

CASE 6308: PETROLEUM CORPORATION OF
TEXAS FOR COMPULSORY POOLING, ROOSEVELT
COUNTY, NEW MEXICO

CASE NO.

6308

APPLICATION,

TRANSCRIPTS,

SMALL EXHIBITS,

ETC.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
30 August 1978

EXAMINER HEARING

IN THE MATTER OF:

Application of Petroleum Corporation of) CASE
Texas for compulsory pooling, Roosevelt) 6308
County, New Mexico.)

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Lynn Teschendorf, Esq.
Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

Michael B. Campbell, Esq.
CAMPBELL, BINGAMAN, & BLACK
Jefferson Plaza
Santa Fe, New Mexico 87501

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ARTHUR BOICE

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MR. NUTTER: Call next Case Number 6308.

MS. TESCHENDORF: Case 6308. Application of Petroleum Corporation of Texas for compulsory pooling, Roosevelt County, New Mexico.

MR. CAMPBELL: Appearing on behalf of Petroleum Corporation of Texas, Michael Campbell of Campbell, Bingaman, and Black, in Santa Fe.

Also appearing today is Mr. C. R. Anderson, the general counsel of Petroleum Corporation of Texas.

I have one witness, Mr. Examiner.

(Witness sworn.)

ARTHUR BOICE

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

DIRECT EXAMINATION

BY MR. CAMPBELL:

Q Please state your name.

A Arthur Boice.

Q By whom are you employed and in what capacity?

A Petroleum Corporation of Texas as Division Superintendent.

Q Have you previously testified before this Division as a District Superintendent and were your credentials

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1 acceptable by the Commission at that time?

2 A. Yes.

3 MR. CAMPBELL: Are Mr. Boice's credentials ac-
4 ceptable to the Commission now?

5 MR. NUTTER: Yes, they are.

6 Q. (Mr. Campbell continuing.) What does Petroleum
7 Corporation of Texas seek by its application in Case Number
8 6308?

9 A. We seek compulsory pooling of the north half
10 of Section 8, Township 8 South, Range 37 East, to protect
11 the lease from being drained by offset operators.

12 Q. I would ask you to examine what has been marked
13 as Applicant's Exhibit Number One and to explain and identify
14 that exhibit.

15 A. This is a map showing the other Wolfcamp wells
16 in the Bluit Wolfcamp Field. I have structure marked on it
17 showing the subsea elevations of the top of the Wolfcamp and
18 the Wolfcamp wells are marked in red; the half section that
19 we are speaking of is marked in -- outlined in yellow; and
20 the proposed well is -- is so indicated there by the same
21 proposed location by the circle.

22 Q. Is the proration unit a standard proration unit
23 and is the proposed well location an orthodox well location
24 for that unit?

25 A. Yes, sir, it is.

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1 Q Have you had an opportunity to examine production
2 history of offsetting wells and other wells in that area?

3 A Yes, sir.

4 Q I would ask you to examine --- to identify and
5 explain Exhibit Number Two.

6 A This is a --- Exhibit Number Two is a tabulation
7 of the production of the wells on the map, showing production
8 by month for 1977 and the first five months of 1978. It
9 also shows a cumulative and shows the completion date over
10 on the lefthand column, and shows the lease owners or oper-
11 ators.

12 Q As to the offsetting wells to your proposed
13 location, I believe the Brown 1-H and the Brown 1-D Wells,
14 does the production history in Exhibit Two indicate that
15 those are both good producing wells?

16 A Yes. The 1-D Well in Section 9 averaged, oh,
17 about 6 million a month in 1977 and in May of '78 was 5 million
18 and the north offset well in Section 5 has had some down
19 time in '77 due to working on it, but it's a very good well,
20 as you can see there, that production is in the high 40ies
21 for average of that year.

22 MR. NUTTER: Which well is it on Exhibit Number
23 Two?

24 A It's next to the bottom well.

25 MR. NUTTER: Oh, it's called the 1-H on the

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1 exhibit? On Exhibit Number One and 1-I on Exhibit Number
2 Two, is that correct?

3 A. Yes, sir.

4 MR. NUTTER: Okay.

5 Q. (Mr. Campbell continuing.) Is it your opinion
6 that the wells offsetting your proposed location to the
7 north and east are draining your acreage in the northern
8 half of Section 8?

9 A. Yes, sir.

10 Q. Who are the working interest owners in the
11 northern half of Section 8?

12 A. Petroleum Corporation of Texas has 25 percent
13 and BBL, Limited, which is owned by the same people that
14 own Petco, and they own 25 percent, and Felmont owns 50
15 percent.

16 Q. Have you notified working interest owners of
17 your intention to drill a well in the northern half of
18 Section 8?

19 A. Yes, sir.

20 Q. Have you received approval of certain working
21 interest owners for the drilling of that well?

22 A. BBL, Limited has approved it and Felmont has
23 not.

24 Q. What efforts have you made to notify and to
25 cooperate with Felmont in the drilling of this proposed well?

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1 A. We have offered them an operating statement
2 which they turned down and we sent them a certified letter
3 in June.

4 Q. Referring you to Exhibit Number Three, would
5 you identify that exhibit?

6 A. Yes, sir, this is a copy of the certified letter
7 of June the 27th which was a follow-up letter to the June
8 2nd letter, which is included here.

9 Q. And what response have you had from Felmont,
10 if any, on your proposed well?

11 A. They declined to sign the working -- the oper-
12 ating statement.

13 Q. I would refer you to Exhibit Number Four and
14 ask you to identify that exhibit.

15 A. Exhibit Number Four is a copy of the AFE that
16 we have prepared showing the cost of drilling this well,
17 including the overhead. The total dry hole cost would be
18 \$233,245 and a producing well would be \$322,780. This in-
19 cludes surface equipment for a tank battery and associated
20 equipment.

21 Q. If the application for compulsory pooling were
22 to be granted, when would you expect to begin drilling
23 the proposed well?

24 A. As soon as we could get a rig available. I
25 don't know just when that would be.

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1 Q At what depth and at what formation do you pro-
2 pose completion of the well?

3 A 8300 foot in the Wolfcamp zone.

4 Q In connection with this application has Petro-
5 leum Corporation of Texas requested designation as operator
6 of the proposed well?

7 A Yes.

8 Q Have you estimated supervision fees and oper-
9 ating costs for a producing well?

10 A Yes.

11 Q In what amount do you propose supervision fees
12 be granted?

13 A For the drilling including the overhead, over-
14 head and supervision, \$3000 per month, and on the operating
15 of a well, the overhead and the district expense, \$100 for
16 overhead and \$50.00 for District, and then we show the
17 estimated pumper and miscellaneous fees are for a total of
18 \$350 a month to operate this well.

19 MR. NUTTER: Well, that's not all the combined
20 fixed rates are overhead, though. You've got some direct
21 operating costs in there, don't you?

22 A In the \$350, yes, sir, just the overhead would
23 be a \$100.

24 MR. NUTTER: \$100 for -- which would be the
25 combined fixed rates on that operating agreement.

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1 A. Well, the district is added. We'd like to have
2 an overhead and district type.

3 MR. NUTTER: Which would be a total of \$150?

4 A. A total of \$150, yes, sir.

5 MR. NUTTER: Okay, \$150.

6 A. The \$50.00 -- the district is a direct type
7 cost and it varies some.

8 MR. NUTTER: But it's an overhead cost that can
9 be directly chargeable to the well.

10 A. Right.

11 MR. NUTTER: So this share -- this well share
12 of total overhead.

13 A. Yes, sir.

14 MR. NUTTER: And then your -- you have \$3000
15 per month on a drilling well. Now does that include actual
16 operating costs or is this limited to overhead?

17 A. This is overhead.

18 MR. NUTTER: Seems like an awful lot of overhead,
19 Mr. Boice.

20 A. From our accounting department, this is what we've
21 arrived at for a well of this depth.

22 MR. NUTTER: I don't know if you were present
23 this morning, but I mentioned to Amoco when they were seeking
24 a 10-to-1 ratio --

25 A. Uh-huh.

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1 MR. NUTTER: -- of combined fixed rates for a
2 drilling well as compared to a producing well, ---

3 A. Yes, sir.

4 MR. NUTTER: I mentioned that 10-to-1 was high.
5 Well, actually, what we've got here is 20-to-1.

6 A. Yes, sir.

7 MR. NUTTER: On a 3000-to-150 basis.

8 A. I guess our operating costs are considerably
9 lower.

10 MR. NUTTER: You've got low operating costs but
11 it seems like you've got a lot of overhead on a drilling
12 well.

13 A. Yes, sir.

14 Q. (Mr. Campbell continuing.) I refer you to
15 Exhibit Number Five. Would you identify that document?

16 A. Yes. That's the -- that document shows the
17 operating cost estimate and shows our estimated production
18 of \$5,000,000 a month, and we ask for a risk factor of 200
19 percent due to the fact that this is kind of a step out from
20 the field. It's not in a proven area and it's also an 8300
21 foot depth well.

22 Q. In your opinion do those factors justify the
23 grant of a 200 percent risk factor?

24 A. Yes, sir.

25 Q. In your opinion will the granting of your appli-

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1 cation in this case protect your correlative rights and
2 prevent waste and the unnecessary drilling of wells?

3 A. Yes, sir.

4 Q. Were exhibits One through Five prepared by you
5 and at your supervision?

6 A. Yes, sir.

7 MR. CAMPBELL: Mr. Examiner, I move the intro-
8 duction of Exhibits One through Five and I have no further
9 questions at this point.

10 MR. NUTTER: Applicant's Exhibits One through
11 Five will be admitted in evidence.

12 CROSS EXAMINATION

13 BY MR. NUTTER:

14 Q. Mr. Boice, I see a well here in the northwest
15 quarter of Section 8. Was that a Wolfcamp test?

16 On your Exhibit Number One?

17 A. The northwest?

18 Q. Yes, sir, that dry hole in the northwest quarter
19 of Section 8 there?

20 A. In Section 8 or 5?

21 Q. Well, Section --

22 A. Section 8?

23 Q. Section 8, you know, where the --

24 A. I'm not sure what that well is there. I don't
25

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 Phone (305) 982-9212

1 think that was a Wolfcamp.

2 Q You don't know what that would be?

3 A I don't know what that well was, no, sir.

4 Q Now, presuming that Felmont does not join in

5 with you in the drilling of this well, would mean that they

6 would be a 50 percent owner and that you'd have to carry a

7 50 percent owner in the drilling of the well, is that correct?

8 A Yes, sir.

9 Q And Petroleum Corporation of Texas is willing

10 to do that?

11 A Yes, sir.

12 MR. NUTTER: Okay, are there any further questions

13 of this witness? He may be excused.

14 Do you have anything further, Mr. Campbell?

15 MR. CAMPBELL: No, Mr. Examiner.

16 MR. NUTTER: Does anyone have anything they

17 wish to offer in Case Number 6308?

18 We'll take the case under advisement.

19 (Hearing concluded.)

20

21

22

23

24

25

REPORTER'S CERTIFICATE

I, SALLY WALTON BOYD, a Court Reporter, DO HEREBY CERTIFY that the foregoing and attached transcript of hearing before the Oil Conservation Division was reported by me; that said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, knowledge, and skill from my notes taken at the time of the hearing.

Sally Walton Boyd CSR

Sally Walton Boyd, C.S.R.

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I do hereby certify that the foregoing is
a complete record of the hearing held in
the Examiner's hearing room on 8/30 1978
heard by me on 6308
[Signature] Examiner
Oil Conservation Division



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

JERRY APODACA
GOVERNOR

NICK FRANKLIN
SECRETARY

September 8, 1978

POST OFFICE BOX 2208
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

Mr. Michael Campbell
Campbell, Bingham & Black
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico

Re: CASE NO. 6308
ORDER NO. R-5799

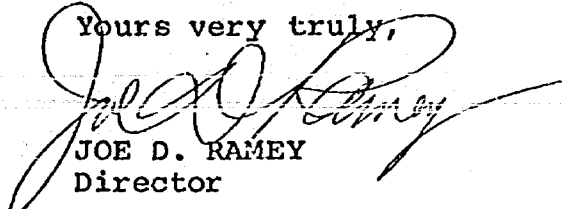
Applicant:

Petroleum Corporation of Texas

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Division 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 Bob Anderson

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 6308
Order No. R-5799

APPLICATION OF PETROLEUM CORPORATION
OF TEXAS FOR COMPULSORY POOLING,
ROOSEVELT COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on August 30, 1978, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 7th day of September, 1978, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Petroleum Corporation of Texas, seeks an order pooling all mineral interests in the Wolfcamp formation underlying the N/2 of Section 8, Township 8 South, Range 37 East, NMPM, Bluit-Wolfcamp Gas Pool, Roosevelt County, New Mexico.
- (3) That the applicant has the right to drill and proposes to drill a well at a standard location thereon.
- (4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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Case No. 6308
Order No. R-5799

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

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

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

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

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

(11) That \$2,000.00 per month while drilling and \$150.00 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.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before November 1, 1978, the order pooling said unit should become null and void and of no effect whatsoever.

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Case No. 6308
Order No. R-5799

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Wolfcamp formation underlying the N/2 of Section 8, Township 8 South, Range 37 East, NMPM, Bluit-Wolfcamp Gas Pool, Roosevelt County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of November, 1978, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Wolfcamp formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of November, 1978, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division 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 Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Petroleum Corporation of Texas 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 Division 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 Division 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 Division and the Division 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

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Case No. 6308
Order No. R-5799

said 45-day period the Division 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 \$2,000.00 per month while drilling and \$150.00 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.

--5--

Case No. 6308
Order No. R-5799

(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 Roosevelt County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division 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 Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



Joe D. Ramey
JOE D. RAMEY,
Director

dr/

Dockets Nos. 29-78 and 30-78 are tentatively set for hearing on September 13 and 27, 1978. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 30, 1978

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

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

- CASE 6298: In the matter of the hearing called by the Oil Conservation Division on its own motion to consider the amendment of Rule 1105 of the Division Rules and Regulations to require the filing of two copies of all well logs instead of one.
- CASE 6312: In the matter of the hearing called by the Oil Conservation Division on its own motion to consider the amendment of Order No. R-1670-T, Rule 2(A), Blanco Mesaverde Pool, San Juan and Rio Arriba Counties, New Mexico, to provide that the initial well drilled on a proration unit shall be located not closer than 790 feet to any outer boundary of the quarter section on which the well is located, and not closer than 130 feet to any quarter-quarter section or subdivision inner boundary.
- CASE 6299: Application of Wm. G. Ross for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause seeks approval for its South Lea Unit Area comprising 1,753 acres, more or less, of state land in Township 21 South, Range 34 East, Lea County, New Mexico.
- CASE 6300: Application of The Petroleum Corporation for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Atoka and Morrow production in the wellbore of its Parkway West Unit Well No. 1, located in Unit C of Section 28, Township 19 South, Range 29 East, Parkway West (Atoka) Field, Eddy County, New Mexico.
- CASE 6301: Application of The Petroleum Corporation for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Strawn and Morrow production in the wellbore of its Superior Federal Well No. 4, located in Unit I of Section 5, Township 20 South, Range 29 East, East Burton Flat Field, Eddy County, New Mexico.
- CASE 6302: Application of Amoco Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the N/2 of Section 25, Township 23 South, Range 28 East, Eddy 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 6303: Application of Texas Oil & Gas Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Indian Hills State Com. Well No. 2 to be drilled 660 feet from the South line and 660 feet from the East line of Section 36, Township 20 South, Range 24 East, Eddy County, New Mexico, to test the Morrow formation, the S/2 of said Section 36 to be dedicated to the well.
- CASE 6304: Application of Doyle Hartman for compulsory pooling and a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Jalmat Gas Pool underlying the S/2 NE/4 of Section 26, Township 24 South, Range 36 East, Lea County, New Mexico, to form an 80-acre non-standard proration unit 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 6305: Application of Flag-Redfern Oil Company for two unorthodox locations and two non-standard oil proration units, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 61.14-acre non-standard unit comprising Unit K and Lot 3 of Section 16, Township 8 South, Range 38 East, Bluit-San Andres Associated Pool, Roosevelt County, New Mexico, to be dedicated to a well to be drilled 2130 feet from the South line and 2873 feet from the West line of said Section 16; also a 60.43-acre unit comprising Unit N and Lot 4 of said Section 16 to be dedicated to a well to be drilled 810 feet from the South line and 2850 feet from the West line of the section.
- CASE 6306: Application of Texaco Inc. for an unorthodox location, permission to inject water, and directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Central Vacuum Unit Well No. 139 to be located 85 feet from the South line and 958 feet from the East line of Section 36, Township 17 South, Range 34 East, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico, and directionally drilled to a 100' square bottom hole target location with the center of the target being 60 feet from the South line and 1310 feet from the East line of said Section 36, and approval to inject water into the San Andres formation in said well.

- CASE 6307: Application of Exxon Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Drinkard and Wantz-Alto production in the wellbore of its F. F. Hardison B Well No. 10, located in Unit A of Section 34, Township 21 South, Range 37 East, Lea County, New Mexico.
- CASE 6308: Application of Petroleum Corporation of Texas for compulsory pooling, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 8, Township 8 South, Range 37 East, Roosevelt 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 6309: Application of Southland Royalty Company for an exception to Rule 2(A) of Order No. R-1670, as amended, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 2(A) of Order No. R-1670, as amended, for the Blanco Mesaverde Pool to approve the unorthodox locations of its Jicarilla 468 Well No. 1, located in the NW/4 of Section 32, Township 28 North, Range 3 West and its Jicarilla 446 Well No. 1, located in the SE/4 of Section 8, Township 27 North, Range 3 West, Rio Arriba County, New Mexico, as off-pattern wells in said pool.
- CASE 6310: Application of Southland Royalty Company for an exception to Rule 2(A) of Order No. R-1670, as amended, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 2(A) of Order No. R-1670, as amended, for the Blanco Mesaverde Pool to approve the unorthodox location of its Jicarilla 101 Well No. 7, to be located in the SE/4 SE/4 of Section 12, Township 27 North, Range 4 West, Rio Arriba County, New Mexico, as an off-pattern well in said pool.
- CASE 6311: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating and extending certain pools in Rio Arriba, Sandoval, and San Juan Counties, New Mexico:
- (a) CREATE a new pool in San Juan County, New Mexico, classified as a gas pool for Nacimiento production and designated as the Arch-Nacimiento Pool. The discovery well is El Paso Natural Gas Company San Juan 32-9 Unit Well No. 84 located in Unit N of Section 14, Township 31 North, Range 10 West, NMPM. Said pool would comprise:
- TOWNSHIP 31 NORTH, RANGE 10 WEST, NMPM
Section 14: SW/4
- (b) EXTEND the Blanco Mesaverde Pool in Rio Arriba and San Juan Counties, New Mexico, to include therein:
- TOWNSHIP 29 NORTH, RANGE 4 WEST, NMPM
Section 5: SE/4
- (c) EXTEND the Blanco-Pictured Cliffs Pool in San Juan County, New Mexico, to include therein:
- TOWNSHIP 29 NORTH, RANGE 8 WEST, NMPM
Section 35: SE/4
Section 36: S/2
- TOWNSHIP 31 NORTH, RANGE 9 WEST, NMPM
Section 32: NE/4 and S/2
- TOWNSHIP 32 NORTH, RANGE 11 WEST, NMPM
Section 30: N/2
- TOWNSHIP 32 NORTH, RANGE 12 WEST, NMPM
Section 24: E/2
Section 25: S/2
Section 26: SE/4
Section 36: N/2
- (d) EXTEND the South Blanco-Pictured Cliffs Pool in Rio Arriba, San Juan, and Sandoval Counties, New Mexico, to include therein:
- TOWNSHIP 23 NORTH, RANGE 3 WEST, NMPM
Section 3: SW/4
Section 4: S/2
Section 10: N/2
Section 11: NW/4

TOWNSHIP 24 NORTH, RANGE 5 WEST, NMPM
Section 2: SE/4
Section 11: NE/4

- (e) EXTEND the Cha Cha-Gallup Oil Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 14 WEST, NMPM
Section 25: W/2 NW/4

- (f) EXTEND the Chaco-Dakota Associated Pool in Rio Arriba and Sandoval Counties, New Mexico, to include therein:

TOWNSHIP 22 NORTH, RANGE 3 WEST, NMPM
Section 2: W/2

TOWNSHIP 23 NORTH, RANGE 3 WEST, NMPM
Section 4: NE/4
Section 27: W/2
Section 28: E/2
Section 34: NW/4 and SE/4
Section 35: SW/4

TOWNSHIP 24 NORTH, RANGE 3 WEST, NMPM
Section 29: SW/4
Section 30: S/2 (partial)
Section 31: NW/4 (partial)
Section 32: E/2
Section 33: W/2 and SE/4

- (g) EXTEND the Choza Mesa-Pictured Cliffs Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 28 NORTH, RANGE 4 WEST, NMPM
Section 15: N/2 and SW/4
Section 22: W/2

- (h) EXTEND the Dufers Point Gallup-Dakota Oil Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 25 NORTH, RANGE 9 WEST, NMPM
Section 12: E/2

- (i) EXTEND the South Gallegos-Fruitland Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 12 WEST, NMPM
Section 14: NE/4

- (j) EXTEND the West Lindrith Gallup-Dakota Oil Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 24 NORTH, RANGE 4 WEST, NMPM
Section 1: N/2

TOWNSHIP 25 NORTH, RANGE 4 WEST, NMPM
Section 30: SE/4
Section 32: SW/4

- (k) EXTEND the Mount Nebo-Fruitland Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 32 NORTH, RANGE 10 WEST, NMPM
Section 28: S/2
Section 33: NW/4

- (l) EXTEND the Otero-Chacra Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 6 WEST, NMPM
Section 18: N/2

(m) EXTEND the Rusty-Chacra Pool in Sandoval County, New Mexico, to include therein:

TOWNSHIP 22 NORTH, RANGE 7 WEST, NMPM
Section 24: SE/4
Section 27: NE/4

(n) EXTEND the Tapacito-Pictured Cliffs Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 25 NORTH, RANGE 3 WEST, NMPM
Section 2: NW/4

(o) EXTEND the Tocito Dome-Pennsylvanian U Oil Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 18 WEST, NMPM
Section 14: SW/4
Section 23: W/2

(p) EXTEND the WAW-Fruitland-Pictured Cliffs Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 25 NORTH, RANGE 12 WEST, NMPM
Section 2: NE/4
Section 4: All
Section 5: SE/4

TOWNSHIP 27 NORTH, RANGE 13 WEST, NMPM
Section 27: SW/4

Docket No. 27-78

DOCKET: COMMISSION HEARING - WEDNESDAY - AUGUST 23, 1978

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 6289: (Continued from August 9, 1978, Commission Hearing)

Application of Bill Taylor for enforcement and amendment of Order No. R-5332, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a determination of well costs, an accounting of expenditures and costs withheld from production, and the amendment of Order No. R-5332 to remove the present operator of the pooled proration unit comprising the N/2 of Section 13, Township 22 South, Range 26 East, South Carlsbad Field, Eddy County, New Mexico, and designate another operator for said unit.

CASE 6222: (Rehearing) (Continued from August 9, 1978, Commission Hearing)

Application of Paul Hamilton for salt water disposal well shut-in, Lea County, New Mexico. Upon application of Paul Hamilton there will be a rehearing of Case No. 6222, Order No. R-5753. This case involves the application of Paul Hamilton for an order shutting down salt water disposal operations in the Texaco, Inc., New Mexico State "BO" SWD Well No. 3, located in Unit D of Section 24, Township 11 South, Range 32 East, Moore-Devonian Pool, Lea County, New Mexico. Pursuant to Commission Order No. R-5753-A, evidence at said rehearing shall be limited to evidence relating to data regarding water quality and water level obtained from an observation well completed next to the aforesaid SWD Well No. 3, and to other new evidence unavailable at the time of the original hearing of this case on May 31, 1978.

Land

June 27, 1978

Felmont Oil Corporation
P. O. Box 2266
Midland, Texas 79702

Attention: Mr. Frank McCabe

Re: Federal BL Lease (5222)
N/2 Section 8, T8S-R37E
Roosevelt County, New Mexico

Gentlemen:

We are most interested in commencing the drilling of a well on the captioned lease at the earliest possible date.

On June 2nd we wrote you a letter offering to farmout your interest. If we do not hear from you on or before July 7th, we will take steps to invoke forced pooling statutes.

Yours very truly,

Jimmy Phillips
Land Manager

JP:wg
CERTIFIED MAIL # 938284

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
EXHIBIT NO.	<u>3</u>
CASE NO.	<u>6308</u>

PS Form 3811, Apr. 1977

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

● 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.
 - ☐ Show to whom, date, and address of delivery.
 - ☐ RESTRICTED DELIVERY
Show to whom and date delivered.
 - ☐ RESTRICTED DELIVERY.
Show to whom, date, and address of delivery.
- (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Felmont Oil Corporation
P.O.Box 2266
Midland, Texas 79702

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	938284	

(Always obtain signature of addressee or agent)

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

[Signature]

4. DATE OF DELIVERY

6-28-78

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

CLERK

☆ GPO : 1977

Sand

June 2, 1978

Felmont Oil Corporation
P. O. Box 2266
Midland, Texas 79702

Attention: Mr. Frank McCabe

Re: Federal BL Lease (5222)
N/2 Section 8, T8S-R37E
Roosevelt County, New Mexico

Gentlemen:

We are interested in drilling a well on the captioned lease under which you own a 50% working interest and you have indicated that you are not interested in participating. We hereby offer to farmout your interest and hereby propose that you grant us the right to earn an 80% lease if our well is productive.

Your early attention to this request will be greatly appreciated.

Yours very truly,

Jimmy Phillips
Land Manager

JP:wg

PETROLEUM CORPORATION OF TEXAS

Box 911
Breckenridge, Texas 76024

A. F. E. - Request

TO: _____ DATE: April 20, 1978

A.F.E. # 78-046

LEASE: Federal "BL"

WELL # 2

REASON FOR EXPENDITURE: To drill well and evaluate the Wolfcamp zone and
any other zones for production.

WORK TO BE DONE: Drill, log, run casing, complete and put well on
production.

ESTIMATED EXPENDITURE NECESSARY

TANGIBLE

S E E A T T A C H E D E S T I M A T E

INTANGIBLE

S E E A T T A C H E D E S T I M A T E

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
EXHIBIT NO. 84
CASE NO. 6308

TOTAL ESTIMATED COST: \$ 322,780

IF APPROVAL IS GIVEN OPERATOR IS AUTHORIZED TO PROCEED AND UNDERSIGNED GRANTING
APPROVAL AGREES TO PAY FOR WORK REQUESTED.

APPROVED: _____

BY: _____

DATE: _____

PETROLEUM CORPORATION OF TEXAS

BY: S. H. Lindley, Jr.
S. H. Lindley, Jr.

DATE: April 21, 1978

PETROLEUM CORPORATION OF TEXAS

WELL COST ESTIMATE

Date April 21, 1978

Lease & Well No. Federal "BL" No. 2

Proposed T.D. 8300 feet Type Rig Rotary AFE No. 78-046

INTANGIBLE COST:

8300 feet @ \$ 15.50 per ft.	\$ 128,650	\$ 128,650
Day Work 4 Days @ \$ 4000.00 per day	16,000	16,000
Cement & Cementing Services (Surface)	3,000	3,000
Floating Equipment (Surface)	800	800
Cement & Cementing Services (Long String)	3,500	
Floating Equipment (Long String)	1,500	
Mud & Mud Additives	10,000	10,000
Work Intermediate String, Float. Equip. & Cementing	6,000	6,000
Water	8,000	8,000
Survey Location	400	400
Roads, Cleaning & Levelling Location & Clean Up	2,000	2,000
Trucking (Surface, Long String, Tubing)	2,000	2,000
Electric Logs	12,000	12,000
Coring		
Formation Tests		
Perforating	2,000	
Acid Treatment	3,500	
Fracture Treatment		
Drilling In & Completion (Rig Time)	4,000	
Rock Bits		
Labor (Hooking up well, etc.)	3,000	
Overhead	3,000	3,000
Miscellaneous	5,000	1,000
TOTAL INTANGIBLES	\$ 214,350	

TANGIBLE COST:

Surface String 13-3/8" 500' @ \$15.65	7,825	7,825
Intermediate String (8-5/8" 3750' @ \$ 8.42 (avg))	\$ 31,570	\$ 31,570
Long String (4-1/2" 8300' @ \$ 3.84 (avg))	31,860	
Tubing (2-3/8" 8300' @ \$ 2.25)	18,675	
Flow Line (2" 2000' @ \$ 1.50)	3,000	
Xmas Tree & Connections	3,000	
Pumping Unit (Rods, pump, motor, etc.)		
Cattle Guards		
Tanks and Associated Equipment	7,500	
Miscellaneous	5,000	1,000
TOTAL TANGIBLES	\$ 108,430	

Total Dry Hole Cost \$ 233,245

Total Completion Cost (Tangible & Intangible) \$ 322,780

S. H. Lindley, Jr.

8/29/76

EXHIBIT

Federal BL Lease
Well #2
Roosevelt County, New Mexico

Operating Cost Estimate
(per month)

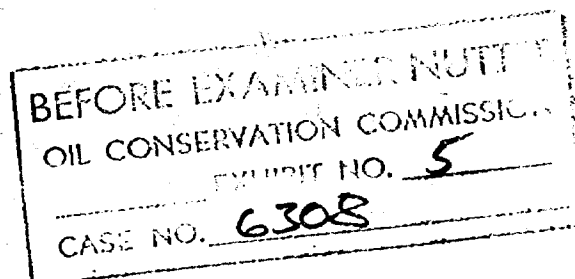
Overhead	\$100
District	50
Pumper	100
Miscellaneous	100
Total per Month	<u>\$350</u>

Estimated Production

5 MMCF/month

Risk Factor

200%



AHB/jac

CAMPBELL, BINGAMAN AND BLACK, P. A.

LAWYERS

JACK M. CAMPBELL
JEFF BINGAMAN
BRUCE D. BLACK
MICHAEL B. CAMPBELL

AUG - 4 1978

POST OFFICE BOX 2208
JEFFERSON PLACE
SANTA FE, NEW MEXICO 87501
TELEPHONE (505) 988-4421

August 2, 1978

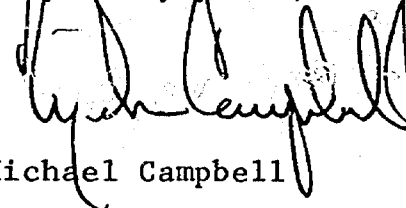
Mr. Joe Ramey
Secretary-Director
New Mexico Oil Conservation Division
Department of Energy and Minerals
State Land Office Building
Santa Fe, New Mexico 87501

Re: Application of Petroleum Corporation of Texas for
Compulsory Pooling, Roosevelt County, New Mexico.

Dear Joe:

Enclosed please find triplicate copies of an Application
by Petroleum Corporation of Texas for Compulsory Pooling,
Roosevelt County, New Mexico. We have requested a hearing
date for August 30, 1978.

Very truly yours,



Michael Campbell

MC:ama
Enclosures

*Bluitt - San Andres Assoc. Pool
320 ac. gas
4 ac. oil*

AUG - 4 1978

BEFORE THE NEW MEXICO
OIL CONSERVATION DIVISION

Case 6308

APPLICATION OF
PETROLEUM CORPORATION OF TEXAS
FOR COMPULSORY POOLING,
ROOSEVELT COUNTY, NEW MEXICO

Petroleum Corporation of Texas, by its Attorneys, hereby makes application for an order pooling all mineral interests below 4,700 feet subsurface underlying the N/2 of Section 8, T8S - R37E, N.M.P.M. Roosevelt County, New Mexico, and in support thereof states:

1) Applicant is the owner of a 50% interest in mineral rights below 4,700 feet subsurface underlying the N/2 of Section 8, T8S - R37E, N.M.P.M. Roosevelt County, New Mexico. The remaining 50% interest in such rights is owned by Felmont Oil Corporation.

2) Applicant proposes to drill a well at an orthodox location to a depth below 4,700 feet subsurface to protect from drainage by offsetting operators. Applicant has requested Felmont Oil Corporation to join in the drilling of the well but it has refused to do so.

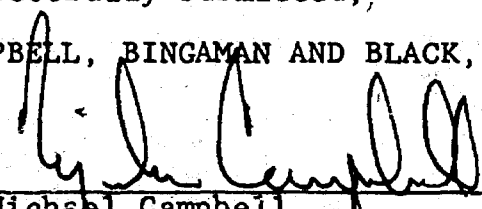
3) Applicant requests the Oil Conservation Division to consider the cost of drilling and completing said well. The proper allocation of cost, as well as actual operating cost, charges for supervision and charges for the risk involved in drilling the well. Applicant also requests that it be designated operation of the well.

4) Applicant requests this application be set for hearing on August 30, 1978.

Respectfully submitted,

CAMPBELL, BINGAMAN AND BLACK, P.A.

BY


Michael Campbell
Attorneys for Applicant
Post Office Box 2208
Santa Fe, New Mexico 87501

AUG - 4 1978

Case 6308

BEFORE THE NEW MEXICO
OIL CONSERVATION DIVISION

APPLICATION OF
PETROLEUM CORPORATION OF TEXAS
FOR COMPULSORY POOLING,
ROOSEVELT COUNTY, NEW MEXICO

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2) Applicant proposes to drill a well at an orthodox location to a depth below 4,700 feet subsurface to protect from drainage by offsetting operators. Applicant has requested Felmont Oil Corporation to join in the drilling of the well but it has refused to do so.

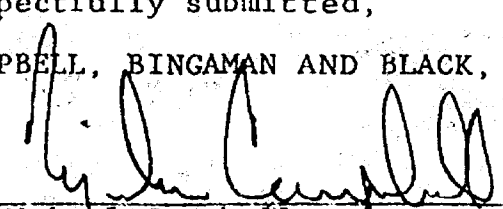
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4) Applicant requests this application be set for hearing on August 30, 1978.

Respectfully submitted,

CAMPBELL, BINGAMAN AND BLACK, P.A.

BY


Michael Campbell
Attorneys for Applicant
Post Office Box 2208
Santa Fe, New Mexico 87501

AUG -4 1978

BEFORE THE NEW MEXICO
OIL CONSERVATION DIVISION

Case 6308

APPLICATION OF
PETROLEUM CORPORATION OF TEXAS
FOR COMPULSORY POOLING,
ROOSEVELT COUNTY, NEW MEXICO

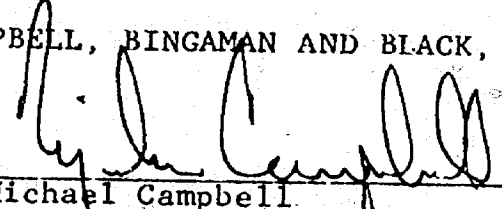
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- 2) Applicant proposes to drill a well at an orthodox location to a depth below 4,700 feet subsurface to protect from drainage by offsetting operators. Applicant has requested Felmont Oil Corporation to join in the drilling of the well but it has refused to do so.
- 3) Applicant requests the Oil Conservation Division to consider the cost of drilling and completing said well. The proper allocation of cost, as well as actual operating cost, charges for supervision and charges for the risk involved in drilling the well. Applicant also requests that it be designated operation of the well.
- 4) Applicant requests this application be set for hearing on August 30, 1978.

Respectfully submitted,

CAMPBELL, BINGAMAN AND BLACK, P.A.

BY


Michael Campbell
Attorneys for Applicant
Post Office Box 2208
Santa Fe, New Mexico 87501

DRAFT

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 6308

Order No. R- 5799

APPLICATION OF PETROLEUM CORPORATION
OF TEXAS FOR COMPULSORY POOLING,
ROOSEVELT COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on August 30
19 78, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter

NOW, on this _____ day of September, 19 78, the Division
Director, 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 Division has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Petroleum Corporation of Texas,
seeks an order pooling all mineral interests in the Wolfcamp and

~~Pennsylvanian~~ formations underlying the N/2
of Section 8, Township 8 South, Range 37 East
NMPM, Bhitt-Wolfcamp Gas Pl. Roosevelt County, New
Mexico.

-2-

Case No.

Order No. R-

(3) That the applicant has the right to drill and proposes to drill a well at a standard location thereon

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

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

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 20 percent thereof as a reasonable charge for risk involved in the drilling of the well.

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

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

-3-
Case No.
Order No. R-

while drilling and \$150.00
per month while producing

(11) That ~~\$1000~~ ^{\$2000.00} per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision 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.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before November 1, 1978, 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 Wolfcamp ~~and Pennsylvania~~ formation underlying the N/2 of Section 8, Township 8 South, Range 37 East, NMPM, Bluff-Wolfcamp Gas Pool Roosevelt County, New Mexico, are hereby pooled to form a standard 320- acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of November, 1978, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Wolfcamp formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of November, 1978, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division 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 Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Petroleum Corporation of Texas 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 Division 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 Division 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 Division and the Division 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 Division 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.

(9) That \$2000.00 per month ^{while drilling and \$150.00 per month while producing are} 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.

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(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 Roosevelt County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division 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 Division may deem necessary.

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