklahoma 73030

Petroleum Corporation of Texas
PO Box 911
Breckenridge, Texas 76024

Tom Brown, Inc.
PO Box 2608
Midland, Texas 79702

H. L. Brown, Jr.
PO Box 2237
Midland, Texas 79702

Elizabeth M. Brown
2407 Ft. Worth National Bank Building
Ft. Worth, Texas 76102

No. 502452
RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO
Elizabeth M Brown
STREET AND NO.
2407 Ft. Worth NB Bldg.
P.O. STATE AND ZIP CODE
Ft. Worth, Texas 76102

POSTAGE \$

CONSULT POSTMASTER FOR FEES

CERTIFIED FEE	€
SPECIAL DELIVERY	€
RESTRICTED DELIVERY	€
OPTIONAL SERVICES	
RETURN RECEIPT SERVICE	
SHOW TO WHOM AND DATE DELIVERED	€
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	€
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	€
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	€

TOTAL POSTAGE AND FEES \$

POSTMARK OR DATE
AUG 18 1977
ROSWELL, NM
USPO

PS Form 3800, Apr. 1976

No. 502450
RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO
H. L. Brown, Jr.
STREET AND NO.
Box 2237
P.O. STATE AND ZIP CODE
Midland, Texas 79702

POSTAGE \$

CONSULT POSTMASTER FOR FEES

CERTIFIED FEE	€
SPECIAL DELIVERY	€
RESTRICTED DELIVERY	€
OPTIONAL SERVICES	
RETURN RECEIPT SERVICE	
SHOW TO WHOM AND DATE DELIVERED	€
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	€
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	€
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	€

TOTAL POSTAGE AND FEES \$

POSTMARK OR DATE
AUG 18 1977
ROSWELL, NM
USPO

PS Form 3800, Apr. 1976

No. 502445
RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO
Tom Brown, Inc.
STREET AND NO.
Box 2608
P.O. STATE AND ZIP CODE
Midland, Texas 79702

POSTAGE \$

CONSULT POSTMASTER FOR FEES

CERTIFIED FEE	€
SPECIAL DELIVERY	€
RESTRICTED DELIVERY	€
OPTIONAL SERVICES	
RETURN RECEIPT SERVICE	
SHOW TO WHOM AND DATE DELIVERED	€
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	€
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	€
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	€

TOTAL POSTAGE AND FEES \$

POSTMARK OR DATE
AUG 18 1977
ROSWELL, NM
USPO

PS Form 3800, Apr. 1976

No. 502448
RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO
Heritage Resources
STREET AND NO.
P.O. Box 777
P.O. STATE AND ZIP CODE
Davis, Okla

POSTAGE \$ *13*

CONSULT POSTMASTER FOR FEES

CERTIFIED FEE	€ <i>60</i>
SPECIAL DELIVERY	€
RESTRICTED DELIVERY	€
OPTIONAL SERVICES	
RETURN RECEIPT SERVICE	
SHOW TO WHOM AND DATE DELIVERED	€ <i>25</i>
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	€
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	€
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	€

TOTAL POSTAGE AND FEES \$

POSTMARK OR DATE
AUG 18 1977
ROSWELL, NM
USPO

PS Form 3800, Apr. 1976

No. 502447
RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO
Heritage Resources
STREET AND NO.
P.O. Box 777
P.O. STATE AND ZIP CODE
Davis, Okla

POSTAGE \$ *13*

CONSULT POSTMASTER FOR FEES

CERTIFIED FEE	€ <i>60</i>
SPECIAL DELIVERY	€
RESTRICTED DELIVERY	€
OPTIONAL SERVICES	
RETURN RECEIPT SERVICE	
SHOW TO WHOM AND DATE DELIVERED	€ <i>25</i>
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	€
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	€
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	€

TOTAL POSTAGE AND FEES \$

POSTMARK OR DATE
AUG 18 1977
ROSWELL, NM
USPO

PS Form 3800, Apr. 1976

No. 502446
RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO
2506 Northington
STREET AND NO.
1000 Vaughn Bldg
P.O. STATE AND ZIP CODE
Midland, Tex

POSTAGE \$ *13*

CONSULT POSTMASTER FOR FEES

CERTIFIED FEE	€ <i>60</i>
SPECIAL DELIVERY	€
RESTRICTED DELIVERY	€
OPTIONAL SERVICES	
RETURN RECEIPT SERVICE	
SHOW TO WHOM AND DATE DELIVERED	€ <i>25</i>
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	€
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	€
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	€

TOTAL POSTAGE AND FEES \$

POSTMARK OR DATE
AUG 18 1977
ROSWELL, NM
USPO

PS Form 3800, Apr. 1976

A.F.E.
 REX ALCORN
 Detail Well Estimate

Case 6031

LEASE NAME Shipp WELL NO. 1
 LOCATION Section 35, T 16 S - R 37 E : 2310' FSL & 1980' FWL
 COUNTY Lea STATE New Mexico FIELD West Knowles - Drinkard

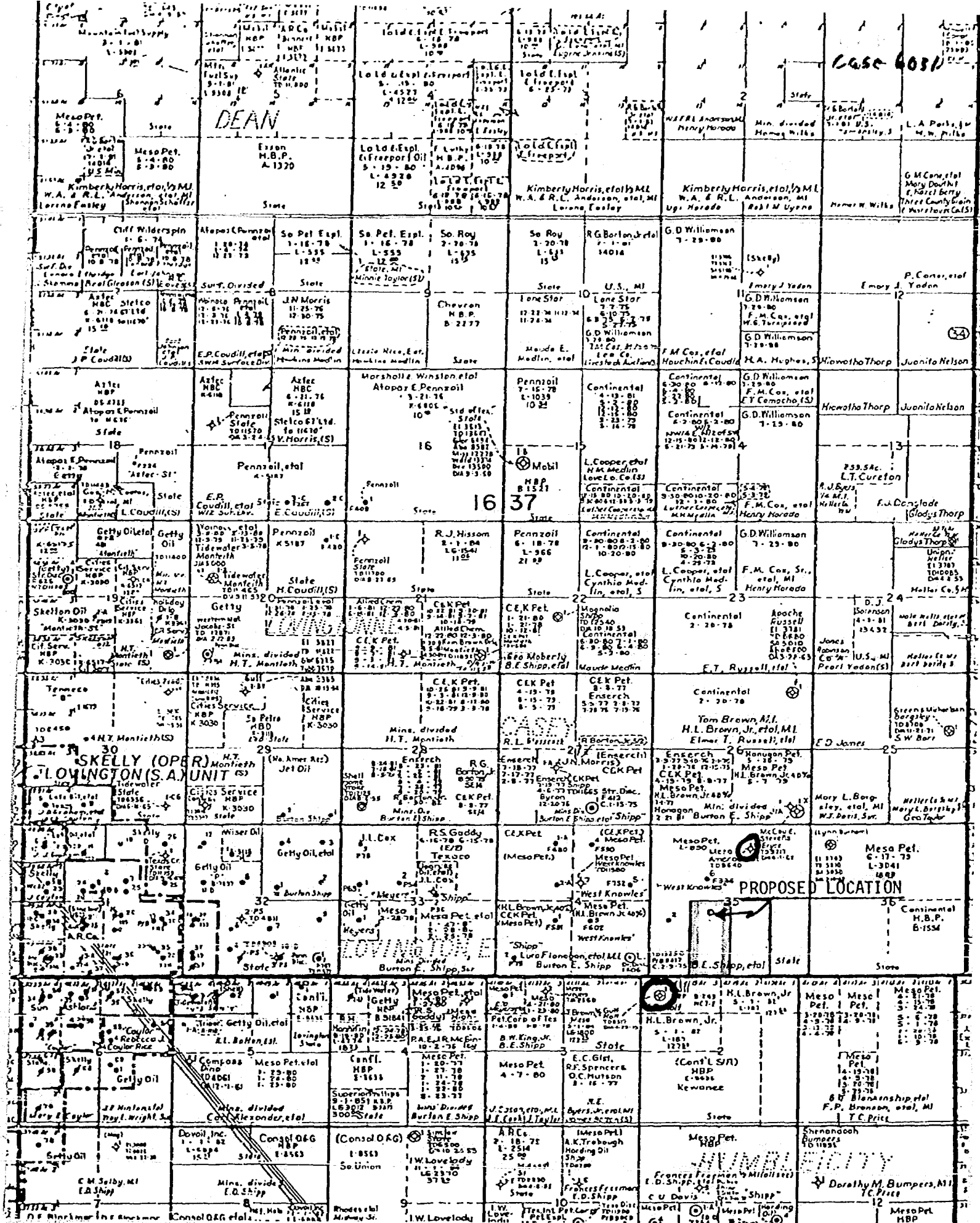
DRILLING INTANGIBLES:		PRODUCER	DRY HOLE
1. Surface Damages Location \$400 plus 77 rds. road @ \$2.00		554	554
2. Drilling Cost 8500 Feet @ Per Foot			
3. Day Work 40 days @ \$3000 per day		120,000	120,000
4. Coring Service Well Surveys 9000			
		9,000	7,000
5. Testing two DST's @ \$1,100		2,200	2,200
6. Fuel Water 7,000		7,000	7,000
7. Mud 10,000 Mud Logging Service		10,000	10,000
8. Cementing Service & Cement 7,107 Equip 761		7,868	4,774
9. Company Labor Contractor Labor 2,400		2,400	
10. Digging Pits Filling Pits 1,000		1,000	1,000
11. Roads 1,700 Location & Grading 3,500		5,200	5,200
12. Acidizing 2,500 Fracturing Perforating 1,800		4,300	
13. Plugging			7,400
14. Trucking Cost		1,500	1,000
15. Development Superintendence		3,000	2,500
16. Geological		1,500	1,500
17. Well Servicing Unit 4 days @ \$600 (10 hour days)		2,400	
18. Other Costs 4% tax		7,117	6,805
TOTAL INTANGIBLES		185,039	176,933

WELL EQUIPMENT:			
19. Casing 350 Feet of 13 3/8" 48# H-40		5,205	5,205
4,200 Feet of 8 5/8" 24# K-55 & 24#, 28# L-80		32,726	32,726
8,500 Feet of 4 1/2" 11.6#, 10.5# K-55		25,594	
20. Tubing 8,500 Feet of 2 3/8" 4.7# J-55		16,260	
21. Casing Head		2,000	1,200
22. Xmas Tree		2,400	
23. Tank Battery		5,200	
24. Separator		550	
25. Treater		4,500	
26. Packer		2,000	
27. Flow Lines & Miscellaneous Fittings		2,000	
28. Other API 320 Pmp. Unit ; 8,500' 3/4" & 7/8" rods ; 1 1/4" Pump ; Clamps, polish rod & liner : Stuffing Box & "I" : Circ. Pump ; Chem. Pump plus 4% tax on all tangibles.		32,261	
		5,228 (tax)	1,565 (tax)
		135,924	40,696
TOTAL COST OF WELL		320,963	217,629
LESS CONTRIBUTIONS			
NET COST OF WELL			
INTEREST SHARE			

IF THIS FORM IS NOT RETURNED WITHIN FIFTEEN (15) DAYS FROM DATE HEREON, IT IS TO BE CONSIDERED THAT APPROVAL IS GRANTED. IF APPROVAL IS GIVEN, OPERATOR IS AUTHORIZED TO PROCEED AND THE UNDERSIGNED GRANTING APPROVAL AGREES TO PAY FOR WORK REQUIRED IN PROPORTION TO UNDERSIGNED'S SHARE OF THE WORKING INTEREST.

APPROVED BY: _____
 DATE: _____

REX ALCORN
 BY: *Rex Alcorn*
 DATE: _____



REX ALCORN
INGRAM BUILDING
100 SOUTH KENTUCKY
ROSWELL, NEW MEXICO 88201
PHONE 805 622-4398

case 6031

May 13, 1977

Mr. Robert H. Northington
Mesa Petroleum Company
Vaughn Building, Suite 1000
Midland, Texas 79701

Re: Request for Farmout, HBP
Acreage, T 16 S, R 37 E,
Sec. 35, E/2SW/4 & W/2SE/4;
and NE/4 Sec. 35, T 16 S,
R 37 E, Lea County, N. Mex.

Dear Bob:

In accordance with past communications, this is to advise that the undersigned has acquired leases underlying some 138 acres under the 160 acres described as T 16 S, R 37 E, Sec. 35, E/2SW/4 & W/2 SE/4. It is my understanding that the remaining 22 acres is currently Held by Production. It is requested that Mesa and other owners of the West Knowles Unit farmout the HBP acreage retaining an overriding royalty interest equal to the difference between 25% and the existing leasehold burden on the relative leases. The undersigned will drill or cause to be drilled an approximate 8,400 foot test to determine the productive possibilities of the Drinkard formation in the NE/4SW/4 Section 35.

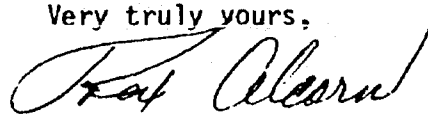
It is further requested that Mesa farmout to the undersigned the 160 acres described as T 16 S, R 37 E, Section 35, NE/4 for the purpose of drilling a Drinkard test in the SW/4 NE/4 Section 35. Under this proposal Mesa to retain an overriding royalty interest equal to the difference between 25% and the existing leasehold burden on the state lease, and have the option of converting this ORRI to a 50% Working Interest after payout of all drilling, completion, and operating costs.

Under the above two proposals the undersigned would be obligated to the drilling of a minimum of two tests regardless of the results of the first test.

I wish to thank you and Mrs. Hambright for supplying information that was most helpful in expediting the acquisition of the aforementioned leases.

Thank you for your consideration.

Very truly yours,



Rex Alcorn

RA:b



June 13, 1977

Rex Alcorn
Ingram Building
100 South Kentucky
Roswell, New Mexico 88201

Re: Your request for Farmout
T-16-S, R-37-E
Lea County, New Mexico
Mesa OP 05-NM-0843

Dear Mr. Alcorn:

Your letter of May 13, 1977 has been carefully considered by Mesa individually and on behalf of our partners in the West Knowles Unit.

We respectfully decline your request for a farmout of either acreage owned by Mesa and others within the West Knowles Unit or acreage outside the Unity owned by Mesa.

Sincerely yours,

A handwritten signature in dark ink, appearing to read 'Bob Northington', is written over the typed name.

Robert H. Northington

RHN:wp

Copies: West Knowles Unit Partners

REX ALCORN
INGRAM BUILDING
100 SOUTH KENTUCKY
ROSWELL, NEW MEXICO 88201
PHONE 505 622-4396

Case 6031

July 25, 1977

Mesa Petroleum Company,
Petroleum Corporation of Texas, &
Heritage Resources, Inc.

Re: Proposed West Knowles-
Drinkard test, Sec. 35,
T16S, R37E, 2130 FSL &
1980 FWL, Lea County,
New Mexico

Gentlemen:

The undersigned proposes to drill an 8500' Drinkard test as described above, with 80 acres located E/2 SW/4 Section 35, T16S, R37E, allocated to this test. Eleven acres underlying the 80 acres is held by production and assigned to the West Knowles Unit. Ownership of the 11 acres is as follows:

Mesa Petroleum Company : 6 acres plus 1.5990 acres acquired
by farmout from Sun Oil Company;
total 7.5990 acres or .09498750.

Petroleum Corporation
of Texas : 1.335 acres or .0166875 WI.

Heritage Resources Inc.: 1 acre or .01250 WI.

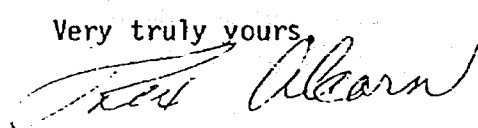
The undersigned owns the leasehold interest under the remaining 69 acres.

Mesa Petroleum Company, operator of the West Knowles Unit, has declined my request for farmout of the 11 acres on behalf of Mesa, PETCO, and Heritage.

It is requested that the owners listed above join in the drilling of the proposed test to the extent of their individual interest. If agreeable, please execute the attached AFE and return to the undersigned. The element of time is critical, therefore please note that it will be considered that approval is granted if the AFE form is not returned within fifteen (15) days of the date hereon.

Thank you kindly.

Very truly yours,



Rex Alcorn

RA:b
AFE attached

Speed Letter.

To Rex Alcorn
100 S. Kentucky
Roswell, NM 88201

From Mesa Petroleum Co.
1000 Vaughn Bldg.
Midland, TX 79701

Subject Your proposed Drink and test well Sec. 35-165-37E
Mesa OP 05-NM-0843 Lea Co., NM

— NO. 9 & 10 FOLD
MESSAGE

Mr. Alcorn - Mesa has carefully considered the proposal as outlined in your July 25, 1977 letter. This is to formally advise you that, as a prudent operator, we decline joining in the proposal.

Date 8-5-77 Signed R. H. Northington

Land Manager

REPLY

— NO. 9 FOLD

— NO. 10 FOLD

Date

Signed

Wilson Jones

DIVISION OF BUYING LINE, INC. • GRAYLINE FORM 44-902 2-PART © 1974 • PRINTED IN U.S.A.

RETAIN WHITE COPY, RETURN PINK COPY

475

PETROLEUM CORPORATION OF TEXAS

P. O. BOX 911
BRECKENRIDGE, TEXAS 76024

August 8, 1977

Mr. Rex Alcorn
Ingram Building
100 South Kentucky
Roswell, New Mexico 88201

Re: Proposed West Knowles-Drinkard Test
Sec. 35, T16S, R37E, 2130 FSL &
1980 FWL, Lea County, New Mexico
(Hightower 3255)
(West Knowles Unit 8178)

Dear Mr. Alcorn:

Petroleum Corporation of Texas does not care to participate in the captioned well. Our interest is committed to the West Knowles Unit so any farmout arrangements should be negotiated with Mesa, the unit operator.

Yours very truly,

Marie Branham

(Mrs.) Marie Branham
Landman

mb

cc: Mr. Burke Healey
Heritage Resources, Inc.
P. O. Box 777
Davis, Oklahoma 73030

Mesa Petroleum Co.,
Vaughn Building, Suite 1000
Midland, Texas 79701



817-559-3355



HERITAGE RESOURCES

POST OFFICE BOX 777 • DAVIS, OKLAHOMA 73030 • TELEPHONE AREA CODE 405 369-2313

August 8, 1977

Mr. Rex Alcorn
Ingram Building
100 South Kentucky
Roswell, New Mexico 88201

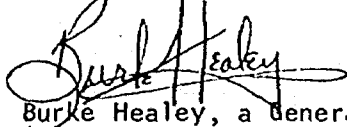
Re: Proposed West Knowles-Drinkard Test
Sec. 35, T16S, R37E, 2130 PSLs
1980 FWL, Lea County, New Mexico
R-705 (MN3255)

Dear Mr. Alcorn:

Heritage Resources declines to participate in your above captioned well. Our interest like that of Petroleum Corporation of Texas is dedicated to the West Knowles Unit and any farmout arrangements should be negotiated with Mesa, the unit operator.

Sincerely,

HERITAGE RESOURCES



Burke Healey, a General Partner

Bh/cd

cc: Mr. Jimmy Phillips
Petroleum Corporation of Texas
P. O. Box 911
Breckenridge, Texas 76024

Mr. Robert Northington
Mesa Petroleum Co.
Vaughn Building, Suite 1000
Midland, Texas 79701

AN OKLAHOMA PARTNERSHIP

No. 650186

RECEIPT FOR CERTIFIED MAIL

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

SENT TO	
Heritage Resources	
STREET AND NO.	
P.O. Box 777	
P.O., STATE AND ZIP CODE	
Louisiana 70001	
POSTAGE	\$ 1.3
CERTIFIED FEE	60¢
SPECIAL DELIVERY	¢
RESTRICTED DELIVERY	¢
OPTIONAL SERVICES	
RETURN RECEIPT SERVICE	
SHOW TO WHOM AND DATE DELIVERED	25
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	¢
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES	\$
POSTMARK OR DATE	
JUL 25 1971	

PS Form 3800, Apr. 1976

No. 650188

RECEIPT FOR CERTIFIED MAIL

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

SENT TO	
Petroleum Corp.	
STREET AND NO.	
P.O. Box 9011	
P.O., STATE AND ZIP CODE	
Brennan, La. 70506	
POSTAGE	\$ 1.3
CERTIFIED FEE	60¢
SPECIAL DELIVERY	¢
RESTRICTED DELIVERY	¢
OPTIONAL SERVICES	
RETURN RECEIPT SERVICE	
SHOW TO WHOM AND DATE DELIVERED	25
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	¢
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES	\$
POSTMARK OR DATE	
JUL 25 1971	

PS Form 3800, Apr. 1976

No. 650187

RECEIPT FOR CERTIFIED MAIL

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

SENT TO	
Petro-Enterprises	
STREET AND NO.	
P.O. Box 1000	
P.O., STATE AND ZIP CODE	
Madison, La. 70448	
POSTAGE	\$ 1.3
CERTIFIED FEE	60¢
SPECIAL DELIVERY	¢
RESTRICTED DELIVERY	¢
OPTIONAL SERVICES	
RETURN RECEIPT SERVICE	
SHOW TO WHOM AND DATE DELIVERED	25
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	¢
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES	\$
POSTMARK OR DATE	
JUL 25 1971	

PS Form 3800, Apr. 1976

PS Form 3811, Nov. 1976

● SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☐ Show to whom and date delivered 25¢
☐ Show to whom, date, & address of delivery 45¢
☐ RESTRICTED DELIVERY.
 Show to whom and date delivered 85¢
☐ RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery \$1.05
 (Fees shown are in addition to postage charges and other fees).

2. ARTICLE ADDRESSED TO:
Patroleum Corp of Texas

3. ARTICLE DESCRIPTION:
 REGISTERED NO. *650188* CERTIFIED NO. INSURED NO.
 (Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE ☐ Addressee ☐ Authorized agent
Wallace Culbertson

4. DATE OF DELIVERY *JUL 27 1977* POSTMARK *TX*

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

★ GPO: 1976-O-203-456

PS Form 3811, Nov. 1976

● SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☐ Show to whom and date delivered 25¢
☐ Show to whom, date, & address of delivery 45¢
☐ RESTRICTED DELIVERY.
 Show to whom and date delivered 85¢
☐ RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery \$1.05
 (Fees shown are in addition to postage charges and other fees).

2. ARTICLE ADDRESSED TO:
Heritage Resources Inc

3. ARTICLE DESCRIPTION:
 REGISTERED NO. *650186* CERTIFIED NO. INSURED NO.
 (Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE ☐ Addressee ☐ Authorized agent
Connie Dye

4. DATE OF DELIVERY *JUL 27 1977* POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

★ GPO: 1976-O-203-456

PS Form 3811, Nov. 1976

● SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☐ Show to whom and date delivered 25¢
☐ Show to whom, date, & address of delivery 45¢
☐ RESTRICTED DELIVERY.
 Show to whom and date delivered 85¢
☐ RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery \$1.05
 (Fees shown are in addition to postage charges and other fees).

2. ARTICLE ADDRESSED TO:
Patroleum Co

3. ARTICLE DESCRIPTION:
 REGISTERED NO. *650187* CERTIFIED NO. INSURED NO.
 (Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE ☐ Addressee ☐ Authorized agent
James Edgar Mueller

4. DATE OF DELIVERY *7-26-77* POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

★ GPO: 1976-O-203-456

REX ALCORN
INGRAM BUILDING
100 SOUTH KENTUCKY
ROSWELL, NEW MEXICO 88201
PHONE 505 622-4386

Case 6031

August 2, 1977

V.
Mr. M. Williams
Sun Oil Company
12850 Hillcrest Road
Dallas, Texas 75230

Re: Request for Exercise of Option,
West Knowles-Drinkard test, Sec.
35, T16S, R37E, 2130' FSL & 1980'
FWL, Lea County, New Mexico

Dear Mr. Williams:

The undersigned proposes to drill an 8500' Drinkard test as described above, with 80 acres located E/2 SW/4 Section 35, T16S, R37E, allocated to this test. The undersigned owns the leasehold interest under 69 acres of the 80 acre tract. The remaining 11 acres is held by production with ownership divided among Mesa Petroleum Company, Petroleum Corporation of Texas, Heritage Resources Inc., and Sun Oil Company. The 2.665 acres owned by Sun was farmed-out to Mesa Petroleum Company and included as a part of the West Knowles Unit. Ownership of the working interests under the 2.665 acres consists of Mesa Petroleum Company, Tom Brown Inc., H. L. Brown, Jr. and Elizabeth M. Brown. Sun retains a 25% ORRI under the 2.665 acres.

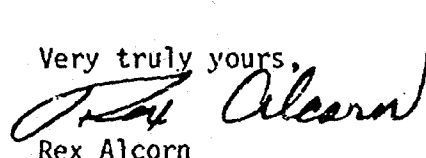
The Farmout Agreement between Sun and Mesa carries a provision whereby for each well drilled subsequent to the initial test Sun has the option to increase their ORRI from 1/4 to 5/16 or to convert the ORRI to a 50% working interest. Thus, insofar as the proposed test is concerned and as related to the 80 acre proration unit, Sun has the option to increase the ORRI from .8328125 % of 8/8ths. to 1.041015625 % of 8/8ths. or convert the ORRI to a 1.6656250 % working interest.

The time element relative to the proposed test is most critical, therefore it will be appreciated if you would advise which option Sun chooses to exercise at the earliest possible date.

If Sun prefers converting the ORRI to a working interest, the attached AFE is submitted for your attention. Also attached is a more detailed list of ownership with interests shown under the 80 acres which may be helpful in reaching your decision.

Thank you kindly.

Very truly yours,


Rex Alcorn

RA:b
AFE attached
cc: Mesa Petroleum Company,
Tom Brown, Inc.,
H. L. Brown, Jr. &
Elizabeth M. Brown



SUN PRODUCTION COMPANY

HILLCREST 535 OFFICE PARK, 12850 HILLCREST ROAD, DALLAS, TEXAS 75230 (214) 744-4411

August 12, 1977

Mr. Rex Alcorn
Ingram Building
100 South Kentucky
Roswell, New Mexico 88201

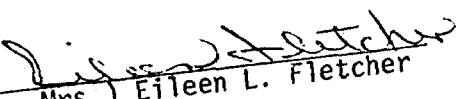
Re: Shipp #1
West Knowles-Drinkard Test
Sec. 35, T16S, R37E
Lee County, New Mexico

Gentlemen:

In response to your letter of August 2, 1977, requesting Sun's decision to join in the above-referenced test well, this is to advise that we are electing to take our 5/16 overriding royalty interest.

Yours very truly,

V. M. Williams
Regional Manager
Unitization & Joint Operations

By 
Mrs. Eileen L. Fletcher

ELF:ng

cc: E. R. McManus - Misc #7741
w/ attachments

PS Form 3811, Nov. 1976

● SENDER: Complete items 1, 2, and 3. "RETURN TO" space on reverse.

1. The following service is requested (check one).

☐ Show to whom and date delivered 1.25

☐ Show to whom, date, & address of delivery 45¢

☐ RESTRICTED DELIVERY.

☐ Show to whom and date delivered 85¢

☐ RESTRICTED DELIVERY.

☐ Show to whom, date, and address of delivery ... \$1.05

(Fees shown are in addition to postage charges and other fees).

2. ARTICLE ADDRESSED TO:
V. M. Williams

3. ARTICLE DESCRIPTION:
REGISTERED NO. CERTIFIED NO. INSURED NO.
650292

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent

4. DATE OF DELIVERY
8-8-77

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

★ GPO : 1976-O-293-456

No. 650292
RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

PS Form 3800, Apr. 1976

SEN 150

STREET AND NO.
12850 Villavest

P.O. BOX AND ZIP CODE
Dallas Tex 75243

POSTAGE \$1.75

CERTIFIED FEE \$1.00

SPECIAL DELIVERY \$0.00

RESTRICTED DELIVERY \$0.00

OPTIONAL SERVICES

RETURN RECEIPT SERVICE

SHOW TO WHOM AND DATE DELIVERED \$2.50

SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY \$0.00

SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY \$0.00

SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY \$0.00

TOTAL POSTAGE AND FEES \$2.75

POSTMARK OR DATE
AUG 4 1977

D. M.

REX ALCORN
INGRAM BUILDING
100 SOUTH KENTUCKY
ROSWELL, NEW MEXICO 88201
PHONE 505 622-4386

Case 6031

August 4, 1977

H. L. Brown, Jr.,
Tom Brown, Inc., &
Elizabeth M. Brown

Re: Proposed West Knowles-
Drinkard test, Sec. 35,
T16S, R37E, 2130 FSL &
1980 FWL, Lea County,
New Mexico

Dear Working Interest Owners:

The undersigned proposes to drill an 8500' Drinkard test as described above, with 80 acres located E/2 SW/4 Section 35, T16S, R37E, allocated to this test. Eleven acres underlying the 80 acres are held by production and assigned to the West Knowles Unit, and the remaining leasehold interest of sixty-nine acres is owned by the undersigned.

The addressees own working interests under 2.665 acres of the 11 acres as a result of a farmout of the 2.665 acres by Sun Oil Company and subsequent inclusion in the West Knowles Unit. Sun has the option of increasing their override or converting to a 50% working interest for each well drilled follow-completion of the initial test in the unit.

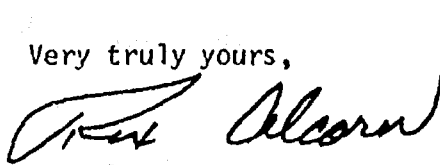
The ownership under the 80 acre tract is detailed on the attached page for each of the options held by Sun Oil Company. Your individual interests may be applied to the figures appearing on the inclosed AFE.

It is requested that the addressees join in the drilling of the proposed test to the extent of their individual interests. If agreeable, please execute the inclosed AFE and return to the undersigned.

The element of time is critical, therefore please note that it will be considered that approval is granted if the AFE form is not returned within fifteen (15) days of the date hereon.

Thank you kindly.

Very truly yours,


Rex Alcorn

Attachments

cc: Mr. Bob Northington, Mesa Petroleum
Company

Ownership of acreage and division of working interests for proposed 8,500' Drinkard test, West Knowles Field, under the 80 acres described as E/2 SW/4 Sec. 35, T 16 S, R 37 E, Lea County, New Mexico:

(Sun Oil Company owns 2.665 acres under the proposed location which are farmed-out to Mesa Petroleum Company and included in the West Knowles Unit. The farm-out agreement carries the provision that on each well drilled subsequent to the initial test, Sun has the option to increase their ORRI from 1/4 to 5/16 or to convert the ORRI to a 50% working interest. Owners of the working interest under Sun's 2.665 acres are Mesa (60%), Tom Brown (20%), H. L. Brown, Jr. (10%), and Elizabeth M. Brown (10%).

If Sun elects to increase their ORRI, the following ownership would apply:

	<u>ACRES</u>	<u>WORKING INTEREST</u>
Rex Alcorn	69.0000	.86250000
Mesa	7.5990	.09498750 (Mesa's 6 ac. plus 60% 2.665 ac.)
Heritage	1.0000	.01250000
PETCO	1.3350	.01668750
Tom Brown	.5330	.00666250 (20% of 2.665 acres)
H. L. Brown, Jr.	.2665	.00333125 (10% of 2.665 acres)
Elizabeth M. Brown	.2665	.00333125 (10% of 2.665 acres)
	<u>80.0000</u>	<u>1.00000000</u>

If Sun elects to convert ORRI to 50% WI, the following ownership would apply:

	<u>ACRES</u>	<u>WORKING INTEREST</u>
Rex Alcorn	69.00000	.862500000
Mesa	6.79950	.084993750 (Mesa's 6 ac. plus 60% 1.3325 ac)
Heritage	1.00000	.012500000
PETCO	1.33500	.016687500
Tom Brown	.26650	.003331250 (20% of 1.3325 ac.)
H. L. Brown, Jr.	.13325	.001665625 (10% of 1.3325 ac.)
Elizabeth M. Brown	.13325	.001665625 (10% of 1.3325 ac.)
Sun	1.33250	.016656250
	<u>80.00000</u>	<u>1.000000000</u>

H. L. BROWN, JR.
323 WEST MISSOURI
POST OFFICE BOX 2237
MIDLAND, TEXAS 79701
915 683-5216

August 9, 1977

Mr. Rex Alcorn
100 South Kentucky
Roswell, New Mexico 88201

Re: HLB Jr. Ls. #1160-1; E/2 SW/4
Sec. 35, 16S, 37E, Lea Co., N.M.

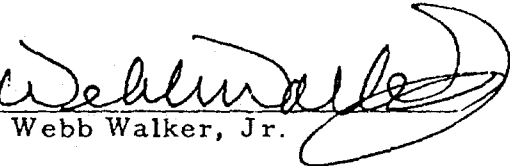
Dear Mr. Alcorn:

In reference to your letter of August 4, 1977 proposing a Drinkard test on the captioned acreage, please be advised that I herewith decline to join in this proposal.

Very truly yours,

H. L. BROWN, JR.

By


Webb Walker, Jr.

WW:mh

cc: Mesa Petroleum Company
Attn: Mr. Bob Northington
Tom Brown, Inc.
Elizabeth M. Brown



TOM BROWN, INC.

315 MIDLAND TOWER BUILDING

P. O. BOX 2808

MIDLAND, TEXAS 79702

TELEPHONE
AC 915-682-9715
AC 915 563-1926

August 19, 1977

Mr. Rex Alcorn
Ingram Bldg.
100 South Kentucky
Roswell, New Mexico 88201

RE: Proposed location
NE SW Sec 35-16S 37E,
Lea County, New Mexico

Dear Mr. Alcorn:

In answer to your letter of August 4, 1977, be advised that Tom Brown, Inc. declines to join in the drilling of a Drinkard test in the above described location.

Yours truly,

TOM BROWN, INC.

R. J. De Paul

RJD/ch

REX ALCORN
INGRAM BUILDING
100 SOUTH KENTUCKY
ROSWELL, NEW MEXICO 88201
PHONE 805 622-4396

August 4, 1977

H. L. Brown, Jr.,
Tom Brown, Inc., &
Elizabeth M. Brown

Re: Proposed West Knowles-
Drinkard test, Sec. 35,
T16S, R37E, 2130 FSL &
1980 FWL, Lea County,
New Mexico

Dear Working Interest Owners:

The undersigned proposes to drill an 8500' Drinkard test as described above, with 80 acres located E/2 SW/4 Section 35, T16S, R37E, allocated to this test. Eleven acres underlying the 80 acres are held by production and assigned to the West Knowles Unit, and the remaining leasehold interest of sixty-nine acres is owned by the undersigned.

The addressees own working interests under 2.665 acres of the 11 acres as a result of a farmout of the 2.665 acres by Sun Oil Company and subsequent inclusion in the West Knowles Unit. Sun has the option of increasing their override or converting to a 50% working interest for each well drilled following completion of the initial test in the unit.


The ownership under the 80 acre tract is detailed on the attached page for each of the options held by Sun Oil Company. Your individual interests may be applied to the figures appearing on the inclosed AFE.

It is requested that the addressees join in the drilling of the proposed test to the extent of their individual interests. If agreeable, please execute the inclosed AFE and return to the undersigned.

The element of time is critical, therefore please note that it will be considered that approval is granted if the AFE form is not returned within fifteen (15) days of the date hereon.

Thank you kindly.

Very truly yours,


Rex Alcorn

Attachments
cc: Mr. Bob Northington, Mesa Petroleum
Company

*Attached is copy of your AFE which
is not approved.
Elizabeth M Brown*

A.I.E.
REX ALCORN
Detail Well Estimate

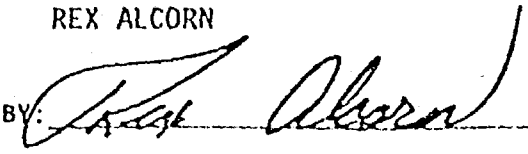
LEASE NAME Shipp WELL NO. ?
LOCATION Section 35, T 16 S - R 37 E : 2310' FSL & 1980' FWL
COUNTY Lea STATE New Mexico FIELD West Knowles - Drinkard

DRILLING INTANGIBLES:		PRODUCER	DRY HOLE
1. Surface Damages Location \$400 plus 77 rds. road @ \$2.00		554	554
2. Drilling Cost 8500 Feet @ Per Foot			
3. Day Work 40 days @ \$3000 per day		120,000	120,000
4. Coring Service Well Surveys 9000		9,000	7,000
5. Testing two DST's @ \$1,100		2,200	2,200
6. Fuel Water 7,000		7,000	7,000
7. Mud 10,000 Mud Logging Service		10,000	10,000
8. Cementing Service & Cement 7,107 Equip 761		7,868	4,774
9. Company Labor Contractor Labor 2,400		2,400	
10. Digging Pits Filling Pits 1,000		1,000	1,000
11. Roads 1,700 Location & Grading 3,500		5,200	5,200
12. Acidizing 2,500 Fracturing Perforating 1,800		4,300	
13. Plugging			7,400
14. Trucking Cost		1,500	1,000
15. Development Superintendence		3,000	2,500
16. Geological		1,500	1,500
17. Well Servicing Unit 4 days @ \$600 (10 hour days)		2,400	
18. Other Costs 4% tax		7,117	6,805
TOTAL INTANGIBLES		185,039	176,933

WELL EQUIPMENT:			
19. Casing 350 Feet of 13 3/8" 48# H-40		5,205	5,205
4,200 Feet of 8 5/8" 24# K-55 & 24#, 28# L-80		32,726	32,726
8,500 Feet of 4 1/2" 11.6#, 10.5# K-55		25,594	
20. Tubing 8,500 Feet of 2 3/8" 4.7# J-55		16,260	
21. Casing Head		2,000	1,200
22. Xmas Tree		2,400	
23. Tank Battery		5,200	
24. Separator		550	
25. Treater		4,500	
26. Packer		2,000	
27. Flow Lines & Miscellaneous Fittings		2,000	
28. Other API 320 Pmp. Unit ; 8,500' 3/4" & 7/8" rods ; 1 1/4" Pump ; Clamps, polish rod & liner ; Stuffing Box & "I" ; Circ. Pump ; Chem. Pump plus 4% tax on all tangibles.		32,261	
		5,228 (tax)	1,565 (tax)
		135,924	40,696
TOTAL COST OF WELL		320,963	217,629
LESS CONTRIBUTIONS			
NET COST OF WELL			
INTEREST SHARE			


IF THIS FORM IS NOT RETURNED WITHIN FIFTEEN (15) DAYS FROM DATE HEREON, IT IS TO BE CONSIDERED THAT APPROVAL IS GRANTED. IF APPROVAL IS GIVEN, OPERATOR IS AUTHORIZED TO PROCEED AND THE UNDERSIGNED GRANTING APPROVAL AGREES TO PAY FOR WORK REQUIRED IN PROPORTION TO UNDERSIGNED'S SHARE OF THE WORKING INTEREST.

APPROVED BY: _____
DATE: _____

REX ALCORN
BY: 
DATE: _____

No. 650293
RECEIPT FOR CERTIFIED MAIL

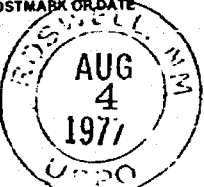
NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO		<i>Elizabeth M. Brown</i>	
STREET AND NO.		<i>2407 St. Northgate</i>	
P.O. STATE AND ZIP CODE		<i>P.O. Box 1307 St. Louis</i>	
POSTAGE		<i>24</i>	
CERTIFIED FEE		<i>60¢</i>	
SPECIAL DELIVERY		€	
RESTRICTED DELIVERY		€	
SHOW TO WHOM AND DATE DELIVERED		<i>25¢</i>	
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY		€	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY		€	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		€	
TOTAL POSTAGE AND FEES		\$	
POSTMARK OR DATE		 <i>b.m.</i>	

PS Form 3800, Apr. 1976

No. 650294
RECEIPT FOR CERTIFIED MAIL


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

SENT TO		<i>V. L. Brown</i>	
STREET AND NO.		<i>P.O. Box 2237</i>	
P.O. STATE AND ZIP CODE		<i>Midland Tex</i>	
POSTAGE		<i>24</i>	
CERTIFIED FEE		<i>60¢</i>	
SPECIAL DELIVERY		€	
RESTRICTED DELIVERY		€	
SHOW TO WHOM AND DATE DELIVERED		<i>25¢</i>	
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY		€	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY		€	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		€	
TOTAL POSTAGE AND FEES		\$	
POSTMARK OR DATE		 <i>b.m.</i>	

PS Form 3800, Apr. 1976

No. 650295
RECEIPT FOR CERTIFIED MAIL

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

SENT TO		<i>Tom Brown</i>	
STREET AND NO.		<i>P.O. Box 2608</i>	
P.O. STATE AND ZIP CODE		<i>Midland Tex</i>	
POSTAGE		<i>24</i>	
CERTIFIED FEE		<i>60¢</i>	
SPECIAL DELIVERY		€	
RESTRICTED DELIVERY		€	
SHOW TO WHOM AND DATE DELIVERED		<i>25¢</i>	
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY		€	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY		€	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		€	
TOTAL POSTAGE AND FEES		\$	
POSTMARK OR DATE		 <i>b.m.</i>	

PS Form 3800, Apr. 1976

● SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☐ Show to whom and date delivered25¢
☐ Show to whom, date, & address of delivery45¢
☐ RESTRICTED DELIVERY.
Show to whom and date delivered85¢
☐ RESTRICTED DELIVERY.
Show to whom, date, and address of delivery ..\$1.05
(Fees shown are in addition to postage charges and other fees).

2. ARTICLE ADDRESSED TO:
V. L. Brown

3. ARTICLE DESCRIPTION:
REGISTERED NO. *650294* CERTIFIED NO. *5* INSURED NO. *5*
(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent
William A. Brown

4. DATE OF DELIVERY *AUG 5 1977* POSTMARK
MILAND IX

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

★ GPO: 1976-O-203-456

● SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☐ Show to whom and date delivered25¢
☐ Show to whom, date, & address of delivery45¢
☐ RESTRICTED DELIVERY.
Show to whom and date delivered85¢
☐ RESTRICTED DELIVERY.
Show to whom, date, and address of delivery ..\$1.05
(Fees shown are in addition to postage charges and other fees).

2. ARTICLE ADDRESSED TO:
Elizabeth Brown

3. ARTICLE DESCRIPTION:
REGISTERED NO. *650293* CERTIFIED NO. *5* INSURED NO. *5*
(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent
John Brown

4. DATE OF DELIVERY *AUG 8 1977* POSTMARK
MILAND IX

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

★ GPO: 1976-O-203-456

● SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☐ Show to whom and date delivered25¢
☐ Show to whom, date, & address of delivery45¢
☐ RESTRICTED DELIVERY.
Show to whom and date delivered85¢
☐ RESTRICTED DELIVERY.
Show to whom, date, and address of delivery ..\$1.05
(Fees shown are in addition to postage charges and other fees).

2. ARTICLE ADDRESSED TO:
V. L. Brown

3. ARTICLE DESCRIPTION:
REGISTERED NO. *650294* CERTIFIED NO. *5* INSURED NO. *5*
(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent
John Brown

4. DATE OF DELIVERY *AUG - 5 1977* POSTMARK
AUG - 5 1977

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

★ GPO: 1976-O-203-456

PS Form 3811, Nov. 1976

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

REX ALCORN
INGRAM BUILDING
100 SOUTH KENTUCKY
ROSWELL, NEW MEXICO 88201
PHONE 505 622-4396

Case 6031

August 26, 1977

Mesa Petroleum Company
Heritage Resources
Petroleum Corporation of Texas
Tom Brown, Inc.
H. L. Brown, Jr.
Elizabeth M. Brown

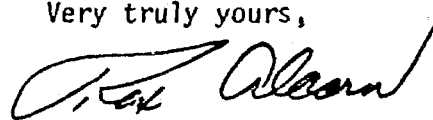
Re: Examiner Hearing, NMOCC,
Compulsory Pooling,
E/2 SW/4 Sec. 35, T16S, R37E,
West Knowles-Drinkard Field,
Lea County, New Mexico

Gentlemen:

Referring to my letter dated August 18, 1977, pertaining to the above subject, this is to advise that the undersigned has been notified that this matter has been docketed for the examiner hearing on September 14, 1977, at the NMOCC, Santa Fe, New Mexico.

Thank you kindly.

Very truly yours,



Rex Alcorn

RA:b

No. 503192
RECEIPT FOR CERTIFIED MAIL

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

SENT TO	
Petroleum Corp. of Texas	
STREET AND NO.	
PO Box 911	
P.O., STATE AND ZIP CODE	
Breckenridge, Texas 76024	
POSTAGE	
CERTIFIED FEE	\$ 13
SPECIAL DELIVERY	60¢
RESTRICTED DELIVERY	¢
OPTIONAL SERVICES	
RETURN RECEIPT SERVICE	
SHOW TO WHOM AND DATE DELIVERED	25¢
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	¢
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES	\$
POSTMARK OR DATE	
AUG 26 1971	

PS Form 3800, Apr. 1976

No. 503191
RECEIPT FOR CERTIFIED MAIL

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

SENT TO	
Heritage Resources	
STREET AND NO.	
PO Box 777	
P.O., STATE AND ZIP CODE	
Davis, Okla. 73030	
POSTAGE	
CERTIFIED FEE	\$ 13
SPECIAL DELIVERY	60¢
RESTRICTED DELIVERY	¢
OPTIONAL SERVICES	
RETURN RECEIPT SERVICE	
SHOW TO WHOM AND DATE DELIVERED	25¢
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	¢
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES	\$
POSTMARK OR DATE	
AUG 26 1971	

PS Form 3800, Apr. 1976

No. 503190
RECEIPT FOR CERTIFIED MAIL

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

SENT TO	
Mesa Petroleum Co.	
STREET AND NO.	
1000 Vaughn Bldg.	
P.O., STATE AND ZIP CODE	
Midland, Texas 79701	
POSTAGE	
CERTIFIED FEE	\$ 13
SPECIAL DELIVERY	60¢
RESTRICTED DELIVERY	¢
OPTIONAL SERVICES	
RETURN RECEIPT SERVICE	
SHOW TO WHOM AND DATE DELIVERED	25¢
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	¢
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES	\$
POSTMARK OR DATE	
AUG 26 1971	

PS Form 3800, Apr. 1976

No. 503195
RECEIPT FOR CERTIFIED MAIL

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

SENT TO	
Elizabeth M. Brown	
STREET AND NO.	
2407 Ft. Worth NB Bldg.	
P.O., STATE AND ZIP CODE	
Ft. Worth, Texas 76102	
POSTAGE	
CERTIFIED FEE	\$ 13
SPECIAL DELIVERY	60¢
RESTRICTED DELIVERY	¢
OPTIONAL SERVICES	
RETURN RECEIPT SERVICE	
SHOW TO WHOM AND DATE DELIVERED	25¢
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	¢
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES	\$
POSTMARK OR DATE	
AUG 26 1971	

PS Form 3800, Apr. 1976

No. 503194
RECEIPT FOR CERTIFIED MAIL

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

SENT TO	
H. L. Brown, Jr.	
STREET AND NO.	
PO Box 2237	
P.O., STATE AND ZIP CODE	
Midland, Texas 79702	
POSTAGE	
CERTIFIED FEE	\$ 13
SPECIAL DELIVERY	60¢
RESTRICTED DELIVERY	¢
OPTIONAL SERVICES	
RETURN RECEIPT SERVICE	
SHOW TO WHOM AND DATE DELIVERED	25¢
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	¢
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES	\$
POSTMARK OR DATE	
AUG 26 1971	

PS Form 3800, Apr. 1976

No. 503193
RECEIPT FOR CERTIFIED MAIL

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

SENT TO	
Tom Brown, Inc.	
STREET AND NO.	
PO Box 2608	
P.O., STATE AND ZIP CODE	
Midland, Texas 79702	
POSTAGE	
CERTIFIED FEE	\$ 13
SPECIAL DELIVERY	60¢
RESTRICTED DELIVERY	¢
OPTIONAL SERVICES	
RETURN RECEIPT SERVICE	
SHOW TO WHOM AND DATE DELIVERED	25¢
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	¢
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES	\$
POSTMARK OR DATE	
AUG 26 1971	

PS Form 3800, Apr. 1976

PS Form 3811, Nov. 1976

● SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☐ Show to whom and date delivered25¢
☐ Show to whom, date, & address of delivery45¢
☐ RESTRICTED DELIVERY.
Show to whom and date delivered85¢
☐ RESTRICTED DELIVERY.
Show to whom, date, and address of delivery ..\$1.05
(Fees shown are in addition to postage charges and other fees).

2. ARTICLE ADDRESSED TO:
Tom Brown, Inc.
PO Box 2608
Midland, Texas 79702

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	503193	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent
Jack H. Hinkle

4. DATE OF DELIVERY
AUG 29 1977

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: SPO CLERK'S INITIALS

☆ GPO: 1976-O-203-456

PS Form 3811, Nov. 1976

● SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☐ Show to whom and date delivered25¢
☐ Show to whom, date, & address of delivery45¢
☐ RESTRICTED DELIVERY.
Show to whom and date delivered85¢
☐ RESTRICTED DELIVERY.
Show to whom, date, and address of delivery ..\$1.05
(Fees shown are in addition to postage charges and other fees).

2. ARTICLE ADDRESSED TO:
Mesa Petroleum Company
1000 Vaughn Bldg.
Midland, Texas 79701

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	503190	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent
Jan Bray Mesa Pet.

4. DATE OF DELIVERY
AUG 29 1977

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: SPO CLERK'S INITIALS

☆ GPO: 1976-O-203-456

PS Form 3811, Nov. 1976

● SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☐ Show to whom and date delivered25¢
☐ Show to whom, date, & address of delivery45¢
☐ RESTRICTED DELIVERY.
Show to whom and date delivered85¢
☐ RESTRICTED DELIVERY.
Show to whom, date, and address of delivery ..\$1.05
(Fees shown are in addition to postage charges and other fees).

2. ARTICLE ADDRESSED TO:
H. L. Brown, Jr.
PO Box 2237
Midland, Texas 79702

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	503194	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent
Gene H. Brown

4. DATE OF DELIVERY
AUG 29 1977

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: SPO CLERK'S INITIALS

☆ GPO: 1976-O-203-456

PS Form 3811, Nov. 1976

● SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☐ Show to whom and date delivered25¢
☐ Show to whom, date, & address of delivery45¢
☐ RESTRICTED DELIVERY.
Show to whom and date delivered85¢
☐ RESTRICTED DELIVERY.
Show to whom, date, and address of delivery ..\$1.05
(Fees shown are in addition to postage charges and other fees).

2. ARTICLE ADDRESSED TO:
Petroleum Corp. of Texas
PO Box 911
Breckenridge, Texas 76024

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	503192	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent
William C. Cullen

4. DATE OF DELIVERY
AUG 29 1977

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: SPO CLERK'S INITIALS

☆ GPO: 1976-O-203-456

PS Form 3811, Nov. 1976

● SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☐ Show to whom and date delivered25¢
☐ Show to whom, date, & address of delivery45¢
☐ RESTRICTED DELIVERY.
Show to whom and date delivered85¢
☐ RESTRICTED DELIVERY.
Show to whom, date, and address of delivery ..\$1.05
(Fees shown are in addition to postage charges and other fees).

2. ARTICLE ADDRESSED TO:
Heritage Resources
PO Box 777
Davis, Oklahoma 73030

3. ARTICLE DESCRIPTION:
REGISTERED NO. CERTIFIED NO. INSURED NO.
503191

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent

4. DATE OF DELIVERY AUG 29 1977 POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

☆ GPO: 1976-O-203-456

PS Form 3811, Nov. 1976

● SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☐ Show to whom and date delivered25¢
☐ Show to whom, date, & address of delivery45¢
☐ RESTRICTED DELIVERY.
Show to whom and date delivered85¢
☐ RESTRICTED DELIVERY.
Show to whom, date, and address of delivery ..\$1.05
(Fees shown are in addition to postage charges and other fees).

2. ARTICLE ADDRESSED TO:
Elizabeth M. Brown
2407 Ft. Worth NB Bldg.
Ft. Worth, Texas 76102

3. ARTICLE DESCRIPTION:
REGISTERED NO. CERTIFIED NO. INSURED NO.
503195

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent

4. DATE OF DELIVERY AUG 29 1977 POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

☆ GPO: 1976-O-203-456

R. W. Byram & Co., - Feb., 1977

SECTION II

New Mexico Page 117

WEST KNOWLES-DRINKARD POOL
Lea County, New Mexico

Order No. R-5029, Creating and Adopting Temporary Operating Rules for the West Knowles-Drinkard Pool, Lea County, New Mexico, May 22, 1975.

Order No. R-5029-A, June 1, 1976, makes permanent the rules adopted in Order No. R-5029.

Application of Mesa Petroleum Co. for Pool Creation and Special Pool Rules, Lea County, New Mexico.

CASE NO. 5473
Order No. R-5029

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 a.m. on May 14, 1975, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 22nd day of May, 1975, 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, Mesa Petroleum Co., seeks the creation of a new oil pool for Drinkard production in Lea County, New Mexico.

(3) That the applicant also seeks the promulgation of special rules for said pool, including a provision for 80-acre proration units.

(4) That the evidence presently available indicates that the West Knowles Well No. 1, located in Unit P of Section 34, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, has discovered a separate common source of supply which should be designated the West Knowles-Drinkard Pool; that the vertical limits of said pool should be the Drinkard formation as found on the log of said West Knowles Well No. 1 from 8200 to 8600 feet, and that horizontal limits of said pool should be as follows:

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM
Section 34: SE/4
Section 35: SW/4

(5) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 80-acre spacing units should be promulgated for the West Knowles-Drinkard Pool.

(6) That the temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(7) That the temporary special rules and regulations should be established for a one-year period in order to allow the operators in the subject pool to gather reservoir information to establish the area that can be efficiently and economically drained and developed by one well.

(8) That this case should be reopened at an examiner hearing in May, 1976, at which time the operators in the subject pool should be prepared to appear and show cause why the West Knowles-Drinkard Pool should not be developed on 40-acre spacing units.

IT IS THEREFORE ORDERED:

(1) That a new pool in Lea County, New Mexico, classified as an oil pool for Drinkard production, is hereby created and designated the West Knowles-Drinkard Pool, with vertical limits comprising the Drinkard formation as found on the log of the West Knowles Well No. 1, located in Unit P of Section 34, Township 16 South, Range 37 East, NMPM, from 8200 feet to 8600 feet, and horizontal limits comprising the following-described area:

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM
Section 34: SE/4
Section 35: SW/4

(2) That temporary Special Rules and Regulations for the West Knowles-Drinkard Pool, Lea County, New Mexico, are hereby promulgated as follows:

**SPECIAL RULES AND REGULATIONS
FOR THE
WEST KNOWLES-DRINKARD POOL**

RULE 1. Each well completed or recompleted in the West Knowles-Drinkard Pool or in the Drinkard formation within one mile thereof, and not nearer to or within the limits of another designated Drinkard oil pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2, or W/2 of a governmental quarter section; provided however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in the unit.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit comprising a governmental quarter-quarter section or lot, or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well shall be located within 150 feet of the center of a governmental quarter-quarter section or lot.

(WEST KNOWLES-DRINKARD POOL - Cont'd.)

RULE 5. The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

RULE 6. Top unit allowable for a standard proration unit (79 through 81 acres) shall be based on a depth bracket allowable of 310 barrels per day, and in the event there is more than one well on an 80-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion.

The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the West Knowles-Drinkard Pool or in the Drinkard formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before July 1, 1975.

(2) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the West Knowles-Drinkard Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

Failure to file new Forms C-102 with the Commission dedicating 80 acres to a well or to obtain a non-standard unit approved by the Commission within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the West Knowles-Drinkard Pool or in the Drinkard formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(3) That this case shall be reopened at an examiner hearing in May, 1976, at which time the operators in the subject pool should be prepared to appear and show cause why the West Knowles-Drinkard Pool should not be developed on 40-acre spacing units.

(4) 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.

TOTAH-GALLUP POOL
San Juan County, New Mexico

Order No. R-1882, Adopting Temporary Operating Rules for the Totah-Gallup Pool, San Juan County, New Mexico, April 1, 1961.

Order No. R-1882-A, March 14, 1962, makes permanent the rules adopted in Order No. R-1882.

Application of Tennessee Gas Transmission Company for the Promulgation of Special Rules and Regulations governing the Totah-Gallup Oil Pool, San Juan County, New Mexico.

CASE NO. 2184
Order No. R-1882

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 o'clock a.m. on February 15, 1961, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 23rd day of February, 1961, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

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

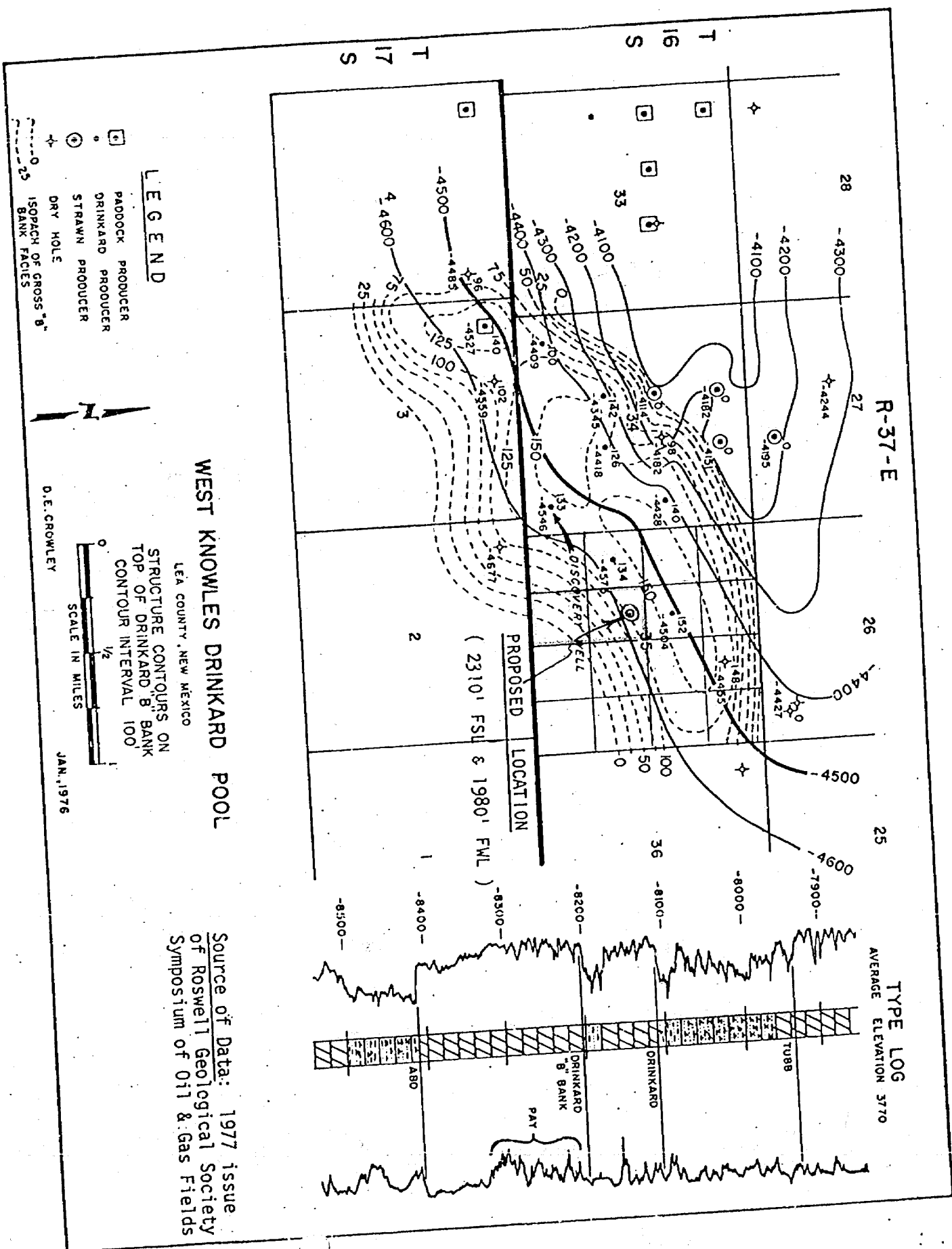
(2) That the applicant, Tennessee Gas Transmission Company, proposes that special rules and regulations be promulgated governing the Totah-Gallup Oil Pool, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico, including a provision for 80-acre oil proration units.

(3) That the evidence available at this time indicates that the Gallup reservoir underlying the Totah-Gallup Oil Pool may be efficiently and economically drained and developed on 80-acre proration units and that it may be uneconomical to drill wells in said pool on 40-acre proration units.

(4) That the evidence presently available does not justify permanent 80-acre rules and regulations in the Totah-Gallup Oil Pool, and, accordingly, a temporary one-year order should be entered.

(5) That during the one-year period in which this order will be in effect, the applicant should gather all available information relative to drainage and recoverable reserves in the subject pool.

(6) That this case should be heard again during the month of March, 1962, at which time the applicant should be prepared to prove by a preponderance of the evidence why the subject pool should not be developed on 40-acre proration units.



Docket No. 28-77
Dockets Nos. 30-77 and 31-77 are tentatively set for hearing on September 28 and October 12, 1977.
Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 14, 1977
9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:
ALLOWABLE: (1) Consideration of the allowable production of gas for October, 1977, from fifteen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.
(2) Consideration of the allowable production of gas for October, 1977, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 6016: (Continued from August 31, 1977 Examiner Hearing)
In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Land Oil Company, American Employers' Insurance Company, and all other interested parties to appear and show cause why the Garner Well No. 1 located in Unit D of Section 23, Township 14 South, Range 25 East, Chaves County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5981: (Continued from July 6, 1977 Examiner Hearing)
Application of W. A. Moncrief, Jr., for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of an oil pool for Upper-Pennsylvanian production for his State Well No. 1 located in Unit E of Section 26, Township 16 South, Range 33 East, Lea County, New Mexico, and the promulgation of special rules therefor, including a provision for 80-acre spacing.

CASE 5983: (Continued from July 20, 1977 Examiner Hearing)
Application of Yates Petroleum Corporation for the amendment of Order No. R-5445, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5445 to provide for a 200 percent risk factor for drilling the unit well rather than 20 percent. Said order pooled the N/2 of Section 19, Township 20 South, Range 25 East, Eddy County, New Mexico.

CASE 6024: Application of Read & Stevens, Inc., for two unorthodox gas well locations, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its R & J Federal Well No. 1 located in the center of Unit A of Section 20, Township 12 South, Range 31 East, and its Jackson Well No. 1, located in the center of Unit I of Section 25, Township 12 South, Range 30 East, Southeast Chaves-Queen Gas Area, Chaves County, New Mexico, the E/2 of said Section 20 and the S/2 of said Section 25, respectively, to be dedicated to the wells.

CASE 6025: Application of Roger C. Hanks for a special gas-oil ratio limitation, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a special gas-oil ratio limitation of 4000 cubic feet of gas per barrel of oil for the North Dagger Draw-Upper Pennsylvanian Pool, Eddy County, New Mexico, retroactive to August 22, 1977.

CASE 6026: Application of William G. Rabe and Alice P. Rabe for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 160-acre non-standard gas proration unit comprising the NE/4 of Section 25, Township 27 North, Range 8 West, Blanco-Mesaverde Pool, San Juan County, New Mexico.

CASE 6027: Application of Great Lakes Chemical Corporation for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 160-acre non-standard gas proration unit comprising the SE/4 of Section 25, Township 27 North, Range 8 West, Blanco-Mesaverde Pool, San Juan County, New Mexico.

CASE 6028: Application of Union Oil Company of California for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for its Luzon Unit Area comprising 5117 acres, more or less, of Federal and fee lands in Township 24 South, Ranges 35 and 36 East, Lea County, New Mexico.

CASE 6029: Application of Phillips Petroleum Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Tubbs, Drinkard, East Brunson-McKee, and East Brunson-Ellenburger production in the wellbore of its Sims Well No. 6 located in Unit M of Section 24, Township 22 South, Range 37 East, Lea County, New Mexico.

- CASE 6030: Application of Burleson & Huff for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the SE/4, SE/4 of Section 4, Township 25 South, Range 37 East, Langlie-Mattix Pool, Lea County, New Mexico, to be dedicated to its re-entered Smith Well No. 1 located in Unit P of said Section 4, or in the alternative, to a well to be drilled at a standard location thereon. Also to be considered will be the cost of re-entering and recompleting or of drilling and completing the unit well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in recompleting or drilling said well.
- CASE 6032: Application of Burleson & Huff for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the SW/4, SW/4 of Section 21, Township 25 South, Range 37 East, Langlie-Mattix Pool, Lea County, New Mexico, to be dedicated to its re-entered Lanchart Well No. 1-Y located in Unit M of said Section 21, or, in the alternative, to a well to be drilled at a standard location thereon. Also to be considered will be the cost of re-entering and recompleting or of drilling and completing the unit well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in recompleting or drilling said well.
- CASE 6031: Application of Rex Alcorn for compulsory pooling and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the E/2 SW/4 of Section 35, Township 16 South, Range 37 East, West Knowles-Drinkard Pool, Lea County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 2310 feet from the South line and 1980 feet from the West line of said Section 35. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6033: Application of Basin Fuels, Inc., for salt water disposal, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Mesaverde formation through the perforated interval from 1948 feet to 2755 feet in its Slick Well No. 1 located in Unit O of Section 7, Township 20 North, Range 5 West, Franciscan Lake-Mesaverde Pool, McKinley County, New Mexico.
- CASE 6034: Application of Flag-Redfern Oil Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the San Andres formation through the perforated interval from 4941 feet to 5022 feet in its Bilbrey "51" Well No. 1 located in Unit A of Section 23, Township 9 South, Range 37 East, Sawyer-San Andres Pool, Lea County, New Mexico.
- CASE 6035: Application of Southern Union Supply Co., for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying the N/2 NE/4 of Section 30, Township 9 South, Range 33 East, Flying M-San Andres Pool, Lea County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6017: (Continued from August 31, 1977 Examiner Hearing)
Application of E. L. Latham, Jr. and Roy G. Barton, Jr., for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the E/2 NE/4 of Section 30, Township 9 South, Range 33 East, Flying M-San Andres Pool, Lea County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6036: Application of E. L. Latham, Jr., and Roy G. Barton, Jr., for compulsory pooling of a standard or a non-standard oil proration unit and an unorthodox location, or in the alternative, 40-acre spacing, Lea County, New Mexico. Applicants, in the above-styled cause, seek an order pooling all mineral interests in the Flying M-San Andres Pool underlying the E/2 NE/4 of Section 30, Township 9 South, Range 33 East, Lea County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location for said pool within 200 feet of the center of the NE/4, NE/4 of said Section 30, or an order pooling only the NE/4, NE/4 of Section 30 to form a non-standard 40-acre unit to be dedicated to the aforesaid well. In the alternative, applicants seek the amendment of the Flying M-San Andres Pool Rules to provide for 40-acre spacing, and seek an order pooling the aforesaid NE/4, NE/4 of Section 30 as a standard unit for said pool to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling

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

CASE 6037: In the matter of the hearing called by the Oil Conservation Commission upon its own motion for the creation 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 Delaware production and designated as the Combs-Delaware Gas Pool. The discovery well is the Penroc Oil Corporation Combs Federal Well No. 1 located in Unit P of Section 15, Township 20 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM
Section 15: SE/4

(b) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the East Lake-Morrow Gas Pool. The discovery well is the Coquina Oil Corporation Gulf Federal Well No. 1 located in Unit A of Section 5, Township 19 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM
Section 5: N/2

(c) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Cisco production and designated as the Hume-Cisco Pool. The discovery well is Vaquero Independent Producers, Inc. Jackrabbit Draw Com Well No. 1 located in Unit L of Section 15, Township 16 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPM
Section 15: SW/4

(d) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the West Malaga-Morrow Gas Pool. The discovery well is the HNG Oil Company Ogden 8 Com Well No. 1 located in Unit H of Section 8, Township 24 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 28 EAST, NMPM
Section 8: E/2

(e) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Millman-Atoka Gas Pool. The discovery well is the Depco, Inc. DHY State B Well No. 1 located in Unit L of Section 11, Township 19 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM
Section 11: W/2

(f) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Abo production and designated as the Pearsall-Abo Pool. The discovery well is the Harvey E. Yates Company, Inc. South Maljamar Deep Well No. 1 located in Unit O of Section 30, Township 17 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 32 EAST, NMPM
Section 30: SE/4

(g) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Bone Springs production and designated as the Penlon-Bone Springs Pool. The discovery well is the Penroc oil Corporation Allied B Well No. 1 located in Unit K of Section 27, Township 20 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM
Section 27: SW/4

(h) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Delaware production and designated as the Penlon-Delaware Gas Pool. The discovery well is the Penroc Oil Corporation Allied Com Well No. 2 located in Unit B of Section 27, Township 20 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM
Section 27: NE/4

(i) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the Rock Lake-Morrow Gas Pool. The discovery well is the Union Oil Company of California Northern Natural State Well No. 1 located in Unit O of Section 28, Township 22 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 35 EAST, NMPM
Section 28: S/2

(j) EXTEND the Avalon-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM
Section 22: S/2
Section 27: All
Section 34: N/2

(k) EXTEND the North Burton-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM
Section 32: SW/4

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

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM
Section 24: All
Section 25: E/2
Section 36: All

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM
Section 16: All
Section 18: All
Section 19: All
Section 20: S/2
Section 21: All
Section 29: All
Section 30: All
Section 31: All
Section 32: All
Section 33: W/2

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 4: Lots 3, 4, 5, 6, 11, 12, 13, & 14
Section 5: All
Section 8: S/2
Section 17: All
Section 20: All
Section 29: W/2
Section 30: All
Section 31: N/2
Section 32: W/2

(m) EXTEND the East Carlsbad-Wolfcamp Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 35: S/2

(n) EXTEND the South Carlsbad-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 26 EAST, NMPM
Section 13: N/2

(o) EXTEND the Cato-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 30 EAST, NMPM
Section 1: NE/4

TOWNSHIP 9 SOUTH, RANGE 30 EAST, NMPM
Section 8: NE/4

(p) EXTEND the Flying "M"-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 33 EAST, NMPM
Section 19: SE/4

(q) EXTEND the Indian Draw-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM
Section 7: SE/4 and N/2 SW/4
Section 18: W/2 SW/4

(r) EXTEND the South Leonard-Queen Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM
Section 11: SW/4

(s) EXTEND the East Lusk-Bone Springs Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 16: SE/4

(t) EXTEND the West Tonto-Pennsylvanian Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM
Section 7: S/2 and NE/4

(u) EXTEND the White City-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM
Section 9: All
Section 19: All

Docket No. 29-77

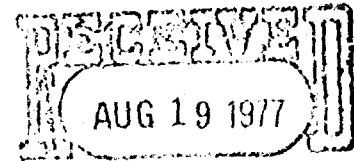
DOCKET: COMMISSION HEARING - TUESDAY - SEPTEMBER 20, 1977

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

CASE 5961: (REHEARING)

Application of D. L. Hannifin for amendment of Order No. R-4432, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-4432 to remove the present operator of the pooled proration unit comprising the S/2 of Section 24, Township 22 South, Range 26 East, South Carlsbad-Morrow Gas Pool, Eddy County, New Mexico, and to designate applicant as operator of said unit.

REX ALCORN
INGRAM BUILDING
100 SOUTH KENTUCKY
ROSWELL, NEW MEXICO 88201
PHONE 505 622-4396



August 18, 1977 OIL CONSERVATION COMM.
Santa Fe

Mr. Joe Ramey
New Mexico Oil Conservation Commission
PO Box 1980
Santa Fe, New Mexico 88240

Re: Application for Compulsory
Pooling, West Knowles-Drinkard
Field, Sec. 35, T16S, R37E,
Lea County, New Mexico

Dear Sir:

The undersigned proposes to drill an 8500' Drinkard test in Section 35, T 16 S, R 37 E, 2310 feet from the south line and 1980 feet from the west line of section 35. Acreage to be dedicated to this test is described as E/2 SW/4 of section 35. The undersigned is the owner of the leasehold interest under 69 of the 80 acres with the remaining 11 acres held by production and owned by Mesa Petroleum Company, Heritage Resources, Petroleum Corporation of Texas, Tom Brown, Inc., H. L. Brown, Jr., and Elizabeth M. Brown.

The various interests owned by the aforementioned are shown on the attached sheet. These owners have declined an offer to farmout their interests, and have also declined to join to the extent of their individual interest in the drilling of the proposed test.

This is to request a hearing before the Commission members for the purpose of compulsory pooling the owners of the 11 acres, and for approval of the proposed location. The structural position and performance of the west offset to the proposed test as well as the dry hole two locations south and west indicate that considerable risk is involved even though the aforementioned location is believed to offer the most favorable structural advantage. Therefore, it is further requested that the working interest owners be permitted to recuperate 300% of all drilling, completion, and operating costs prior to participation in any revenue by the owners of the 11 acres.

Leases owned by the undersigned expire as early as October 1st of the current year, therefore it would be appreciated if this matter could be placed on your docket at the earliest possible date. Copies of this letter have been forwarded to the owners of the 11 acres by certified mail with return receipt requested. The attorney representing the undersigned is Mr. W. F. Carr of Santa Fe.

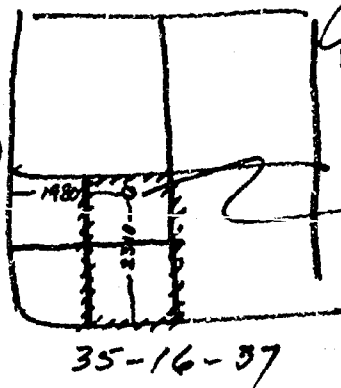
Thank you most kindly.

Very truly yours,

Rex Alcorn
Rex Alcorn

RA:b
Attachments

Copies: (attached sheet)



*Loc should
be within
150' of center
of 40
1980+150
= 2130*

(Ltr. dated August 18, 1977, to Mr. Joe Ramey, NMOCC, re compulsory pooling,
West Knowled-Drinkard Field, Lea County, New Mexico.)

copies: Mesa Petroleum Company
1000 Vaughn Building
Midland, Texas 79701

Heritage Resources
PO Box 777
Davis, Oklahoma 73030

Petroleum Corporation of Texas
PO Box 911
Breckenridge, Texas 76024

Tom Brown, Inc.
PO Box 2608
Midland, Texas

H. L. Brown, Jr.
PO Box 2237
Midland, Texas 79701

Elizabeth M. Brown
2407 Ft. Worth National Bank Building
Ft. Worth, Texas

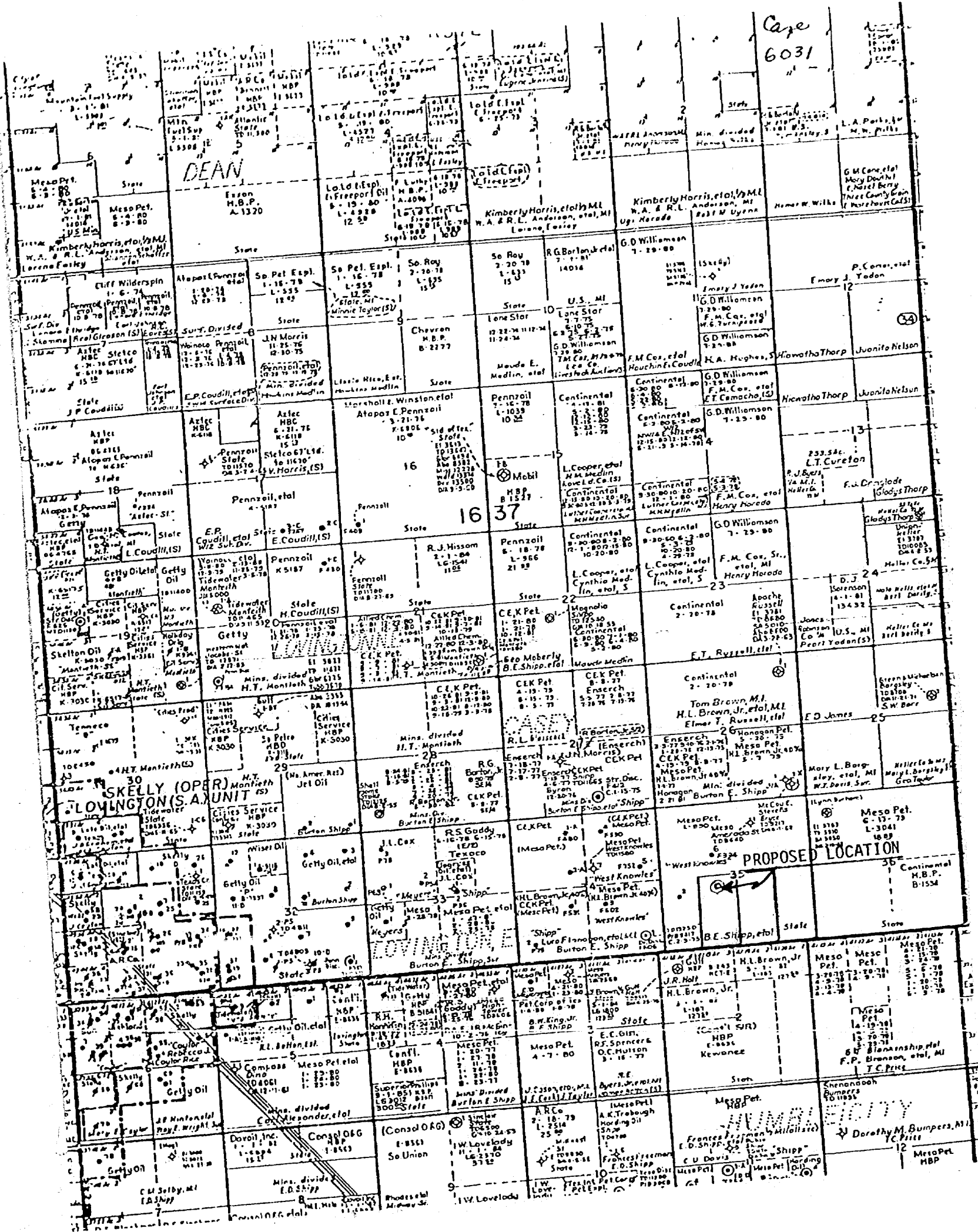
Ownership of acreage and division of working interests for proposed 8,500' Drinkard test, West Knowles Field, under the 80 acres described as E/2 SW/4 Sec. 35, T 16 S, R 37 E, Lea County, New Mexico:

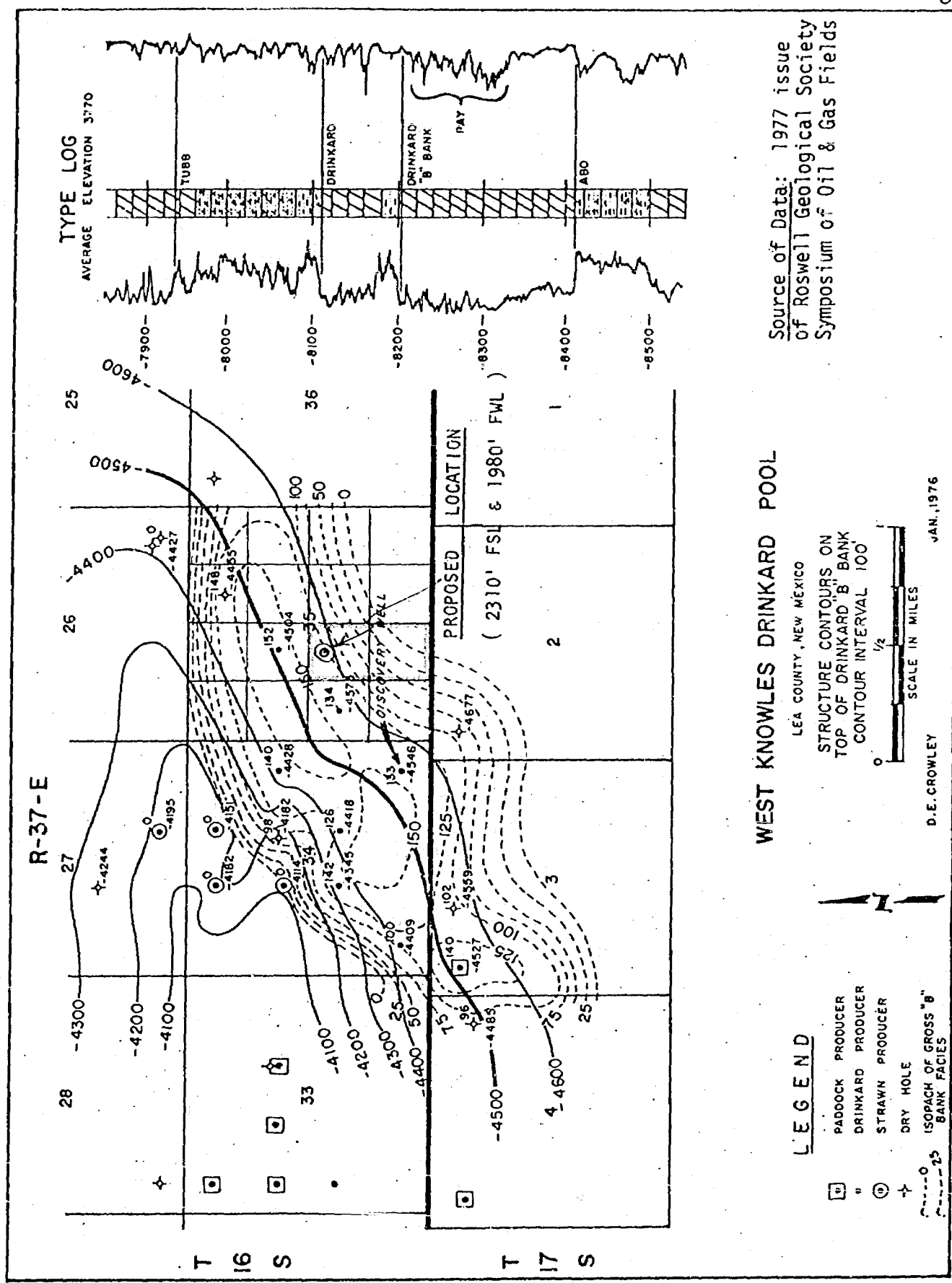
(Sun Oil Company owns 2.665 acres under the proposed location which are farmed-out to Mesa Petroleum Company and included in the West Knowles Unit. The farm-out agreement carries the provision that on each well drilled subsequent to the initial test, Sun has the option to increase their ORRI from 1/4 to 5/16 or to convert the ORRI to a 50% working interest. Owners of the working interest under Sun's 2.665 acres are Mesa (60%), Tom Brown (20%), H. L. Brown, Jr. (10%), and Elizabeth M. Brown (10%).

Sun has elected to increase their ORRI, thus the following ownership applies:

	<u>ACRES</u>	<u>WORKING INTEREST</u>
Rex Alcorn	69.0000	.86250000
Mesa	7.5990	.09498750 (Mesa's 6 ac. plus 60% 2.665 ac.)
Heritage	1.0000	.01250000
PETCO	1.3350	.01668750
Tom Brown	.5330	.00666250 (20% of 2.665 acres)
H. L. Brown, Jr.	.2665	.00333125 (10% of 2.665 acres)
Elizabeth M. Brown	.2665	.00333125 (10% of 2.665 acres)
	<u>80.0000</u>	<u>1.00000000</u>

Cape
6031





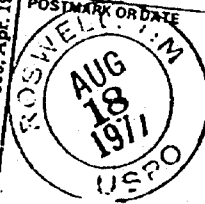
No. 502451

RECEIPT FOR CERTIFIED MAIL

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

SENT TO		Mr. Joe Ramsey	
STREET AND NO.		P.O. Box 41980	
P.O., STATE AND ZIP CODE		Denton, TX	
POSTAGE			
CONSULT POSTMASTER FOR FEES	CERTIFIED FEE	\$	95
	SPECIAL DELIVERY		60¢
	RESTRICTED DELIVERY		¢
	SHOW TO WHOM AND DATE DELIVERED		¢
	SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY		25¢
	SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY		¢
	SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		¢
TOTAL POSTAGE AND FEES		\$	
POSTMARK OR DATE		AUG 18 1971 D.M.	

PS Form 3800, Apr. 1976



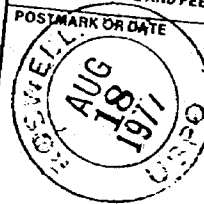
No. 502449

RECEIPT FOR CERTIFIED MAIL

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

SENT TO		Mr. J. F. Carr	
STREET AND NO.		P.O. Box 988	
P.O., STATE AND ZIP CODE		Denton, TX	
POSTAGE			
CONSULT POSTMASTER FOR FEES	CERTIFIED FEE	\$	39
	SPECIAL DELIVERY		60¢
	RESTRICTED DELIVERY		¢
	SHOW TO WHOM AND DATE DELIVERED		¢
	SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY		25¢
	SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY		¢
	SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		¢
TOTAL POSTAGE AND FEES		\$	
POSTMARK OR DATE		AUG 18 1971 D.M.	

PS Form 3800, Apr. 1976



PS Form 3811, Nov. 1976

● SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☐ Show to whom and date delivered 25¢
☐ Show to whom, date, & address of delivery 45¢
☐ RESTRICTED DELIVERY.
Show to whom and date delivered 85¢
☐ RESTRICTED DELIVERY.
Show to whom, date, and address of delivery .. \$1.05
(Fees shown are in addition to postage charges and other fees).

2. ARTICLE ADDRESSED TO:
Elizabeth M. Brown

3. ARTICLE DESCRIPTION:
REGISTERED NO. 502452 CERTIFIED NO. INSURED NO.
(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☒ Authorized agent
Nita Parviz

4. DATE OF DELIVERY
AUG 22 1977

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

☆ GPO: 1976-O-203-456

PS Form 3811, Nov. 1976

● SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☐ Show to whom and date delivered 25¢
☐ Show to whom, date, & address of delivery 45¢
☐ RESTRICTED DELIVERY.
Show to whom and date delivered 85¢
☐ RESTRICTED DELIVERY.
Show to whom, date, and address of delivery .. \$1.05
(Fees shown are in addition to postage charges and other fees).

2. ARTICLE ADDRESSED TO:
Heritage Resources

3. ARTICLE DESCRIPTION:
REGISTERED NO. 502447 CERTIFIED NO. INSURED NO.
(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☒ Authorized agent
Heritage Resources

4. DATE OF DELIVERY
AUG 21 1977

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

☆ GPO: 1976-O-203-456

PS Form 3811, Nov. 1976

● SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☐ Show to whom and date delivered 25¢
☐ Show to whom, date, & address of delivery 45¢
☐ RESTRICTED DELIVERY.
Show to whom and date delivered 85¢
☐ RESTRICTED DELIVERY.
Show to whom, date, and address of delivery .. \$1.05
(Fees shown are in addition to postage charges and other fees).

2. ARTICLE ADDRESSED TO:
Joe Ramey

3. ARTICLE DESCRIPTION:
REGISTERED NO. 502451 CERTIFIED NO. INSURED NO.
(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☒ Authorized agent
Joe Ramey

4. DATE OF DELIVERY
8/19/77

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

☆ GPO: 1976-O-203-456

PS Form 3811, Nov. 1976

● SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☐ Show to whom and date delivered 25¢
☐ Show to whom, date, & address of delivery 45¢
☐ RESTRICTED DELIVERY.
Show to whom and date delivered 85¢
☐ RESTRICTED DELIVERY.
Show to whom, date, and address of delivery .. \$1.05
(Fees shown are in addition to postage charges and other fees).

2. ARTICLE ADDRESSED TO:
Petroleum Corp of Texas

3. ARTICLE DESCRIPTION:
REGISTERED NO. 502448 CERTIFIED NO. INSURED NO.
(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☒ Authorized agent
Wallace Cullum

4. DATE OF DELIVERY
AUG 22 1977

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

☆ GPO: 1976-O-203-456

PS Form 3811, Nov. 1976

● SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☐ Show to whom and date delivered 25¢
☐ Show to whom, date, & address of delivery 45¢
☐ RESTRICTED DELIVERY.
Show to whom and date delivered 85¢
☐ RESTRICTED DELIVERY.
Show to whom, date, and address of delivery .. \$1.05
(Fees shown are in addition to postage charges and other fees).

2. ARTICLE ADDRESSED TO:
W. L. Brown Jr

3. ARTICLE DESCRIPTION:
REGISTERED NO. *502450* CERTIFIED NO. INSURED NO.
(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☒ Authorized agent

4. *Renee H. Brown*
DATE OF DELIVERY POSTMARK
AUG 19 1977
USPO

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

☆ GPO: 1976-O-203-456

PS Form 3811, Nov. 1976

● SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☐ Show to whom and date delivered 25¢
☐ Show to whom, date, & address of delivery 45¢
☐ RESTRICTED DELIVERY.
Show to whom and date delivered 85¢
☐ RESTRICTED DELIVERY.
Show to whom, date, and address of delivery .. \$1.05
(Fees shown are in addition to postage charges and other fees).

2. ARTICLE ADDRESSED TO:
Wm Brown

3. ARTICLE DESCRIPTION:
REGISTERED NO. *502445* CERTIFIED NO. INSURED NO.
(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☒ Authorized agent

4. *Jack B. Brown*
DATE OF DELIVERY POSTMARK
AUG 19 1977
USPO

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

☆ GPO: 1976-O-203-456

PS Form 3811, Nov. 1976

● SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☐ Show to whom and date delivered 25¢
☐ Show to whom, date, & address of delivery 45¢
☐ RESTRICTED DELIVERY.
Show to whom and date delivered 85¢
☐ RESTRICTED DELIVERY.
Show to whom, date, and address of delivery .. \$1.05
(Fees shown are in addition to postage charges and other fees).

2. ARTICLE ADDRESSED TO:
H. F. Carr

3. ARTICLE DESCRIPTION:
REGISTERED NO. *502449* CERTIFIED NO. INSURED NO.
(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☒ Authorized agent

4. *H. F. Carr*
DATE OF DELIVERY POSTMARK
8/20/77
USPO

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

☆ GPO: 1976-O-203-456

PS Form 3811, Nov. 1976

● SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
☐ Show to whom and date delivered 25¢
☐ Show to whom, date, & address of delivery 45¢
☐ RESTRICTED DELIVERY.
Show to whom and date delivered 85¢
☐ RESTRICTED DELIVERY.
Show to whom, date, and address of delivery .. \$1.05
(Fees shown are in addition to postage charges and other fees).

2. ARTICLE ADDRESSED TO:
Bob Northington

3. ARTICLE DESCRIPTION:
REGISTERED NO. *502446* CERTIFIED NO. INSURED NO.
(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☒ Authorized agent

4. *Lauree M. Northington*
DATE OF DELIVERY POSTMARK
AUG 20 1977
USPO

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

☆ GPO: 1976-O-203-456

~~EICid?~~

Please expedite.

Contested but Eid may have
transcript by the 20th.

DRAFT

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. 6031

Order No. R-5533

APPLICATION OF REX ALCORN FOR COMPULSORY
POOLING AND AN UNORTHODOX LOCATION,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 14, 1977
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this day of September, 1977, 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, Rex Alcorn,
seeks an order pooling all mineral interests
 underlying the E/2 SW/4
of Section 35, Township 16 South, Range 37 East,
NMPM, West Knowles-Drinkard Pool, Lea County, New
Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at an unorthodox location 2310 feet from the South line and 1980 feet from the West line of said Section 35

(4) → (5) That there are interest owners in the proposed proration

(6) That approval of the ~~subject application~~ ^{aforsaid unorthodox location} will afford the applicant the opportunity to produce ^{his} ~~its~~ just and equitable share of the ^{oil and} gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

unit.

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

(8) 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.

(9) 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.

(10) 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.

(11) 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.

\$1500.00 per month while drilling and \$175.00 per month while producing

(12) That _____ 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 charges 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.

(13) 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.

(14) 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 December 31, 1977, 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 Drinkard formation underlying the E/2 SW/4 of Section 35, Township 16 South, Range 37 East, NMPM, West Knowles- Drinkard Pool, Lea County, New Mexico, are hereby pooled to form a standard 80 - acre ^{oil} ~~gas~~ spacing and proration unit to be dedicated to a well to be drilled at an unorthodox location 2310 feet from the South line and 1980 feet from the West line of said Section 35.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 31st day of December, 1977, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Drinkard formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 31st day of December, 1977, Order (1) of this order shall be null and void and of no effect whatsoever; unless said operator obtains a time extension from the Commission for good cause shown.

Case No.
Order No. R.

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 Rex Alcorn 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

-5-
Case No.
Order No. R-

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 Percent 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. *\$1500.00 per month while drilling and \$175.00 per month while producing are*

(9) That \$1500.00 per month ~~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 charges 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.

-6-

Case No.

Order No. R-

(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 Lea 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.

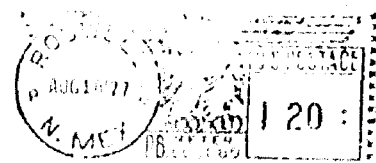
REX ALCORN
INGRAM BUILDING
100 SOUTH KENTUCKY
ROSWELL, NEW MEXICO 88201

POSTAGE
REQUESTED

CERTIFIED

No. 502451

MAIL



NAME _____
1st Notice **AUG 18**
2nd Notice _____
Return _____

Mr. Joe Ramey
New Mexico Oil Conservation Commission
PO Box 1980
Santa Fe, New Mexico 88240

