

CASE NO.

6492

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico
23 May 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Cor-) CASE
poration for compulsory pooling,) 6492
Eddy County, New Mexico.)

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87503

For the Applicant:

Joel Carson, Esq.
LOSEE, CARSON, AND DICKERSON
Artesia, New Mexico

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BUDD HEBERT

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MR. STAMETS: We'll call next Case 6492.

MR. PADILLA: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico.

MR. CARSON: Mr. Examiner, my name is Joel Carson, Lossee, Carson, and Dickerson, P. A., Artesia, New Mexico. I have one witness, Mr. Budd Hebert.

(Witness sworn.)

BUDD HEBERT

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

DIRECT EXAMINATION

BY MR. CARSON:

Q For the record, would you state your name, please?

A Budd Hebert, Artesia, New Mexico.

Q And, Mr. Hebert, by whom are you employed?

A Yates Petroleum Corporation.

Q And in what capacity?

A As a landman.

Q How long have you been employed by them as a landman?

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1 A. Approximately two years.

2 Q. And, Mr. Hebert, have you previously
3 testified before this Commission?

4 A. I have.

5 Q. I refer you to Applicant's Exhibit Number,
6 excuse me, have your qualifications been accepted?

7 A. They were previously, yes.

8 MR. STAMETS: The witness is considered
9 qualified.

10 Q. Mr. Hebert, would you please state
11 the purpose of this application.

12 A. This is an application of Yates
13 Petroleum Corporation for a compulsory pooling in Eddy
14 County, New Mexico. It seeks an order pooling all mineral
15 interests in the San Andres formation underlying the
16 Northeast Northwest of Section 13, Township 17 South,
17 Range 25 East, Eddy County, New Mexico, to be dedicated to
18 a well to be drilled at a standard location thereon. Also
19 to be considered will be the cost of drilling and
20 completing the well and the allocation of the cost thereof
21 as well as actual operating costs and charges for
22 supervision. Also to be considered will be the
23 designation of applicant as operator of the well and a
24 charge for risk involved in drilling the well.

25 Q. Mr. Hebert, referring to Applicant's

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1 Exhibit Number One, I ask you to explain that exhibit.

2 A. This is a land map of the proration
3 unit for the Smith FA Well as well as the offsetting
4 leases to the south indicated in the orange.

5 Q. I refer you to Applicant's Exhibit
6 Number Two and ask you to identify that.

7 A. This is a blowup of the land tracts
8 within the proration unit of the Smith FA No. 1, and I
9 have indicated on this map two parcels, Lots No. 5 and
10 No. 7, within Plat Number One, which we have been unable
11 to lease to date.

12 Q. Was this exhibit prepared by you or
13 under your supervision?

14 A. It was prepared by me.

15 Q. Mr. Hebert, just for the Examiner's
16 information, this tract is out around the water tower
17 there in Artesia.

18 A. That is correct. It is within what is
19 called the Davis Subdivision.

20 Q. What shows up there is that sixteen
21 acres in the northern part of the tract is the old Circle
22 B Drive-in, is that correct?

23 A. That is correct.

24 Q. I refer you to Applicant's Exhibit Three
25 and ask you to identify that.

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1 A. All right. This is a letter that we
2 wrote to Mr. Tipton for Clardy Dairy Products, as well as
3 to Mr. Medford, advising them that -- we are asking them
4 first of all if they would lease to us, and then advising
5 them that if they did not want to lease that they could
6 participate in the well or be compulsorily pooled.

7 Q. Now, this well has already been drilled.

8 A. That is correct.

9 Q. Would you tell the Examiner the results
10 of your conversations with Clardy Dairy and with Mr. --
11 the other gentleman.

12 A. Okay. In talking with Mr. Tipton, they
13 thought that the interest was so small that they did not
14 want to be bothered with it and as a consequence did not
15 want to lease and did not want to participate. That was
16 our last conversation.

17 In talking with Mr. Medford, he no longer
18 owns the property, and the owner is a -- we are not able
19 to locate to date. We are still looking.

20 Q. I refer you to Applicant's Exhibit
21 Number Four. Would you tell the Examiner what that proports
22 to show.

23 A. This proports to show the actual costs of
24 drilling the well and operating the well as of January
25 1979, approximately \$121,000.

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1 Q. Okay. You say estimated payout three
2 years?

3 A. We estimated that date from data in
4 January. I checked with our production department just
5 this morning before coming in. That estimate may have
6 been overstated because we are down now to 1 barrell
7 production per day on the well.

8 Q. It is possible at this point in time
9 that it may not payout at all?

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14 here showing both the production on the FA as well as
15 the offsetting wells showing the history of both oil and
16 gas production, and as a general summary let me just state
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18 produced 24.5 barrells of oil and 17.7 cubic MCF of gas.
19 It is now down to 1 barrell of oil and the gas is negligible.
20 The EB No. 1 drilled on 11/5/75 potentialized at 10.5 barrells
21 of oil, 8.8 MCF, and is now down to 2 barrells of oil.
22 The other offsetting wells, the DT No. 1 and 2 potentialized
23 together approximately, let's see, 81 barrells of oil.
24 They are now down to 7 barrells of oil together. These
25 are summarized both on a monthly and a cumulative basis

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1 in Exhibit Number Five.

2 Q. Mr. Hebert, were these Applicant's
3 Exhibits Numbers One through Six prepared by you or under
4 your supervision?

5 A. Yes, they were.

6 MR. CARSON: I would like to move for the
7 introduction of these exhibits.

8 MR. STAMETS: What is Number Six? Is
9 that the summary of Five?

10 A. No, it is the summary of the revenues
11 on the Smith FA.

12 MR. STAMETS: We talked about Six?

13 MR. CARSON: I think we talked about it
14 at the beginning, but if we didn't please explain what
15 it is.

16 A. Okay. It is showing on a monthly basis
17 the net revenues from the Smith FA. You can see in
18 January of '79 we are down to approximately \$100 a month,
19 \$111.

20 Q. Mr. Hebert, have any of these wells, the
21 San Andres wells in this Eagle Creek Pool paid out?

22 A. All of the wells within the Eagle Creek
23 San Andres are extremely marginal. I might add that the
24 north FA is located on the northern most fringe of the
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1 drilled right across the street, which is Main Street in
2 Artesia, that were dry holes. So we feel that the Smith
3 FA really represents the very northern most extension of
4 the San Andres field in that particular area.

5 Q. You asked the Commission to set a risk
6 factor in this case.

7 A. That is correct.

8 Q. What do you think that risk factor should
9 be?

10 A. We are asking for 200 percent.

11 Q. You have also asked that Yates be
12 designated as the operator and that the Commission set a
13 fee for supervisory costs for operating well -- for
14 producing well.

15 A. That is correct.

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21 Q. Mr. Hebert, do you feel that this,
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23 the drilling of unnecessary wells, protect correlative
24 rights and afford the owner of each interest in this
25 proration unit the opportunity to recover, receive, without

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unnecessary expense, his just and fair share of oil from this proration unit?

A. I do.

Q. You ask that the Commission force pool these two interests.

A. That is correct.

MR. STAMETS: I will admit all of these Exhibits One through Six. I don't think I ever ruled on that, but I do now.

CROSS EXAMINATION

BY MR. STAMETS:

Q. Getting back to Exhibit Number Six, Mr. Hebert. That consists of two pages. I believe the first page must reflect the --

A. One is gas and one is oil.

Q. The first page is gas and the second is oil.

A. That is correct.

Q. And the far right-hand column shows the net by month to Yates.

A. That is correct.

Q. Now, does this include any operating costs?

A. On the net?

Q. Yes.

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1 A. It is just the gross less the taxes.

2 Q. Okay. So you would have your operation
3 costs on top of that. Have you made any calculations
4 which would support your Exhibit Number Four, which show
5 estimated payout three years from 1/79.

6 A. We did -- the accounting department did
7 that form for me. It was based on data back in January
8 and at that time -- I do not have the production figures
9 here in front of me, but the well has fallen off since
10 January, so that that estimation probably was overstated
11 in January.

12 Q. Do you have a set of those calculations
13 with you?

14 A. I don't have those with me, no.

15 MR. CARSON: We can and will furnish
16 them.

17 Q. (Mr. Stamets continuing) Okay, of this
18 \$120,000, well, no, let's forget the \$120,000, let's go
19 back to the intangible drilling costs and equipment costs
20 of roughly \$106,000. Do you recall what the income on
21 this well has been through the first of January of this
22 year?

23 A. No, I don't.

24 MR. CARSON: You can make that calculation,
25 though, can't you?

1 A. I think we could, yes.

2 MR. CARSON: From the exhibits

3 MR. STAMETS: It looks like from Exhibit
4 Number Six the average gas income is probably a couple
5 hundred dollars a month. For two years, is that going to
6 be what \$4,800?

7 A. That looks, as a generalization, fairly
8 correct, yes. And about, I would say, what \$2,500 for
9 oil.

10 Q. (Mr. Stamets continuing) So it would be
11 something in excess of \$50,000 probably for the oil
12 income. So it would be safe to say that by this time
13 half of the drilling and equipping costs have been
14 accounted for.

15 A. Approximately, yes. Although that is
16 only a generalization. We could work it out for you if
17 you want it.

18 Q. Well, I was just trying to find some
19 basis for assigning a risk factor at this point in time.
20 It would seem, offhand, that though Yates Petroleum in
21 drilling this well in 1975 certainly has accepted a good
22 portion of the risk. Although, there does seem to be some
23 risk that the well will ever pay out at this time.

24 A. Well, yes, that is true, and the risk
25 really lies in the falloff of production in the last few

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1 months considerably. We are producing only about a barrell
2 of oil a day right now. We are still having to maintain
3 the well.

4 Q. How many acres are we talking about
5 here in this forced pooling?

6 A. Approximately about a third of an acre
7 all together. I forget the exact numbers. It is about a
8 third to a -- well, it is probably about a third.

9 Q. How many dollars is Yates Petroleum
10 going to get if the Division assigns a 200 percent risk
11 factor in this case?

12 A. Well, it ain't going to make us rich.
13 I haven't figured it out.

14 Q. Well, if you don't get it it is not
15 going to make you poor either.

16 A. Probably not.

17 Q. Now, you indicated Mr. Medford had sold
18 his lot in this area.

19 A. That is correct.

20 Q. Who did he sell it to?

21 A. He sold it to a Mr. Steed.

22 Q. Is Mr. Steed in Artesia?

23 A. Well, he has some relatives in Artesia,
24 but I haven't been able to chase him down yet.

25 Q. Okay. How long have you been trying to

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1 track down Mr. Steed?

2 A. About four months.

3 MR. STAMETS: Are there any other
4 questions of the witness?

5 You may be excused.

6 MR. CARSON: We have no other witnesses.

7 MR. STAMETS: If there is nothing further
8 this case will be taken under advisement and we will have
9 a fifteen minute recess for coffee.

10 (Hearing concluded)

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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 W. Boyd, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. _____ heard by me on _____ 19____

_____, Examiner
Oil Conservation Division

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Artesia, New Mexico

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I N D E X

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MR. CARSON: Mr. Examiner, my name is Joel Carson, Lossee, Carson, and Dickerson, P. A., Artesia, New Mexico. I have one witness, Mr. Budd Hebert.

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A As a landman.

Q How long have you been employed by them as a landman?

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A. This is a blowup of the land tracts within the proration unit of the Smith FA No. 1, and I have indicated on this map two parcels, Lots No. 5 and No. 7, within Plat Number One, which we have been unable to lease to date.

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Q. Mr. Hebert, just for the Examiner's information, this tract is out around the water tower there in Artesia.

A. That is correct. It is within what is called the Davis Subdivision.

Q. What shows up there is that sixteen acres in the northern part of the tract is the old Circle B Drive-in, is that correct?

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1 Q. Okay. You say estimated payout three
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4 January. I checked with our production department just
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6 MR CARSON: I would like to move for the
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23 San Andres are extremely marginal. I might add that the
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25 Eagle Creek field. There were, subsequently, two wells

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11 BY MR. STAMETS:

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20 the net by month to Yates.

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22 Q. Now, does this include any operating
23 costs?

24 A. On the net?

25 Q. Yes.

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1 A. It is just the gross less the taxes.

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4 which would support your Exhibit Number Four, which show
5 estimated payout three years from 1/79.

6 A. We did -- the accounting department did
7 that form for me. It was based on data back in January
8 and at that time -- I do not have the production figures
9 here in front of me, but the well has fallen off since
10 January, so that that estimation probably was overstated
11 in January.

12 Q. Do you have a set of those calculations
13 with you?

14 A. I don't have those with me, no.

15 MR. CARSON: We can and will furnish
16 them.

17 Q. (Mr. Stamets continuing) Okay, of this
18 \$120,000, well, no, let's forget the \$120,000, let's go
19 back to the intangible drilling costs and equipment costs
20 of roughly \$106,000. Do you recall what the income on
21 this well has been through the first of January of this
22 year?

23 A. No, I don't.

24 MR. CARSON: You can make that calculation,
25 though, can't you?

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

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A. I think we could, yes.

MR. CARSON: From the exhibits

MR. STAMETS: It looks like from Exhibit Number Six the average gas income is probably a couple hundred dollars a month. For two years, is that going to be what \$4,800?

A. That looks, as a generalization, fairly correct, yes. And about, I would say, what \$2,500 for oil.

Q. (Mr. Stamets continuing) So it would be something in excess of \$50,000 probably for the oil income. So it would be safe to say that by this time half of the drilling and equipping costs have been accounted for.

A. Approximately, yes. Although that is only a generalization. We could work it out for you if you want it.

Q. Well, I was just trying to find some basis for assigning a risk factor at this point in time. It would seem, offhand, that though Yates Petroleum in drilling this well in 1975 certainly has accepted a good portion of the risk. Although, there does seem to be some risk that the well will ever pay out at this time.

A. Well, yes, that is true, and the risk really lies in the falloff of production in the last few

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1 months considerably. We are producing only about a barrell
2 of oil a day right now. We are still having to maintain
3 the well.

4 Q. How many acres are we talking about
5 here in this forced pooling?

6 A. Approximately about a third of an acre
7 all together. I forget the exact numbers. It is about a
8 third to a -- well, it is probably about a third.

9 Q. How many dollars is Yates Petroleum
10 going to get if the Division assigns a 200 percent risk
11 factor in this case?

12 A. Well, it ain't going to make us rich.
13 I haven't figured it out.

14 Q. Well, if you don't get it it is not
15 going to make you poor either.

16 A. Probably not.

17 Q. Now, you indicated Mr. Medford had sold
18 his lot in this area.

19 A. That is correct.

20 Q. Who did he sell it to?

21 A. He sold it to a Mr. Steed.

22 Q. Is Mr. Steed in Artesia?

23 A. Well, he has some relatives in Artesia,
24 but I haven't been able to chase him down yet.

25 Q. Okay. How long have you been trying to

1 track down Mr. Steed?

2 A. About four months.

3 MR. STAMETS: Are there any other
4 questions of the witness?

5 You may be excused.

6 MR. CARSON: We have no other witnesses.

7 MR. STAMETS: If there is nothing further
8 this case will be taken under advisement and we will have
9 a fifteen minute recess for coffee.

10 (Hearing concluded)

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (SOS) 471-3462
Santa Fe, New Mexico 87501

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 W. Boyd CSR
 Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the Examiner hearing of Case No. 6492
 heard by me on 5-23 1979.

Richard L. L... Examiner
 Oil Conservation Division

SALLY WALTON BOYD
 CERTIFIED SHORTHAND REPORTER
 3030 Plaza Blanca (805) 471-3462
 Santa Fe, New Mexico 87501

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
9 May 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Corporation) CASE
for compulsory pooling, Eddy County, New) 6492
Mexico.)

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation	Ernest L. Padilla, Esq.
Division:	Legal Counsel for the Division
	State Land Office Building
	Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Plaza Blanca (SSE) 471-2462
Santa Fe, New Mexico 87501

MR. NUTTER: Call Case Number 6492.

Application of Yates Petroleum Corporation for
compulsory pooling, Eddy County, New Mexico. We will call
Case Number 6492 later in the day.

MR. NUTTER: We will call Case Number
6492 again. At the request of applicant Case Number 6492
will be continued to the Examiner Hearing scheduled to be
held at this same place at 9:00 a.m., May 23, 1979.

With that particular hearing -- the
hearing is adjourned.

(Hearing concluded.)

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Plaza Blanca (606) 471-3462
Santa Fe, New Mexico 87501

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 W. Boyd CSR
Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6492 heard by me on 5/9 1979.

[Signature] Examiner
Oil Conservation Division

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (SOS) 471-2462
Santa Fe, New Mexico 87501

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
9 May 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Corporation) CASE
for compulsory pooling, Eddy County, New) 6492
Mexico.)

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation	Ernest L. Padilla, Esq.
Division:	Legal Counsel for the Division
	State Land Office Building
	Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (SOS) 471-2462
Santa Fe, New Mexico 87501

MR. NUTTER: Call Case Number 6492.

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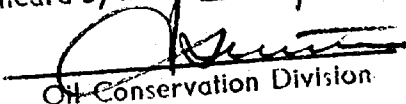
SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (SOS) 471-2462
Santa Fe, New Mexico 87501

REPORTER'S CERTIFICATE

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Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 642 heard by me on 5/9 1979.

 Examiner
Oil Conservation Division

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
2020 Plaza Blanca (SOS) 471-2462
Santa Fe, New Mexico 87501

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. 6492
Order No. R-6017

APPLICATION OF YATES PETROLEUM
CORPORATION FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on May 23, 1979,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 12th day of June, 1979, 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, Yates Petroleum Corporation, seeks
an order pooling all mineral interests in the San Andres forma-
tion underlying the NE/4 NW/4 of Section 13, Township 17 South,
Range 25 East, NMPM, Eagle Creek-San Andres Pool, Eddy County,
New Mexico.
- (3) That the applicant has the right to drill and has
drilled its Smith FA Well No. 1 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 oil
in said pool, the subject application should be approved by
pooling all mineral interests, whatever they may be, within said
unit.

-2-

Case No. 6492
Order No. R-6017

(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 actual 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 actual well costs should have withheld from production his share of the reasonable well costs plus an additional 100 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 \$300.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(11) 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.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the San Andres formation underlying the NE/4 NW/4 of Section 13, Township 17 South, Range 25 East, NMPM, Eagle Creek-San Andres Pool, Eddy County, New Mexico, are hereby pooled to form a standard 40-acre oil spacing and proration unit to be dedicated to the Yates Petroleum Corporation Smith FA Well No. 1 drilled at a standard location thereon.

(2) That Yates Petroleum Corporation is hereby designated the operator of the subject well and unit.

(3) That within 30 days after the effective date of this order the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of actual well costs.

-3-

Case No. 6492
Order No. R-6017

(4) That within 30 days from the date the schedule of actual well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of 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 well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) 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 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 well costs within 30 days from the date the schedule of well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 100 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 well costs within 30 days from the date the schedule of well costs is furnished to him.

(7) That \$300.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(8) 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.

-4-

Case No. 6492

Order No. R-6017

(9) 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.

(10) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(11) 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

SEAL

fd/

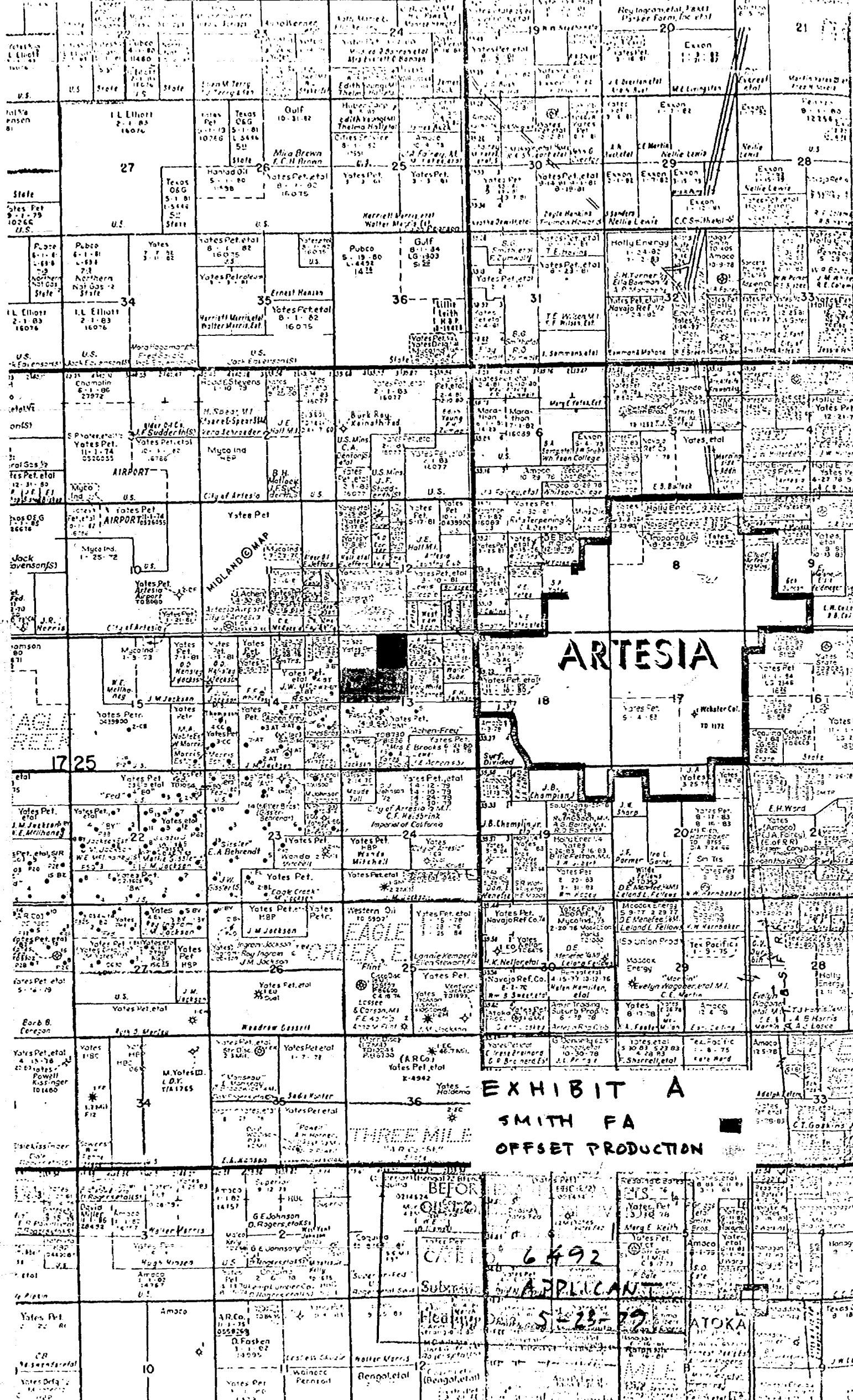


EXHIBIT A
SMITH FA
OFFSET PRODUCTION

BEFORE
CITY
SUBDIVISION
APPLICANT
6492
5-23-79

2-5

Approved by County
Commissioners
January 5, 1953

BEFORE THE
CIVIL COMMISSION
CASE NO. 10-0000000-0
SUBMITTED BY APPLICANT
Hearing Date

APPROXIMATE LOCATIONS
OF WELLS INDICATED

EXIBIT B

॥ श्रीगणेशाय नमः ॥



207 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 746-3558

B. P. YATES
PRESIDENT
MARTIN YATES, III
VICE PRESIDENT
JOHN A. YATES
VICE PRESIDENT
B. W. HARPER
SEC. TREAS.

January 5, 1979

Clardy's Dairy Products, Inc.
1605 North Garden Ave.
Roswell, New Mexico 88201

Attention: Mr. Carl Tipton

Re: Oil and Gas Lease
Township 17 South, Range 25 East, NMPM
Section 13: NE $\frac{1}{4}$ NW $\frac{1}{4}$
Eddy County, New Mexico

Dear Mr. Tipton:

Yates Petroleum Corporation would like to extend an offer to lease Lot 5 in Block 1, West Artesia Suburbs, Blocks 1 and 2, of the Davis Addition in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 13, Township 17 South, Range 25 East. This property is under the producing well, Smith "FA" #1. We are prepared to offer 1/4 royalty lease on this property. If you prefer, Clardy could participate for their proportionate share of well revenues. In 1977 the Smith "FA" #1 produced approximately 2,223 barrels of oil and 4,000,000 cubic feet of gas. Or should you desire, Clardy could be compulsory pooled in which case they would retain a 1/8 lease until Yates receives 300% of their costs at which time Clardy would come back in for their proportionate interest.

In the event that Clardy should be interested in leasing their interests, I have enclosed an Oil and Gas Lease. Should Clardy accept the terms please sign before a Notary Public and return to my attention at Yates Petroleum Corporation.

Our thanks for your consideration. Would you please supply us with a response to the above three options within two weeks?

Very truly yours,

Jack W. McCaw
Land Department

By: Budd H. Hebert

BHH/jlm
Enclosure

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO. <u>3</u>
CASE NO. <u>6492</u>
Submitted by <u>APPLICANT</u>
Hearing Date _____
EXHIBIT C

OIL AND GAS LEASE

THIS AGREEMENT made this 5th day of January, 1970, between
CLARDY'S DAIRY PRODUCTS, INC., Lessor, and

YATES PETROLEUM CORPORATION, a New Mexico corporation-1/4; YATES DRILLING COMPANY, a New Mexico corporation - 1/6; MARTIN YATES, III-1/6; JOHN A. YATES-1/6 Lessee, WITNESSETH:

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

Eddy County, New Mexico, to-wit:

Township 17 South, Range 25 East, NMPM
Section 13: NE1/4NW1

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

3. The royalties to be paid by Lessee are: (a) on oil, 1/4 of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land, and sold, or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of 1/4

of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4 of the amount realized from such sale; while there is a gas well on this lease or on acreage pooled therewith but gas is not being sold or used, Lessee may pay or tender as royalty, on or before ninety (90) days after the date on which said well is shut in and thereafter at annual intervals the sum of \$1.00 per acre, and if such payment is made or tendered, this lease shall not terminate and it will be considered that gas is being produced from this lease in paying quantities. Payment or tender of said shut-in gas royalty may be made by check or draft of Lessee mailed or delivered to the parties entitled thereto on or before the date said payment is due. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

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

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

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

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

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

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

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

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

ATTEST: _____

CLARDY'S DAIRY PRODUCTS, INC.

BY: _____

SMITH FA #1

INTANGIBLE DRILLING COST \$56,375.58

EQUIPMENT COSTS \$50,378.07

OPERATING COSTS \$13,971.72
(to JANUARY, 1979)

TOTAL \$120,725.37

ESTIMATED PAYOUT - 3 YRS FROM 1-79

EXHIBIT D

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

EXHIBIT NO. 4

CASE NO. 6492

Submitted by APPLICANT

Hearing Date

Yates Petroleum Corp. - Opr.

22.6

[illegible]

SECTION 102, STATUTE
OIL COMPANY, INC.

CASE NO. 6492

Submitted by **APPLICANT**

Hearings Comm.

山西一八一五

OIL & GAS PRODUCTION

14-00000

ST-570

Yates Petroleum Corp. - Opr.

STITH EA 21

C 13 17 25 - Eagle Creek S.A.

[illegible]

5/7

Yates Pet. Corp. - Opr.

[illegible]

Yates Pet. Corp. - Opr.

LE 13-17-25 - Eagle Creek S.A. Field

[illegible]

Smith, J.A.
1.00⁹⁰

PREPARED BY
JIC

DATE
3/27/79

5101-01-05		Station #1041-46 Transwestern	Volume	Gross	Tax	Net
1	JAN	75	260	19555	1155	18400
2	JAN	76	289	22324	1661	20663
3	Feb	76	323	24796	1844	22952
4	MAR	76	344	23665	1760	21905
5	Apr	76	279	18913	1407	17506
6	MAY	76	209	14739	1096	13643
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12	Nov	76	176	12878	960	11918
13	Dec	76	126	8957	668	8289
14	JAN	77	162	11234	837	10397
15	Feb	77	236	17305	1290	16015
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17	APR	77	268	19440	1449	17991
18	MAY	77	374	28329	2112	26217
19	June	77	377	26813	2004	24809
20	July	77	410	30055	2244	27811
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24	Nov	77	107	8565	648	7917
25	Dec	77	579	46065	3488	42577
26	JAN	78	58	4334	328	4006
27	Feb	78	485	37721	2856	34865
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35	Oct	78	39	3039	229	2810
36	Nov	78	86	6787	512	6275
37	Dec	78	86	5960	450	5510
38	JAN	79	155	12057	910	11147
39			6492			
40						
41						
42						
43						

BEFORE
CITIZEN

CERT

Subscribed by

Hearing Date

APPLICANT

EXHIBIT F

SMITH FA #1

REVENUES

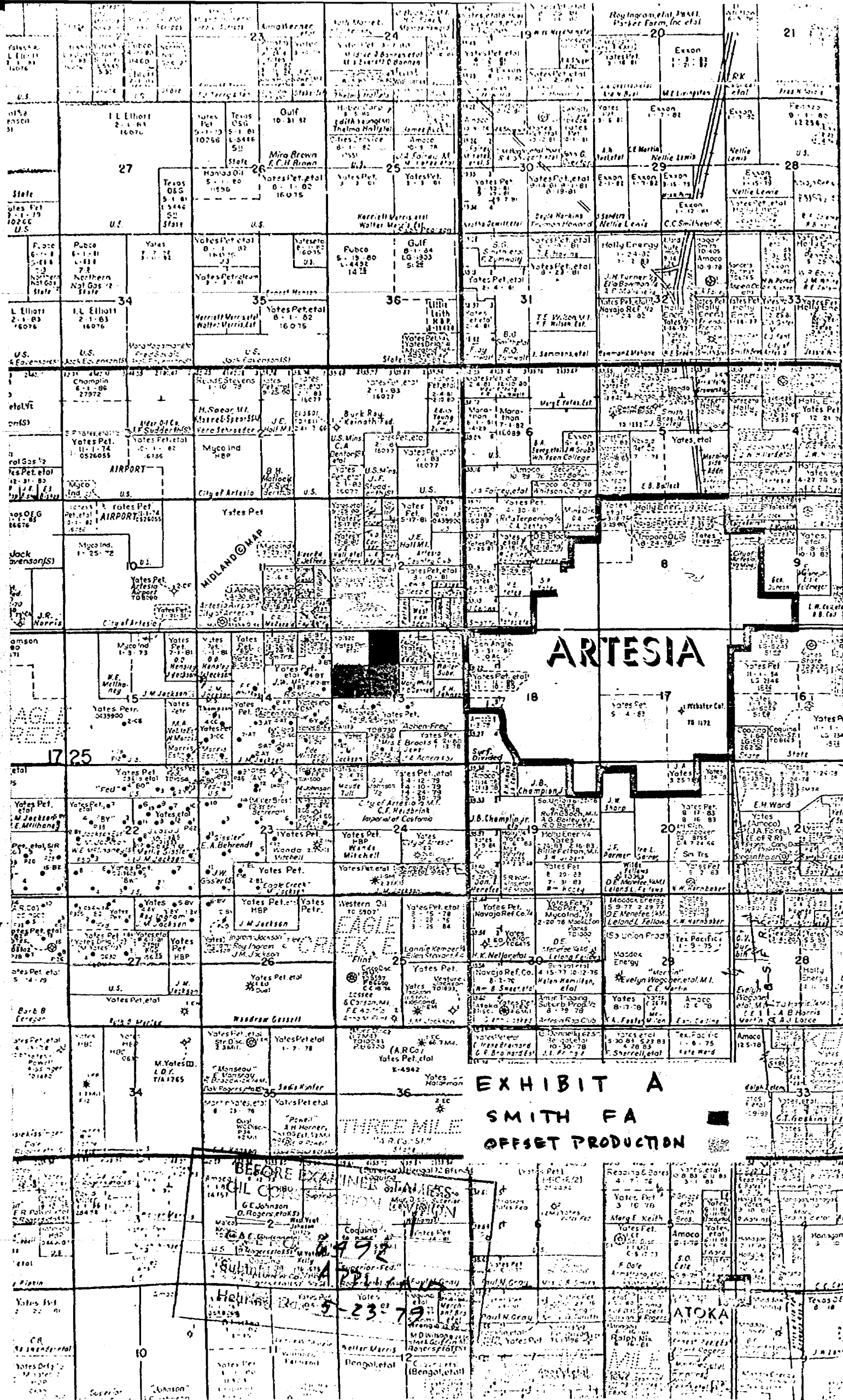
Smith JF
100%

PREPARED BY
JF

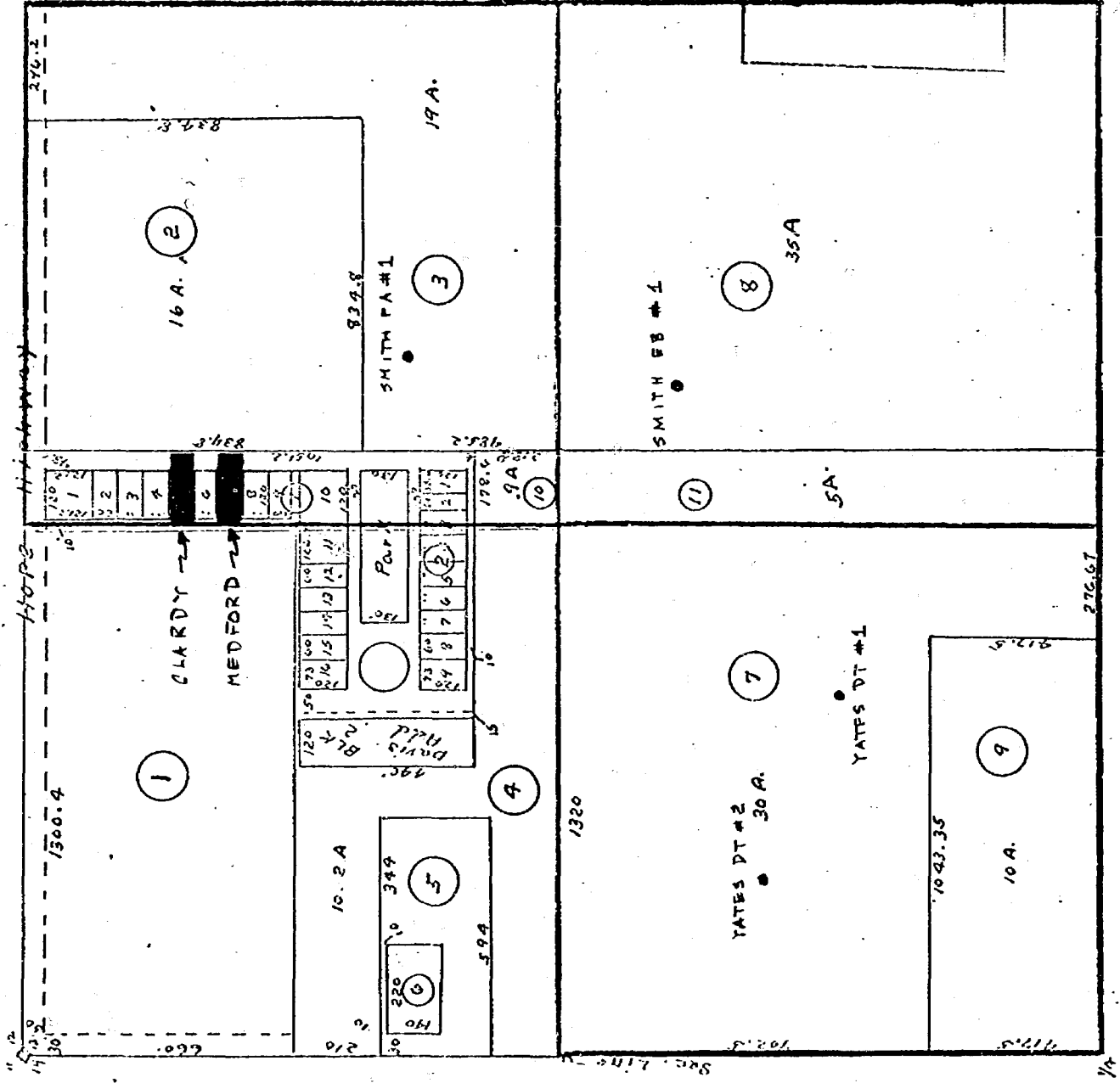
DATE 3/27/79

841551

5101-01-05							
#1041-46 Navajo		Volume	Gross	Tax	Net		
Dec 75		50868	648567	48243	600324	1	
JAN 76		50793	647611	48113	579438	2	
FEB 76		51714	583333	43392	539941	3	
MAR 76		33910	384898	28630	356268	4	
APR 76		33906	387206	28803	358403	5	
MAY 76		50794	583623	43414	540209	6	
JUNE 76		15914	183807	13673	170134	7	
JULY 76		51045	589570	43856	545714	8	
AUG 76		31802	367313	27322	339991	9	
SEPT 76		16534	190968	14237	176731	10	
OCT 76		32950	380572	28371	352201	11	
NOV 76		33501	386937	28845	358092	12	
DEC 76		16784	193855	14452	179403	13	
JAN 77		34451	391019	29150	361869	14	
FEB 77		16813	190828	14226	176602	15	
MAR 77		15606	170105	12682	157423	16	
APR 77		16107	175566	13089	162477	17	
MAY 77		34703	374099	27889	346210	18	
JUNE 77		17418	188114	14032	174082	19	
JULY 77		16697	179994	13437	166557	20	
AUG 77		15963	171762	12822	158940	21	
SEPT 77		16064	178310	13501	164809	22	
OCT 77		16049	221476	15686	205790	23	
NOV 77		16135	222663	15770	206893	24	
DEC 77		17620	243156	17221	225935	25	
JAN 78		16695	230391	16318	214073	26	
FEB 78	NO Sales					27	
MAR 78	NO Sales					28	
APR 78		16408	226430	16037	210393	29	
MAY 78		16712	230626	16333	214293	30	
JUNE 78		15701	216674	15345	201329	31	
JULY 78		16092	222070	16195	205875	32	
AUG 78	NO Sales					33	
SEPT 78		17600	242880	17661	225219	34	
OCT 78		17446	240755	17507	223248	35	
NOV 78	NO Sales					36	
DEC 78		17082	235732	17142	218590	37	
JAN 79		16888	248254	17525	230729	38	
						39	
						40	
						41	
						42	
						43	



NW 1/4 Section 13, Twp. 17S. Rge. 25E. N. M. P. M.



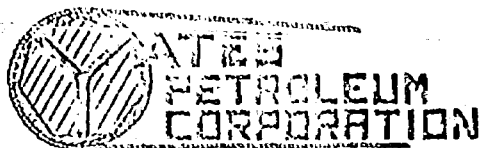
Approved by County
Commissioners
January 5 1953

[Signature]

BRADLEY EXAMINERS
DIVISION OF CONSERVATION
CASE NO. 6492
Submitted by APPLICANT
APPROPRIATE LOCATIONS
OF WELLS INDICATED

EXHIBIT 13

Center
Section



207 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 746-3558

S. P. YATES
PRESIDENT
MARTIN YATES, III
VICE PRESIDENT
JOHN A. YATES
VICE PRESIDENT
B. W. HARPER
SEC. TREAS.

January 5, 1979

Clardy's Dairy Products, Inc.
1605 North Garden Ave.
Roswell, New Mexico 88201

Attention: Mr. Carl Tipton

Re: Oil and Gas Lease
Township 17 South, Range 25 East, NMPM
Section 13: NE $\frac{1}{4}$ NW $\frac{1}{4}$
Eddy County, New Mexico

Dear Mr. Tipton:

Yates Petroleum Corporation would like to extend an offer to lease Lot 5 in Block 1, West Artesia Suburbs, Blocks 1 and 2, of the Davis Addition in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 13, Township 17 South, Range 25 East. This property is under the producing well, Smith "FA" #1. We are prepared to offer 1/4 royalty lease on this property. If you prefer, Clardy could participate for their proportionate share of well revenues. In 1977 the Smith "FA" #1 produced approximately 2,223 barrels of oil and 4,000,000 cubic feet of gas. Or should you desire, Clardy could be compulsory pooled in which case they would retain a 1/8 lease until Yates receives 300% of their costs at which time Clardy would come back in for their proportionate interest.

In the event that Clardy should be interested in leasing their interests, I have enclosed an Oil and Gas Lease. Should Clardy accept the terms please sign before a Notary Public and return to my attention at Yates Petroleum Corporation.

Our thanks for your consideration. Would you please supply us with a response to the above three options within two weeks?

Very truly yours,

Jack W. McCaw
Land Department

By: Budd H. Hebert

BHH/jlm
Enclosure

BEFORE EXAMINER STATES
OIL CONSERVATION DIVISION
EXHIBIT NO. <u>3</u>
CASE NO. <u>6492</u>
Submitted by <u>APPLICANT</u>
Hearing Date _____

EXHIBIT C

OIL AND GAS LEASE

THIS AGREEMENT made this 5th day of January 1979 between
CLARDY'S DAIRY PRODUCTS, INC., Lessor, and

YATES PETROLEUM CORPORATION, a New Mexico corporation-1/4; YATES DRILLING COMPANY, a New Mexico corporation - 1/6; MARTIN YATES, III-1/6; JOHN A. YATES-1/6 Lessee, WITNESSETH:

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

Edady County, New Mexico, to-wit:

Township 17 South, Range 25 East, NMPM
Section 13: NE1/4NW4

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

3. The royalties to be paid by Lessee are: (a) on oil, 1/4 of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land, and sold, or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of 1/4

of the gas so sold or used, provided that if said gas is not being sold or used, Lessee may pay or tender as royalty, on or before ninety (90) days after the date on which said well is shut in and thereafter at annual intervals the sum of \$100 per acre, and if such payment is made or tendered, this lease shall not terminate and it will be considered that gas is being produced from this lease in paying quantities. Payment or tender of said shut-in gas royalty may be made by check or draft of Lessee mailed or delivered to the parties entitled thereto on or before the date said payment is due. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

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

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

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

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

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

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

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

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

ATTEST:

CLARDY'S DAIRY PRODUCTS, INC.

By:

SMITH FA #1

INTANGIBLE DRILLING COST \$56,375.58

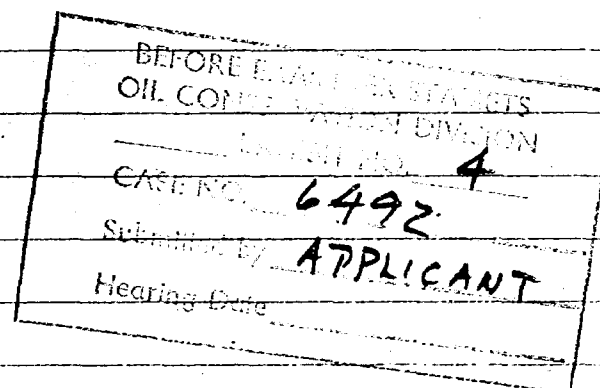
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OPERATING COSTS \$13,971.72
(to JANUARY, 1979)

TOTAL \$120,725.37

ESTIMATED PAYOUT - 3 YRS FROM 1-79

EXHIBIT D



Yates Petroleum Corp. - Opr.

C 13 17 25 - Eagle Creek S.A.

BEFORE EXAMINER STATES
OIL COND. WITH OIL DIVISION
EXHIBIT NO. _____
CASE NO. 6492
SUBMITTED BY APPLICANT
Hearing Date _____

EXHIBIT E
OIL & GAS PRODUCTION
ON SKITH FA #1 &
OILSHEETS

Yates Petroleum Corp. - Opr.

1/77

[illegible]

SIXTH EB FEE #1

F 13 17 25 - Eagle Creek S.A.

Yates Petroleum Corp. - Opr.

[illegible]

5
9/27

Yates Pet. Corp. - Opr.

[illegible]

Yates Pet. Corp. - Opr.

1 E 13-17-25 - Eagle Creek S.A. Field

[illegible]

Smith FA
1.00 90

PREPARED BY
JLK

DATE
3/27/79

Station #1041-46 Transwestern		Volume	Gross	Tax	Net
Dec 75	260 -	19555	1455	18100	
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Dec 78	86 -	5960	450	5510	
JAN 79	153 -	12057	910	11147	

BEFORE EXAMINER
OIL COMMISSION
CASE NO. 6492
Subm. by APPLICANT
Hearing Date

EXHIBIT F
SMITH FA #1
REVENUES

BEFORE EXAMINER
OIL COMMISSION
CASE NO. 6492
Subm. by APPLICANT
Hearing Date

EXHIBIT F
SMITH FA #1
REVENUES

Smith JF
100%

PREPARED BY
JFK

DATE
3/27/79

841551

5101-01-05							
#1041-46							
Oil - Navajo		Volume	Gross	Tax	Net		
1	Dec 75	50868	648567	48243	600324	1	
2	Jan 76	50793	647611	48173	599438	2	
3	Feb 76	51714	583333	43392	539941	3	
4	Mar 76	33910	384898	28630	356268	4	
5	Apr 76	33906	387206	28803	358403	5	
6	May 76	50794	583623	43414	540209	6	
7	June 76	15914	183807	13673	170134	7	
8	July 76	51045	589570	43856	545714	8	
9	Aug 76	31802	367313	27322	339991	9	
10	Sept 76	16534	190968	14237	176731	10	
11	Oct 76	32950	380572	28371	352201	11	
12	Nov 76	33501	386937	28845	358092	12	
13	Dec 76	16784	193855	14452	179403	13	
14	Jan 77	34451	391019	29150	361869	14	
15	Feb 77	16813	190828	14226	176602	15	
16	Mar 77	15606	170105	12682	157423	16	
17	Apr 77	16107	175566	13089	162477	17	
18	May 77	34703	374099	27889	346210	18	
19	June 77	17418	188114	14032	174082	19	
20	July 77	16697	179994	13437	166557	20	
21	Aug 77	15963	171762	12822	158940	21	
22	Sept 77	16064	178310	13501	164809	22	
23	Oct 77	16049	221476	15686	205790	23	
24	Nov 77	16135	222663	15770	206893	24	
25	Dec 77	17620	243156	17221	225935	25	
26	JAN 78	16695	230391	16318	214073	26	
27	Feb 78	NO Sales				27	
28	MAR 78	NO Sales				28	
29	Apr 78	16408	226430	16037	210393	29	
30	May 78	16712	230626	16333	214293	30	
31	June 78	15701	216674	15345	201329	31	
32	July 78	16042	222070	16195	205875	32	
33	Aug 78	NO Sales				33	
34	Sept 78	17600	242880	17661	225219	34	
35	Oct 78	17446	240755	17507	223248	35	
36	Nov 78	NO Sales				36	
37	Dec 78	17082	235732	17142	218590	37	
38	JAN 79	16888	248254	17525	230729	38	
39						39	
40						40	
41						41	
42						42	
43						43	

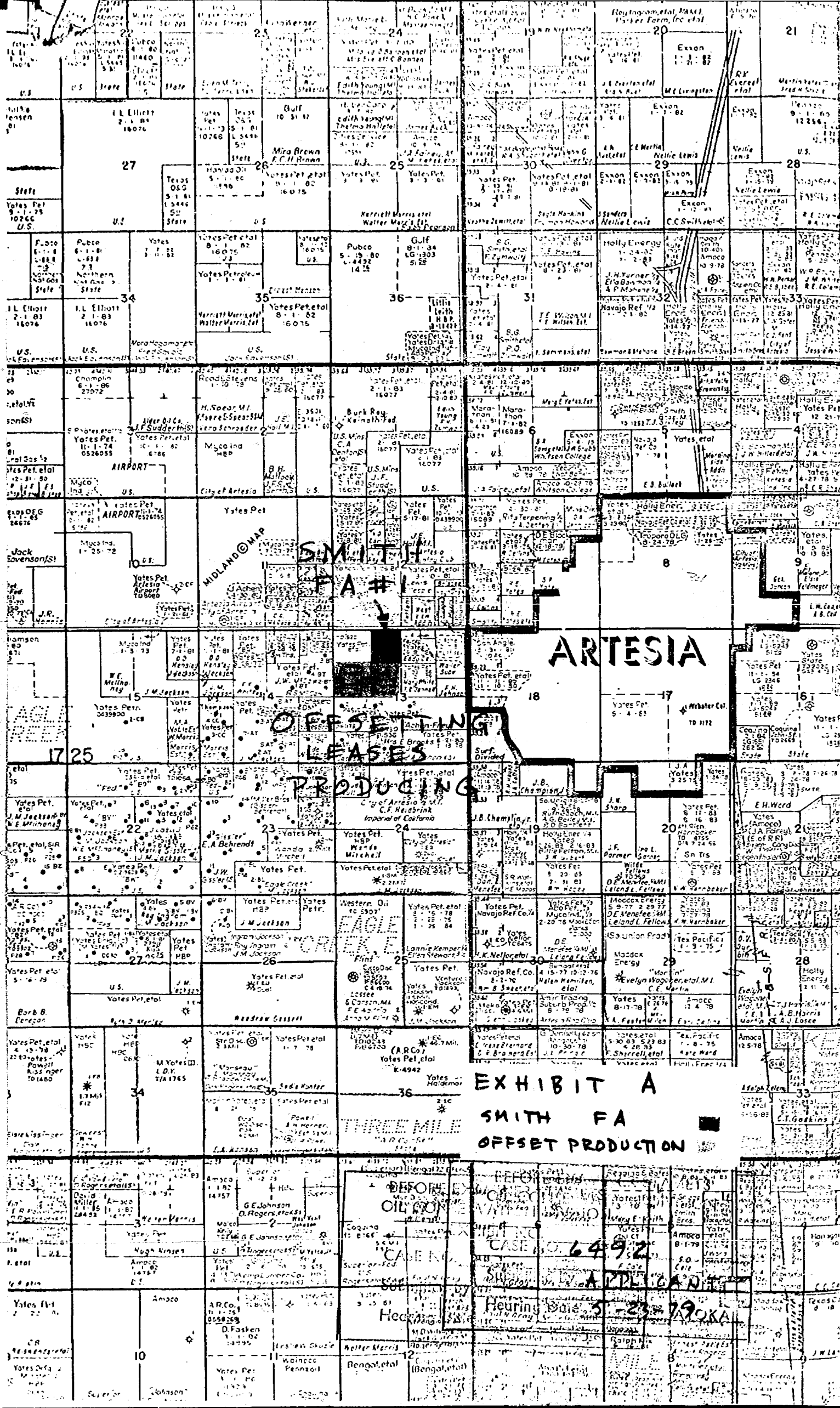


EXHIBIT A
SMITH FA
OFFSET PRODUCTION

BEFORE THE
OIL COURT
CASE NO. 6492
Hearing Date 3-23-79
J.A. Apple
J.A. Apple

h ————— z



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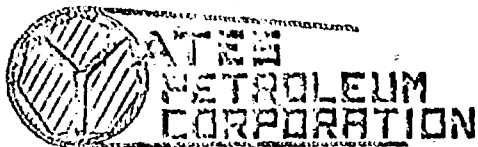
M. L. G. - BOSTON EXAMINER STATE
J. H. G. - CONVENTION DIVISION
EXHIBIT NO. 2

CASE NO. 6492

Submitted by APPALACHIAN

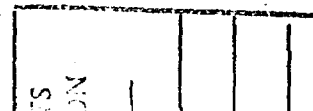
APPROXIMATELY 25% OF WEBS INDICATED

EXIT-BIT



207 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 746-3550

G. P. YATES
PRESIDENT
MARTIN YATES, III
VICE PRESIDENT
JOHN A. YATES
VICE PRESIDENT
B. W. HARPER
SEC. TREAS.



January 5, 1979

Clardy's Dairy Products, Inc.
1605 North Garden Ave.
Roswell, New Mexico 88201

Attention: Mr. Carl Tipton

Re: Oil and Gas Lease
Township 17 South, Range 25 East, NMPM
Section 13: NE $\frac{1}{4}$ NW $\frac{1}{4}$
Eddy County, New Mexico

Dear Mr. Tipton:

Yates Petroleum Corporation would like to extend an offer to lease Lot 5 in Block 1, West Artesia Suburbs, Blocks 1 and 2, of the Davis Addition in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 13, Township 17 South, Range 25 East. This property is under the producing well, Smith "FA" #1. We are prepared to offer 1/4 royalty lease on this property. If you prefer, Clardy could participate for their proportionate share of well revenues. In 1977 the Smith "FA" #1 produced approximately 2,223 barrels of oil and 4,000,000 cubic feet of gas. Or should you desire, Clardy could be compulsory pooled in which case they would retain a 1/8 lease until Yates receives 300% of their costs at which time Clardy would come back in for their proportionate interest.

In the event that Clardy should be interested in leasing their interests, I have enclosed an Oil and Gas Lease. Should Clardy accept the terms please sign before a Notary Public and return to my attention at Yates Petroleum Corporation.

Our thanks for your consideration. Would you please supply us with a response to the above three options within two weeks?

Very truly yours,

Jack W. McCaw
Land Department

By: Budd H. Hebert

BHH/jlm
Enclosure

BEFORE EXAMINER STAMETS	
OIL CONSERVATION DIVISION	
EXHIBIT NO.	3
CASE NO.	6492
Submitted by	APPLICANT
Hearing Date	

EXHIBIT C

OIL AND GAS LEASE

THIS AGREEMENT made this 5th day of January, 1979, between
CLARDY'S DAIRY PRODUCTS, INC., Lessor, and

YATES PETROLEUM CORPORATION, a New Mexico corporation-1/4; YATES DRILLING COMPANY, a New Mexico corporation - 1/6; MARTIN YATES, III-1/6; JOHN A. YATES-1/6 Lessee, WITNESSETH:

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

Township 17 South, Range 25 East, NMPM
Section 13: NE1/4NW4

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

3. The royalties to be paid by Lessee are: (a) on oil, 1/4 of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land, and sold, or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of 1/4

of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4 of the amount realized from such sale; while there is a gas well on this lease or on acreage pooled therewith but gas is not being sold or used, Lessee may pay or tender as royalty, on or before ninety (90) days after the date on which said well is shut in and thereafter at annual intervals the sum of \$1.00 per acre, and if such payment is made or tendered, this lease shall not terminate and it will be considered that gas is being produced from this lease in paying quantities. Payment or tender of said shut-in gas royalty may be made by check or draft of Lessee mailed or delivered to the parties entitled thereto on or before the date said payment is due. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

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

5. If at the expiration of the primary term oil or gas is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary term, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 50 consecutive days, and if they result in the production of oil or gas so long thereafter as oil or gas is produced from said land, or from land pooled therewith. If, after the expiration of the primary term of this lease and after oil or gas is produced from said land, or from land pooled therewith, the production thereof should cease from any cause, this lease shall not terminate. If Lessee commences operations for drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith. Any pooled unit designated by Lessee in accordance with the terms hereof, may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the leased premises are situated at any time after the completion of a dry hole or the cessation of production on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within 660 feet of and draining the lease premises, or land pooled therewith, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances. Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

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

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

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

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

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

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

ATTEST:

CLARDY'S DAIRY PRODUCTS, INC.

BY:

Lessor

Lessee

SMITH FA #1

INTANGIBLE DRILLING COST \$56,375.58

EQUIPMENT COSTS \$50,378.07

OPERATING COSTS \$13,971.72
(to JANUARY, 1979)

TOTAL \$120,725.37

ESTIMATED PAYOUT - 3 YRS FROM 1-79

EXHIBIT D

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO. 4

CASE NO. 6492

Submitted by APPLICANT

Hearing Date

Yates Petroleum Corp. - Opr.

C 13 17 25 - Eagle Creek S.A.

9772

[illegible]

EXHIBIT E
OIL & GAS PRODUCTION
ON SMITH FA # 1 &
OFFSETS

SMITH FA #1

Yates Petroleum Corp. - Opr.

C 13 17 25 - Eagle Creek S.A.

[illegible]

SWTCH EB 100 #1

F 13 17 25 - Eagle Creek S.A.

h 1177

[illegible]

Yates Petroleum Corp. - Opr.

13 17 25 - Eagle Creek S.A..

[illegible]

Yates Pet. Corp. - Opr.

1. E 13-17-25 - Eagle Creek S.A. Field

[illegible]

Smith, J A
1.00 %

PREPARED BY
JLK

DATE
3/27/79

5101-01-05							
Year	Station #1041-46 Transwestern	Volume	Gross	Tax	Net		
1	Dec 75	260-	14555	1455	18100	1	
2	JAN. 76	287-	22324	1661	20663	2	
3	Feb. 76	323-	24796	1844	22952	3	
4	MAR. 76	344-	23665	1760	21905	4	
5	Apr 76	279-	18913	1407	17506	5	
6	MAY. 76	209-	14739	1096	13643	6	
7	June 76	275-	21439	1595	19844	7	
8	July 76	338-	25995	1934	24061	8	
9	Aug. 76	204-	15714	1169	14545	9	
10	Sept. 76	141-	10729	800	9929	10	
11	Oct. 76	226-	17174	1280	15894	11	
12	Nov. 76	176-	12873	960	11918	12	
13	Dec. 76	126-	8957	668	8289	13	
14	JAN. 77	162-	11234	837	10397	14	
15	Feb. 77	236-	17305	1290	16015	15	
16	MAR. 77	321-	23029	1717	21312	16	
17	APR. 77	268-	19440	1449	17991	17	
18	MAY. 77	374-	28329	2112	26217	18	
19	June 77	377-	26843	2004	24869	19	
20	July 77	410-	30055	2244	27811	20	
21	Aug. 77	115-	8066	602	7464	21	
22	Sept 77	449-	31940	2418	29522	22	
23	Oct 77	474-	33718	2557	31221	23	
24	Nov 77	107-	8565	648	7917	24	
25	Dec 77	579-	46065	3488	42577	25	
26	JAN 78	58-	4334	328	4006	26	
27	Feb 78	485-	37721	2856	34865	27	
28	MAR 78	377-	28770	2178	26592	28	
29	Apr. 78	285-	21669	1641	20028	29	
30	May 78	185-	14546	1101	13445	30	
31	June 78	226-	17738	1343	16395	31	
32	July 78	181-	13878	1051	12827	32	
33	Aug. 78	226-	17738	1343	16395	33	
34	Sept 78	197-	15852	1197	14655	34	
35	Oct 78	39-	3039	229	2810	35	
36	Nov. 78	86-	6787	512	6275	36	
37	Dec. 78	85-	5460	450	5510	37	
38	JAN. 79	155-	6492	910	11147	38	
39						39	
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42						42	
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BEFORE
OIL COMMISSION
CASH ON HAND
Subscribed by
Meeting Date

6492 12057
APPLICANT

EXHIBIT F
SMITH FA # 1
REVENUES

Smith JF
100%

PREPARED BY
JFK

DATE
3/27/79

841551

5101-01-05					
#1041-46					
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MAY 76		50794	583623	43414	540209
JUNE 76		15914	183807	13693	170134
JULY 76		51045	589570	43856	545714
AUG 76		31802	367313	27322	339991
SEPT 76		16534	190968	14237	176731
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NOV 76		33501	386937	28845	358092
DEC 76		16784	193855	14452	179403
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FEB 77		16813	190828	14226	176602
MAR 77		15606	170105	12682	157423
APR 77		16107	175566	13089	162477
MAY 77		34703	374099	27889	346210
JUNE 77		17418	188114	14032	174082
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AUG 77		15963	171762	12822	158940
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OCT 77		16049	221476	15686	205790
NOV 77		16135	222663	15770	206893
DEC 77		17620	243156	17221	225935
JAN 78		16695	230391	16318	214073
FEB 78	NO Sales				
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APR 78		16408	226430	16037	210393
MAY 78		16712	230626	16333	214293
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JULY 78		16042	222070	16195	205875
AUG 78	NO Sales				
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OCT 78		17446	240755	17507	223248
NOV 78	NO Sales				
DEC 78		17072	235732	17142	218590
JAN 79		16888	218254	17525	200729
			BEPS		
			OIL		
			CASE NO.		
			Submitted by		
			Hearing Date		

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
25 April 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Corpor-) CASE
ation for compulsory pooling, Eddy) 6492
County, New Mexico.)

BEFORE: Richard L. Stamets

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 87503

For the Applicant:

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Plaza Blanca (SOS) 471-2462
Santa Fe, New Mexico 87501

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MR. STAMETS: Call next Case 6492.

MS. TESCHENDORF: Case 6492. Application of
Yates Petroleum Corporation for compulsory pooling,
Eddy County, New Mexico.

The applicant has requested that the case be
continued to the May 9th Examiner Hearing.

MR. STAMETS: The case will be so continued.

(Hearing concluded)

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Plaza Blanca (SOS) 411-3462
Santa Fe, New Mexico 87501

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 W. Boyd CSR
Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 6492
heard by me on 4-25 19 79.

Richard L. Lane, Examiner
Oil Conservation Division

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (605) 471-2462
Santa Fe, New Mexico 87501

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
25 April 1979

EXAMINER HEARING

IN THE MATTER OF:

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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 87503

For the Applicant:

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3029 Plaza Blanca (SOS) 471-2463
Santa Fe, New Mexico 87501

1 MR. STAMETS: Call next Case 6492.

2
3 MS. TESCHENDORF: Case 6492. Application of
4 Yates Petroleum Corporation for compulsory pooling,
5 Eddy County, New Mexico.

6 The applicant has requested that the case be
7 continued to the May 9th Examiner Hearing.

8 MR. STAMETS: The case will be so continued.

9 (Hearing concluded)

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SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3920 Plaza Blanca (SOS) 471-2462
Santa Fe, New Mexico 87501

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 W. Boyd, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. _____, heard by me on _____ 19____.

_____, Examiner
Oil Conservation Division

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
2010 Plaza Blanca (606) 471-2462
Santa Fe, New Mexico 87501

Dockets Nos. 23-79 and 24-79 are tentatively set for hearing on June 13 and 27, 1979. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 23, 1979

9 A.M. - OIL CONSERVATION DIVISION 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:

CASE 6545: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Corinne Grace, Travelers Indemnity Company, and all other interested parties to appear and show cause why the Kishah Baby Well No. 1 located in Unit G of Section 24, Township 22 South, Range 26 East, Eddy County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6422: (Continued from February 28, 1979, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Helton Engineering & Geological Services, Inc., Travelers Indemnity Company, and all other interested parties to appear and show cause why the Brent Well No. 1 located in Unit N of Section 29 and the Brent Well No. 3 located in Unit G of Section 19, both in Township 13 North, Range 6 East, Sandoval County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6546: Application of Black River Corporation for compulsory pooling and non-standard gas 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 SW/4 of Section 32, Township 23 South, Range 37 East, to form a 160-acre non-standard gas 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 6536: (Continued from May 9, 1979, Examiner Hearing)

Application of Black River Corporation for two non-standard gas proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for two 80-acre non-standard gas proration units in the Jalmat Gas Pool as follows: the N/2 SE/4 of Section 22, Township 23 South, Range 36 East, to be dedicated to applicant's well to be drilled in Unit J of said Section 22; and the S/2 SE/4 of said Section 22 to be dedicated to El Paso Natural Gas Company's Shell State Well No. 3 located in Unit P.

CASE 6535: (Continued from May 9, 1979, Examiner Hearing)

Application of Torreon Oil Company for a waterflood project, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in the San Luis-Mesaverde Pool by the injection of water into the Menefee formation through two wells located in Section 21, Township 18 North, Range 3 West, Sandoval County, New Mexico.

CASE 6547: Application of American Petrofina Company of Texas for the creation of a waterflood buffer zone, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a waterflood buffer zone comprising the NE/4 SE/4 of Section 26, Township 17 South, Range 32 East, Maljamar Grayburg-San Andres Pool, to enable applicant to produce its Johns B Well No. 4 located thereon at an unrestricted rate.

CASE 6548: Application of John F. Staver for salt water disposal, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Dakota formation through the open hole interval from 1408 feet to 1412 feet in his Table Mesa Well No. 22 located in Unit N and from 1394 feet to 1400 feet in his Table Mesa Well No. 23 located in Unit O, both in Section 34, Township 28 North, Range 17 West, Table Mesa-Dakota Oil Pool.

CASE 6549: Application of Gulf Oil Corporation for pool creation, discovery allowable, and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order creating a new Bone Springs oil pool for its Lea "YH" State Well No. 1 located in Unit O of Section 25, Township 18 South, Range 34 East. Applicant also seeks a discovery allowable and promulgation of special pool rules, including a provision for 80-acre spacing.

CASE 6550: Application of Yates Petroleum Corporation for an unorthodox gas well location and compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp through Mississippian formations underlying the S/2 of Section 12, Township 19 South, Range 24 East, to be dedicated to its Allison Federal "CQ" Well No. 2 to be drilled at an unorthodox location 1980 feet from the South line and 660 feet from the West line of said Section 12. 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 6492: (Continued from May 9, 1979, Examiner Hearing)

Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying the NE/4 NW/4 of Section 13, Township 17 South, Range 25 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 6551: Application of Bass Enterprises Production Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox Lower Morrow gas well location 1980 feet from the North line and 660 feet from the East line of Section 1, Township 19 South, Range 28 East, the N/2 of said Section 1 to be dedicated to the well.

CASE 6528: (Continued from April 25, 1979, Examiner Hearing)

Application of Bass Enterprises Production Co. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox Morrow test well location to be drilled 660 feet from the North and West lines of Section 10, Township 21 South, Range 32 East, Lea County, New Mexico, the W/2 of said Section 10 to be dedicated to the well.

CASE 6552: Application of Maddox Energy Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 3, Township 24 South, Range 28 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. 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 6553: Application of The Atlantic Richfield Company for approval of infill drilling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a finding that the Division waived existing well-spacing requirements and found that the drilling of additional wells was necessary to effectively and efficiently drain those portions of the proration units in the Empire Abo Unit located in Townships 17 and 18 South, Ranges 27, 28 and 29 East, which could not be so drained by the existing wells.

CASE 6554: Application of The Atlantic Richfield Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all royalty interests in the Devonian, McKee, and Ellenburger formations underlying the E/2 of Section 10, Township 22 South, Range 36 East, Langlie field, to be dedicated to a well to be drilled at a standard location thereon.

CASE 6555: Application of Jake L. Hamon for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox location 660 feet from the North line and 560 feet from the East line of Section 30, Township 20 South, Range 36 East, North Osudo-Morrow Gas Pool, all of said Section 30 to be dedicated to the well.

CASE 6556: Application of Curtis Little for the amendment of Order No. R-5962, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5962 to provide for the unorthodox location of a well to be drilled 1000 feet from the South line and 50 feet from the East line of Section 11, Township 28 North, Range 12 West, Basin-Dakota Pool, and for the extension of the date to commence drilling.

CASE 6435: (Continued from February 28, 1979, Examiner Hearing)

Application of Amerada Hess Corporation for approval of infill drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a finding that the drilling of its W. A. Weir "B" Well No. 3 located in Unit B of Section 26, Township 19 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well, and further seeks approval of a waiver of existing well-spacing requirements.

CASE 6559: Application of Roy L. McKay for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for his Morton Solid State Unit Area, comprising 1,480 acres, more or less, of State lands in Township 15 South, Range 34 East.

CASE 6487: (Continued from February 28, 1979, Examiner Hearing)

Application of El Paso Natural Gas Company for approval of infill drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well-spacing requirements and a finding that the drilling of its Shell E State Coa Well No. 2 located in Unit N of Section 6, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

CASE 6471: (Continued from February 28, 1979, Examiner Hearing)

Application of Consolidated Oil & Gas, Inc. for approval of infill drilling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well-spacing requirements and a finding that the drilling of its Freeman Well No. 1-A to be located in Unit C of Section 11, Township 31 North, Range 13 West, Basin-Dakota Pool, San Juan County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

CASE 6472: (Continued from February 28, 1979, Examiner Hearing)

Application of Consolidated Oil & Gas, Inc. for approval of infill drilling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well-spacing requirements and a finding that the drilling of its Jenny Well No. 1-A to be located in Unit F of Section 13, Township 26 North, Range 4 West, Basin-Dakota Pool, Rio Arriba County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

CASE 6473: (Continued from February 28, 1979, Examiner Hearing)

Application of Consolidated Oil & Gas, Inc. for approval of infill drilling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well-spacing requirements and a finding that the drilling of its McIntyre Well No. 1-A to be located in Unit K of Section 11, Township 26 North, Range 4 West, Basin-Dakota Pool, Rio Arriba County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

CASE 6474: (Continued from February 28, 1979, Examiner Hearing)

Application of Consolidated Oil & Gas, Inc. for approval of infill drilling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well-spacing requirements and a finding that the drilling of its Williams Well No. 1-A to be located in Unit C of Section 24, Township 31 North, Range 13 West, Basin-Dakota Pool, San Juan County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

CASE 6475: (Continued from February 28, 1979, Examiner Hearing)

Application of Consolidated Oil & Gas, Inc. for approval of infill drilling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well-spacing requirements and a finding that the drilling of its Montoya Well No. 1-A to be located in Unit I of Section 35, Township 32 North, Range 13 West, Basin-Dakota Pool, San Juan County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

DOCKET: COMMISSION HEARING -- TUESDAY -- MAY 29, 1979

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

CASE 6557: Application of Getty Oil Company for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order creating a new Morrow gas pool for its State 35 Well No. 1 located in Unit K of Section 35, Township 21 South, Range 34 East, and its Getty Two State Well No. 1 located in Unit F of Section 2, Township 22 South, Range 34 East, and for promulgation of special pool rules, including provision for 640-acre gas well spacing.

CASE 6497: (DE NOVO)

Application of Llano, Inc. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be located 1650 feet from the South line and 660 feet from the East line of Section 34, Township 21 South, Range 34 East, Grama Ridge-Morrow Gas Pool, the E/2 of said Section 34 to be dedicated to the well.

Upon application of Getty Oil Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6558: Application of Llano, Inc. for a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 320-acre non-standard gas proration unit comprising the E/2 of Section 34, Township 21 South, Range 34 East, to be dedicated to its Llano 34 State Com Well No. 1 located in Unit I of said Section 34.

Dockets Nos. 20-79 and 21-79 are tentatively set for hearing on May 23 and June 13, 1979. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 9, 1979

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. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

CASE 6544: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Geologic Resources, Inc., United States Fire Insurance Company, and all other interested parties to appear and show cause why the B. T. Collee Strat. Test Well No. 1 located in Unit I of Section 25, Township 12 North, Range 8 East, Santa Fe County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6492: (Continued from April 25, 1979, Examiner Hearing)

Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying the NE/4 NW/4 of Section 13, Township 17 South, Range 25 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 6534: Application of Amoco Production for simultaneous dedication and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of its Gilluly Fed. Well No. 17 at an unorthodox location in Unit H of Section 24, Township 20 South, Range 36 East, Eumont Gas Pool, along with the three wells now dedicated to the previously approved 480-acre unit comprising the N/2 and SE/4 of said Section 24.

CASE 6535: Application of Torreon Oil Company for a waterflood project, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in the San Luis-Mesaverde Pool by the injection of water into the Menefee formation through two wells located in Section 21, Township 18 North, Range 3 West, Sandoval County, New Mexico.

CASE 6536: Application of Black River Corp. for two non-standard gas proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for two 80-acre non-standard gas proration units in the Jalmat Gas Pool as follows: the N/2 SE/4 of Section 22, Township 23 South, Range 36 East, to be dedicated to applicant's well to be drilled in Unit J of said Section 22; and the S/2 SE/4 of said Section 22 to be dedicated to El Paso Natural Gas Company's Shell State Well NO. 3 located in Unit P.

CASE 6537: Application of Harper Oil Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for its West Ranger Lake Unit Area, comprising 1,120 acres, more or less, of State lands in Township 12 South, Range 34 East, Lea County, New Mexico.

CASE 6538: Application of Bedford, Inc., for approval of infill drilling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well spacing requirements and a finding that the drilling of its Ram Well No. 1-A located in Unit G of Section 8, Township 26 North, Range 12 West, KAW Fruitland-Pictured Cliffs Pool, San Juan County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

CASE 6539: Application of Continental Oil Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its James Ranch Unit Well No. 7 located in Unit G of Section 6, Township 23 South, Range 31 East, Eddy County, New Mexico, to produce gas from the Morrow and Atoka formations, Los Medanos Field, through parallel strings of tubing.

CASE 6540: Application of Caulkins Oil Company for an NGPA determination, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks a Section 108 stripper gas well determination for its State B Well No. 233 located in Unit D of Section 16, Township 26 North, Range 6 West, South Blanco-Pictured Cliffs Pool, Rio Arriba County, New Mexico.

CASE 6541: Application of Sun Oil Company for an unorthodox well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its State H Well No. 17, 1328 feet from the North line and 1336 feet from the East line of Section 16, Township 8 South, Range 30 East, Cato-San Andres Pool, Chaves County, New Mexico.

CASE 6542: Application of Sun Oil Company for special casinghead gas allowables, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an increase in the casinghead gas allowable for its Annie Christmas Well No. 1 and its Walter Lynch Well No. 2, located in Units N and L, respectively, of Section 1, Township 22 South, Range 37 East, Drinkard and Wantz-Granite Wash Pools, Lea County, New Mexico.

CASE 6523: (Continued and Readvertised)

Application of Lonnie J. Buck for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Yates and Seven Rivers formations underlying each of the following 40-acre tracts in Section 25, Township 25 South, Range 36 East, Lea County, New Mexico: NW/4 SW/4 to be dedicated to the Brown Well No. 6 located in Unit L and SW/4 SW/4 to be dedicated to the Brown Well No. 7 located in Unit M. Also to be considered will be the cost of recompleting said wells 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 wells and a charge for risk involved in recompleting said wells.

CASE 6543: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, abolishing, redesignating, and extending certain pools in Chaves and Lea Counties, New Mexico:

(a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Spring production and designated as the Airstrip-Bone Spring Pool. The discovery well is Gulf Oil Corporation Lea YH State Well No. 1 located in Unit O of Section 25, Township 18 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM
Section 25: SE/4

(b) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Mississippian production and designated as the North Caprock-Mississippian Pool. The discovery well is Morris R. Antwell Landlady Well No. 1 located in Unit B of Section 8, Township 12 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 12 SOUTH, RANGE 32 EAST, NMPM
Section 8: NE/4

(c) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Atoka production and designated as the West Bell Lake-Atoka Gas Pool. The discovery well is Amoco Production Company Federal H Well No. 1 located in Unit L of Section 26, Township 23 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 33 EAST, NMPM
Section 26: W/2

(d) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Devonian production and designated as the Langley-Devonian Gas Pool. The discovery well is ARCO Oil and Gas Company Langley Getty Com Well No. 1 located in Unit N of Section 21, Township 22 South, Range 36 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 36 EAST, NMPM
Section 21: S/2

(e) ABOLISH the West Warren-Blinebry Pool in Lea County, New Mexico, described as:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 19: SE/4
Section 20: SW/4
Section 29: NW/4

(f) REDESIGNATE the Grama Ridge-Bone Spring Pool created by Order No. R-5958 as the East Grama Ridge-Bone Spring Pool, described as:

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM
Section 35: SW/4

(g) EXTEND the Blinebry Oil and Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 19: SE/4
Section 20: SW/4
Section 26: NE/4
Section 29: NW/4

- (h) EXTEND the Chaveroo-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 32 EAST, NMPM
Section 3: NE/4

- (i) EXTEND the Comanche Stateline-Tansill-Yates Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM
Section 21: SW/4

- (j) EXTEND the East Crossroads-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 36 EAST, NMPM
Section 12: SE/4
Section 23: SE/4
Section 26: NE/4

- (k) EXTEND the Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 36 EAST, NMPM
Section 1: NW/4

- (l) EXTEND the South Eunice-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 12: NW/4

- (m) EXTEND the East Lusk-Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 10: E/2 and SW/4

- (n) EXTEND the Maljamar Grayburg-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM
Section 13: NW/4

- (o) EXTEND the Mescalero-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 32 EAST, NMPM
Section 11: NW/4

- (p) EXTEND the North Osudo-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 36 EAST, NMPM
Section 29: N/2

- (q) EXTEND the Quail Ridge-Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM
Section 16: NE/4

- (r) EXTEND the North Quail Ridge-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM
Section 6: S/2

- (s) EXTEND the Townsend-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
Section 16: E/2
Section 21: N/2

- (t) EXTEND the Townsend-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 35 EAST, NMPM
Section 25: SW/4
Section 26: SE/4

- (u) EXTEND the Warren-Tubb Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 26: NE/4

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 16, 1979

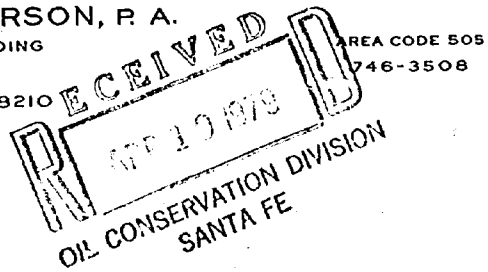
9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

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 June, 1979, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas for June, 1979, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

A.J. LOSEE
JOEL M. CARSON
CHAD DICKERSON
DAVID R. VANDIVER

LAW OFFICES
LOSEE, CARSON & DICKERSON, P. A.
300 AMERICAN HOME BUILDING
P. O. DRAWER 239
ARTESIA, NEW MEXICO 88210



17 April 1979

Florence

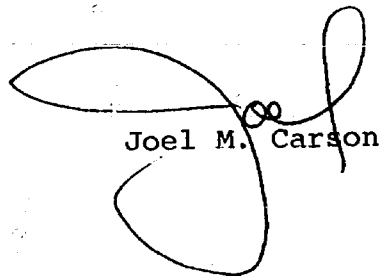
Mr. Dick Stamets
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Dear Dick:

On your docket sheet for cases to be heard on April 25, you have Case No. 6492 for Yates Petroleum Corporation scheduled. I would appreciate it if you could please continue this case and, if you will send us your statement for the additional publication cost, we will remit the amount immediately.

Yours truly,

LOSEE, CARSON & DICKERSON, P.A.


Joel M. Carson

JMC:bjm

cc: Mr. Budd Hebert

CASE 6492: (Continued from March 28, 1979, Examiner Hearing)

Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying the NE/4 NW/4 of Section 13, Township 17 South, Range 25 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 6502: (Continued from April 11, 1979, Examiner Hearing)

Application of Stevens Oil Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying the SW/4 SW/4 of Section 30, Township 8 South, Range 29 East, Chaves 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 6500: (Continued and Readvertised)

Application of Gulf Oil Corporation for approval of infill drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a finding that the Division waived existing well-spacing requirements and found that the drilling of additional wells was necessary to effectively and efficiently drain those portions of the proration units in the Central Drinkard Unit located in Sections 28, 29, 30, 31, 32 and 33, Township 21 South, Range 37 East, Lea County, New Mexico, which could not be so drained by the existing wells.

CASE 6501: (Continued and Readvertised)

Application of Delta Drilling Company for directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to re-enter the Williamson State Unit Well No. 1, the surface location of which is 660 feet from the North and West lines of Section 30, Township 16 South, Range 33 East, Lea County, New Mexico, and directionally drill said well in such a manner as to bottom it in the Morrow formation within 100 feet of a point 1980 feet from the North and East lines of said Section 30, the N/2 of the section to be dedicated to the well.

Docket No. 17-79

DOCKET: COMMISSION HEARING - MONDAY - APRIL 30, 1979

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

CASE 6533: Application of El Paso Natural Gas Company for the amendment of Orders Nos. R-1670 and R-1670-C, Basin-Dakota Pool, San Juan and Rio Arriba Counties, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Orders Nos. R-1670 and R-1670-C, Basin-Dakota Pool, San Juan and Rio Arriba Counties, New Mexico, to permit the optional drilling and production of a second well on proration units in said pool, to establish well location requirements, and to provide that the deliverabilities of both wells on the unit would be additive for allowable purposes.

Dockets Nos. 18-79 and 20-79 are tentatively set for hearing on May 9 and 23, 1979. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 25, 1979

9 A.M. - OIL CONSERVATION DIVISION 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:

- CASE 6525: In the matter of the hearing called by the Oil Conservation Division on its own motion to amend the Special Rules for the Tubb Gas Pool in Lea County, New Mexico, to provide for the classification of wells as oil wells and gas wells on the basis of gas-oil ratios rather than on the basis of liquid gravity as at present.
- CASE 6526: In the matter of the hearing called by the Oil Conservation Division on its own motion to consider a procedure for the adoption of findings, when applicable and pursuant to the Federal Natural Gas Policy Act, that another well is necessary to effectively and efficiently drain that portion of its proration unit which cannot be so drained by any existing well, and that existing well spacing requirements are waived. The proposed procedure would provide a system whereby such findings could be issued administratively without the necessity for public hearing.
- CASE 6527: Application of Tenneco Oil Company for two non-standard oil proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of two 80-acre non-standard oil proration units, the first comprising the N/2 NW/4, the other the N/2 NE/4 of Section 12, Township 9 South, Range 34 East, Vada-Pennsylvanian Pool, Lea County, New Mexico, said units to be dedicated to applicant's Ward Insall Wells Nos. 1 and 2, respectively, located in Units D and A of said Section 12.
- CASE 6528: Application of Bass Enterprises Production Co. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox Morrow test well location to be drilled 660 feet from the North and West lines of Section 10, Township 21 South, Range 32 East, Lea County, New Mexico, the W/2 of said Section 10 to be dedicated to the well.
- CASE 6529: 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 S/2 of Section 22, Township 23 South, Range 28 East, Eddy County, New Mexico, to be dedicated to its Brantley Gas Com. Well No. 1 located in Unit K of said Section 22. 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 6530: Application of Amoco Production Company for unorthodox gas well locations, temporary injection of produced gas, and to vent gas, Union and Harding Counties, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox locations in the Tubb formation of its State FI Well No. 3, located 1315 feet from the South line and 1980 feet from the East line of Section 36, Township 20 North, Range 34 East, Union County, and its Heimann Well No. 5, located 660 feet from the South line and 1315 feet from the West line of Section 3, Township 19 North, Range 33 East, Harding County. Applicant further seeks authority to conduct pressure interference tests, including authority to vent gas produced from the State FI Well No. 1 for a period not to exceed 45 days and to inject produced gas into its Heimann Well No. 4 located in Unit K of Section 34, Township 20 North, Range 33 East, for a period not to exceed six months.
- CASE 6531: Application of Getty Oil Company for an unorthodox gas well location and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to simultaneously dedicate its Baker B Well No. 6 at an unorthodox location 510 feet from the South and West lines of Section 10, Township 22 South, Range 37 East, Lea County, New Mexico, and its Baker B Well No. 15 located in Unit L of said Section 10, the current unit well, to the existing proration unit.
- CASE 6532: Application of Northwest Production Corporation for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Tapacito-Pictured Cliffs and Blanco Mesaverde production in the wellbore of its Jicarilla 117E Well No. 5 located in Unit M of Section 28, Township 26 North, Range 3 West, Rio Arriba County, New Mexico.
- CASE 6072: (Continued from March 28, 1979, Examiner Hearing)
- In the matter of Case 6072 being reopened pursuant to the provisions of Order No. R-5643 which order created the Travis-Upper Pennsylvanian Pool, Eddy County, New Mexico, with provisions for 80-acre spacing. All interested parties may appear and show cause why the Travis-Upper Pennsylvanian Pool should not be developed on 40-acre spacing units.

Dockets Nos. 14-79 and 15-79 are tentatively set for hearing on April 11 and 18, 1979. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 28, 1979

9 A.M. - OIL CONSERVATION DIVISION 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:

- CASE 6500: Application of Gulf Oil Corporation for approval of infill drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a finding that the Division waived existing well-spacing requirements and found that the drilling of additional wells was necessary to effectively and efficiently drain those portions of the proration units in the Central Drinkard Unit located in Sections 28, 29, 32 and 33, Township 21 South, Range 37 East, Lea County, New Mexico, which could not be so drained by the existing wells.
- CASE 6501: Application of Delta Drilling Company for directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to re-enter the Williamson State Unit Well No. 1, the surface location of which is 660 feet from the North and West lines of Section 30, Township 16 South, Range 33 East, Lea County, New Mexico, and directionally drill said well in such a manner as to bottom it in the Morrow formation within 100 feet of a point 1980 feet from the North and West lines of said Section 30, the N/2 of the section to be dedicated to the well.
- CASE 6502: Application of Stevens Oil Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying the SW/4 SW/4 of Section 30, Township 8 South, Range 29 East, Chaves 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 6503: Application of Sundance Oil Company for salt water disposal, Roosevelt 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 4207 feet to 4228 feet in its Cone Federal Well No. 8 located in Unit P of Section 31, Township 7 South, Range 32 East, Tomahawk-San Andres Pool, Roosevelt County, New Mexico.
- CASE 6504: Application of Phoenix Resources Company for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for its Buckhorn Canyon Unit Area No. 2, comprising 23,009 acres, more or less, of Federal and State lands in Township 19 South, Ranges 19 and 20 East, Chaves County, New Mexico.
- CASE 6505: Application of Doyle Hartman for vertical pool limit redefinition, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order extending the vertical limits of the Langlie Mattix Pool in Lea County, New Mexico, to include the lowermost 200 feet of the Seven Rivers formation and the concomitant contraction of the vertical limits of the Jalmat Gas Pool underlying the following described lands in Township 23 South, Range 36 East: Section 35: SW/4, S/2 SE/4, and NW/4 SE/4; Section 36: W/2 SW/4; and in Township 24 South, Range 36 East: Section 1: NW/4, S/2 NE/4, and NW/4 NE/4; Section 2: W/2.
- CASE 6506: Application of Bedford, Inc. for approval of infill drilling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well-spacing requirements and a finding that the drilling of its Ram Well No. 1-A located in Unit G of Section 8, Township 26 North, Range 12 West, WAW-Fruitland Pictured Cliffs Pool, San Juan County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.
- CASE 6507: Application of Harvey E. Yates Company for an NGPA determination, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir or in the alternative a new onshore production well determination for its Hanlad State Well No. 1 located in Unit K of Section 2, Township 18 South, Range 35 East, Queen formation, Lea County, New Mexico.
- CASE 6508: Application of Harvey E. Yates Company for an unorthodox well location and a non-standard proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 62.75-acre non-standard gas proration unit comprising Lots 1 and 2 of Section 19, Township 18 South, Range 29 East, Eddy County, New Mexico, to be dedicated to its Depco Federal Well No. 1 to be located 330 feet from the North line and 660 feet from the West line of said Section 19.

CASE 6509: Application of Harvey E. Yates Company for pool creation and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order creating a new gas pool in the Yates formation for its Depco Federal Well No. 1 located in Unit D of Section 19, Township 18 South, Range 29 East, Eddy County, New Mexico, and for promulgation of special pool rules, including provision for 80-acre gas well spacing.

CASE 6480: (Continued from February 28, 1979, Examiner Hearing)

Application of Harvey E. Yates Company for an NGPA determination, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir or in the alternative a new onshore production well determination for its State 22 Well No. 1 located in Unit P of Section 22, Township 18 South, Range 35 East, Queen formation, Lea County, New Mexico.

CASE 6482: (Continued from February 28, 1979, Examiner Hearing)

Application of Harvey E. Yates Company for an NGPA determination, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir or in the alternative a new onshore production well determination for its Mobil 27 State Well No. 1 located in Unit A of Section 27, Township 18 South, Range 35 East, Queen formation, Lea County, New Mexico.

CASE 6072: (Continued from March 14, 1979, Examiner Hearing)

In the matter of Case 6072 being reopened pursuant to the provisions of Order No. R-5643 which order created the Travis-Upper Pennsylvanian Pool, Eddy County, New Mexico, with provisions for 80-acre spacing. All interested parties may appear and show cause why the Travis-Upper Pennsylvanian Pool should not be developed on 40-acre spacing units.

CASE 6492: (Continued from March 14, 1979, Examiner Hearing)

Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying the NE/4 NW/4 of Section 13, Township 17 South, Range 25 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 6510: Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location for the Wolfcamp through Mississippian formations of its Rio Pecos Federal "KO" Well No. 1, to be located 660 feet from the North line and 1300 feet from the East line of Section 28, Township 18 South, Range 27 East, Eddy County, New Mexico, the E/2 of said Section 28 to be dedicated to the well.

CASE 6511: Application of Yates Petroleum Corporation for a dual completion and downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Tom Brown "GO" Com. Well No. 1 located in Unit C of Section 22, Township 17 South, Range 26 East, Kennedy Farms Field, Eddy County, New Mexico, to produce gas from the Lower Morrow formation through tubing and to commingle and produce the Strawn and Upper Morrow zones in the annulus of said well.

CASE 6512: Application of Yates Petroleum 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 Hilliard "BF" Federal Well No. 2, to be located 330 feet from the North line and 2310 feet from the West line of Section 14, Township 21 South, Range 22 East, to test the Wolfcamp through Mississippian formations, Eddy County, New Mexico, the W/2 of said Section 14 to be dedicated to the well.

CASE 6513: Application of Yates Petroleum Corporation for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Atoka and Morrow production in the wellbore of its Stebbins CQ Fed. Well No. 1 located in Unit B of Section 20, Township 20 South, Range 29 East, East Burton Flats Field, Eddy County, New Mexico.

CASE 6514: Application of Yates Petroleum Corporation for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of North Burton Flats-Atoka and East Burton Flats-Morrow production in the wellbore of its Williamson BC Fed. Well No. 4 located in Unit K of Section 7, Township 20 South, Range 29 East, Eddy County, New Mexico.

CASE 6515: Application of Southland Royalty Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the W/2 of Section 31, Township 31 North, Range 11 West, San Juan County, New Mexico, to be dedicated to its Grenier Well No. 23 drilled at a location 1190 feet from the South and West lines of said Section 31. 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 6516: 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 Maduro Unit Area, comprising 2,560 acres, more or less, of Federal and State lands in Township 19 South, Range 33 East, Lea County, New Mexico.

CASE 6452: (Continued and Readvertised)

Application of Burleson & Huff for a non-standard gas proration unit and approval of infill drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard gas proration unit comprising the SW/4 of Section 25, Township 24 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico. Applicant further seeks a finding that the recompletion of its Harrison Well No. 2 located in Unit N or in the alternative, the drilling of its Harrison Well No. 4 in Unit L, of Section 25 is necessary to effectively and efficiently drain that portion of the previously approved 160-acre proration unit which cannot be drained by the old unit well.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
28 March 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Corpor-) CASE
ation for compulsory pooling, Eddy) 6492
County, New Mexico.)

BEFORE: Richard L. Stamets

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 87503

For the Applicant: Joel Carson, Esq.
LOSEE, CARSON & DICKERSON
Artesia, New Mexico

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3010 Plaza Blanca (806) 471-2463
Santa Fe, New Mexico 87501

1 MR. STAMETS: Call next Case 6492.

2 MS. TESCHENDORF: Case 6492. Application of
3 Yates Petroleum Corporation for compulsory pooling, Eddy
4 County, New Mexico.

5 MR. CARSON: Mr. Examiner, in Case Number
6 6492 -- my name is Joel Carson, Losee, Carson, & Dickerson,
7 P. A., in Case 6492, the land man that's responsible for
8 that case came up with the flu, various kinds of illnesses
9 in the middle of the night, and he's not here.

10 So we'd like to ask that that case be con-
11 tinued, probably for a month.

12 MR. STAMETS: Okay, we will continue Case
13 6492 to April 25th.

14 (Hearing concluded.)
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SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (SOS) 471-3462
Santa Fe, New Mexico 87501

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 W. Boyd
Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6492 heard by me on 3-28 1979.
Richard H. Hunt, Examiner
Oil Conservation Division

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
2020 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
28 March 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Corpor-) CASE
ation for compulsory pooling, Eddy) 6492
County, New Mexico.)

BEFORE: Richard L. Stamets

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 87503

For the Applicant: Joel Carson, Esq.
LOSEE, CARSON & DICKERSON
Artesia, New Mexico

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (SOS) 471-2463
Santa Fe, New Mexico 87501

1 MR. STAMETS: Call next Case 6492.

2 MS. TESCHENDORF: Case 6492. Application of
3 Yates Petroleum Corporation for compulsory pooling, Eddy
4 County, New Mexico.

5 MR. CARSON: Mr. Examiner, in Case Number
6 6492 -- my name is Joel Carson, Losee, Carson, & Dickerson,
7 P. A., in Case 6492, the land man that's responsible for
8 that case came up with the flu, various kinds of illnesses
9 in the middle of the night, and he's not here.

10 So we'd like to ask that that case be con-
11 tinued, probably for a month.

12 MR. STAMETS: Okay, we will continue Case
13 6492 to April 25th.

14 (Hearing concluded.)
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SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (SOS) 471-2462
Santa Fe, New Mexico 87501

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 W. Boyd, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. _____, heard by me on _____ 19____.

_____, Examiner
Oil Conservation Division

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (805) 471-3462
Santa Fe, New Mexico 87501

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
14 March 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Cor-) CASE
poration for compulsory pooling,) 6492
Eddy 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 87503

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (906) 471-2462
Santa Fe, New Mexico 87501

1 MR. NUTTER: Call next Case Number 6492.

2 MS. TESCHENDORF: Case 6492. Application of
3 Yates Petroleum Corporation for compulsory pooling, Eddy
4 County, New Mexico.

5 The applicant has requested that this case
6 be continued to the March 28th hearing.

7 MR. NUTTER: Case Number 6492 will be con-
8 tinued to the Examiner Hearing scheduled to be held at this
9 same place at 9:00 o'clock a. m., March the 28th, 1979.

10 (Hearing concluded.)

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
8010 Plaza Blanca (905) 471-2462
Santa Fe, New Mexico 87501

REPORTER'S CERTIFICATE

I, SALLY W. 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 the 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
CERTIFIED SHORTHAND REPORTER
2020 Plaza Blanca (606) 471-2462
Santa Fe, New Mexico 87501

Sally W. Boyd
Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 6492,
heard by me on 3/14 1979.
[Signature], Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
14 March 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Cor-) CASE
poration for compulsory pooling,) 6492
Eddy 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 87503

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (606) 471-2482
Santa Fe, New Mexico 87501

1 MR. NUTTER: Call next Case Number 6492.

2 MS. TESCHENDORF: Case 6492. Application of
3 Yates Petroleum Corporation for compulsory pooling, Eddy
4 County, New Mexico.

5 The applicant has requested that this case
6 be continued to the March 28th hearing.

7 MR. NUTTER: Case Number 6492 will be con-
8 tinued to the Examiner Hearing scheduled to be held at this
9 same place at 9:00 o'clock a. m., March the 28th, 1979.

10 (Hearing concluded.)
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SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

REPORTER'S CERTIFICATE

I, SALLY W. 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 the 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 W. Boyd, C.S.R.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 6492
heard by me on 3/14 19. 79.

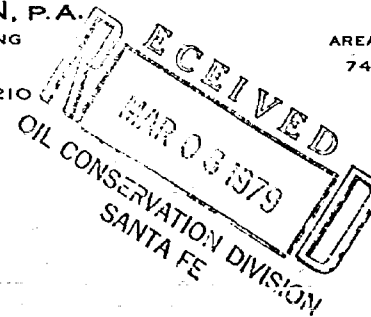
, Examiner
Oil Conservation Division

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

A. J. LOSEE
JOEL M. CARSON
CHAD DICKERSON

LAW OFFICES
LOSEE & CARSON, P.A.
300 AMERICAN HOME BUILDING
P. O. DRAWER 239
ARTESIA, NEW MEXICO 88210

AREA CODE 505
746-3508



5 March 1979

Case 6492

Mr. Dan Nutter
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Dear Dan:

I am writing this letter in connection with the Yates Petroleum Corporation application to force pool certain mineral interest owners under its Smith "FA" No. 1 Well located in the NE/4 NW/4 Section 13, Township 17 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. The parties to be force pooled are
✓ Immanuel House of Prayer, c/o Murl Hughes, 1601 West Main, Artesia, New Mexico, 88210, Clardy-Campbell Dairy Products, Inc., 1605 North Garden Avenue, Roswell, New Mexico, 88201, and ✓ Mr. Henry E. Medford, Jr., 6004 El Fandango Place, El Paso, Texas, 79912.

Yours truly,

LOSEE, CARSON & DICKERSON, P.A.

Joel M. Carson

*doctors
included 3/6
JMC*

JMC:bjm

cc: Yates Petroleum Corporation

Dockets Nos. 11-79 and 12-79 are tentatively set for hearing on March 14 and 28, 1979. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - WEDNESDAY - MARCH 7, 1979

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

CASE 6489: Application of J. V. Fritts and Wm. B. Barnhill for review of Order No. R-4831, Eddy County, New Mexico. Applicants, in the above-styled cause, seek the review and interpretation of Order No. R-4831 to permit them the opportunity to join in the drilling of the Federal "B" Well No. 1 located in Unit P of Section 1, Township 18 South, Range 26 East, Atoka-Pennsylvanian Pool, Eddy County, New Mexico, and to determine the applicability of the 200% risk factor.

CASE 6398: (DE NOVO)

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 for the Wolfcamp and Pennsylvanian formations of its State Com Well No. 1, to be located 660 feet from the South and West lines of Section 18, Township 21 South, Range 26 East, Catclaw Draw Field, Eddy County, New Mexico, all of said Section 18 to be dedicated to the well in the Morrow formation.

Upon application of Texas Oil & Gas Corporation this case will be heard De Novo pursuant to the provisions of Rule 1220.

Docket No. 11-79

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 14, 1979

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. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

ALLOWABLE: (1) Consideration of the allowable production of gas for April, 1979, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.

(2) Consideration of the allowable production of gas for April, 1979, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 6490: Application of L. C. Harris for a unit agreement, Chaves and Eddy Counties, New Mexico. Applicant, in the above-styled cause, seeks approval for his Walnut Draw Unit Area comprising 9,797 acres, more or less, of Federal, state and fee lands in Townships 15 and 16 South, Ranges 23 and 24 East, Chaves and Eddy Counties, New Mexico.

CASE 6491: Application of C & E Operators, Inc. for an unorthodox well location and a non-standard proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of an 80-acre non-standard gas proration unit comprising the E/2 SW/4 of Section 10, Township 30 North, Range 11 West, Aztec-Pictured Cliffs Pool, San Juan County, New Mexico, to be dedicated to a well to be located 1700 feet from the South line and 1760 feet from the West line of said Section 10.

CASE 6477: (Continued from February 28, 1979, Examiner Hearing)

Application of Sun Oil Company for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project on its East Millman Pool Unit Area by the injection of water into the Queen and Grayburg formations through eleven wells located in Sections 12 and 13 of Township 19 South, Range 28 East, East Millman Pool, Eddy County, New Mexico.

CASE 6492: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying the NE/4 NW/4 of Section 13, Township 17 South, Range 25 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 6072: (Reopened and Readvertised)

In the matter of Case 6072 being reopened pursuant to the provisions of Order No. R-5643 which order created the Travis-Upper Pennsylvanian Pool, Eddy County, New Mexico, with provisions for 80-acre spacing. All interested parties may appear and show cause why the Travis-Upper Pennsylvanian Pool should not be developed on 40-acre spacing units.

CASE 6493: Application of Merrion & Bayless for gas well commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the surface commingling, prior to measurement, of Pictured Cliffs production from the Hi Roll Wells Nos. 1 and 2 located in Units U and K of Section 35, Township 27 North, Range 13 West, San Juan County, New Mexico.

CASE 6494: Application of Morris R. Antweil for an unorthodox gas well location and simultaneous dedication, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of his Mesa Macho Well No. 1 located in Unit O of Section 24, Township 20 South, Range 27 East, Morrow formation, Eddy County, New Mexico, the E/2 of said Section 24 to be simultaneously dedicated to the aforesaid well and to applicant's Macho Norte Well No. 1 located in Unit G of Section 24.

CASE 6495: Application of Amax Chemical Corporation for the amendment of Order No. R-111-A, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-111-A to extend the boundaries of the Potash-Oil Area by the inclusion of certain lands in Sections 23 and 24, Township 19 South, Range 29 East, Sections 1, 4, 5, 6, 7, 11, 12, 13, 14, 19, 20, 23, 24, and 29, Township 19 South, Range 30 East, and Sections 7, 8, 17, 18, and 19, Township 19 South, Range 31 East, all in Eddy County, New Mexico.

CASE 6496: Application of Llano, Inc. for rescission of pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the rescission of Order No. R-3006, which promulgated 640-acre spacing for the Grama Ridge-Morrow Gas Pool, Lea County, New Mexico. Applicant proposes that said pool be developed and operated under 320-acre spacing and well location requirements.

CASE 6497: Application of Llano, Inc. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be located 1650 feet from the South line and 660 feet from the East line of Section 34, Township 21 South, Range 34 East, Grama Ridge-Morrow Gas Pool, Lea County, New Mexico, the E/2 of said Section 34 to be dedicated to the well.

CASE 6498: Application of Pogo Producing Company to limit application of pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to limit the application of the Grama Ridge-Morrow Gas Pool Rules to the horizontal limits of said pool, being all of Sections 2, 3, 4, and 10, Township 22 South, Range 34 East and Sections 33 and 34, Township 21 South, Range 34 East, Lea County, New Mexico.

CASE 6499: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating and extending horizontal limits and contracting vertical limits of certain pools in Chaves, Eddy, Lea, and Roosevelt Counties, New Mexico:

(a) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Antelope Sink-Morrow Gas Pool. The discovery well is Maddox Energy Corporation State 32 Well No. 1 located in Unit I of Section 32, Township 18 South, Range 24 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 24 EAST, NMPM
Section 32: E/2

(b) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Baldridge Canyon-Morrow Gas Pool. The discovery well is W. A. Moncrief, Jr., Baldridge Canyon Com Well No. 1 located in Unit G of Section 13, Township 24 South, Range 24 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 24 EAST, NMPM
Section 13: E/2

(c) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the Burton Flat-Delaware Pool. The discovery well is Yates Petroleum Corporation Stonewall EP State Well No. 3 located in Unit N of Section 19, Township 20 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM
Section 19: SW/4

(j) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for San Andres production and designated as the East Crossroads-San Andres Pool. The discovery well is MGT Oil Corporation Santa Fe Railway Well No. 1 located in Unit A of Section 13, Township 10 South, Range 36 East, NMPM. Said pool would comprise:

TOWNSHIP 10 SOUTH, RANGE 36 EAST, NMPM
Section 13: NE/4

(e) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the South Culebra Bluff-Atoka Gas Pool. The discovery well is Delta Drilling Company South Culebra Bluff Unit Well No. 1 located in Unit G of Section 23, Township 23 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM
Section 14: E/2
Section 23: All
Section 26: All

(f) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Dublin Ranch-Morrow Gas Pool. The discovery well is J. C. Barnes Oil Company Big Chief Com Well No. 1 located in Unit F of Section 22, Township 22 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM
Section 22: All
Section 27: N/2

(g) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Gardner Draw-Morrow Gas Pool. The discovery well is Phoenix Resources Company Gardner Draw Unit Well No. 1 located in Unit C of Section 20, Township 19 South, Range 21 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 21 EAST, NMPM
Section 17: W/2
Section 19: N/2
Section 20: N/2

(h) CREATE a new pool in Chaves County, New Mexico, classified as a gas pool for Pennsylvanian production and designated as the Jubilee-Pennsylvanian Gas Pool. The discovery well is Tom L. Ingram Jubilee Well No. 1 located in Unit E of Section 28, Township 10 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 10 SOUTH, RANGE 29 EAST, NMPM
Section 28: W/2

(i) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Mississippian production and designated as the King-Mississippian Gas Pool. The discovery well is Cabot Corporation J. L. Reed Well No. 1 located in Unit H of Section 35, Township 13 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 13 SOUTH, RANGE 37 EAST, NMPM
Section 35: NE/4

(j) CREATE a new pool in Chaves County, New Mexico, classified as a gas pool for Atoka production and designated as the Lone Wolf-Atoka Gas Pool. The discovery well is Depco, Inc. Sundance A Federal Well No. 1 located in Unit J of Section 25, Township 12 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 12 SOUTH, RANGE 29 EAST, NMPM
Section 25: S/2

(k) CREATE a new pool in Chaves County, New Mexico, classified as a gas pool for Strawn production and designated as the Lost Lake-Strawn Gas Pool. The discovery well is Texas Oil & Gas Corporation O'Brien Well No. 1 located in Unit I of Section 11, Township 9 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 9 SOUTH, RANGE 29 EAST, NMPM
Section 2: S/2
Section 11: All
Section 14: N/2

- (l) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the West Mescalero-Morrow Gas Pool. The discovery well is Natomas North America, Inc. New Mexico State Well No. 1 located in Unit M of Section 19, Township 10 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 10 SOUTH, RANGE 32 EAST, NMPM
Section 19: W/2

- (m) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Permo-Penn production and designated as the Penasco Draw Permo-Penn Gas Pool. The discovery well is Yates Petroleum Corporation La Cama Com Well No. 1 located in Unit F of Section 20, Township 18 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM
Section 18: S/2
Section 19: All
Section 20: All
Section 21: W/2
Section 30: All
Section 31: All

- (n) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Siegreist Draw-Morrow Gas Pool. The discovery well is Yates Petroleum Corporation Siegreist JS State Com Well No. 1 located in Unit C of Section 30, Township 19 South, Range 24 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM
Section 30: N/2

- (o) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the North Turkey Track-Atoka Gas Pool. The discovery well is Amoco Production Company State ER Com Well No. 1 located in Unit G of Section 6, Township 19 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM
Section 6: N/2

- (p) EXTEND the Angell Ranch-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM
Section 35: E/2

- (q) EXTEND the Buffalo Valley-Pennsylvanian Gas Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 28 EAST, NMPM
Section 17: S/2

- (r) EXTEND the Cato-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 31 EAST, NMPM
Section 5: NW/4 SW/4

- (s) EXTEND the Cedar Lake-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM
Section 25: W/2
Section 26: E/2
Section 36: NW/4

- (t) EXTEND the East Chisum-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 11 SOUTH, RANGE 28 EAST, NMPM
Section 9: E/2 NE/4
Section 10: W/2 NW/4

- (u) EXTEND the South Corbin-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM
Section 20: SW/4

- (v) EXTEND the Double L Queen Associated Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 29 EAST, NMPM
Section 24: NW/4 and E/2 SW/4
Section 36: NW/4 NW/4, S/2 NW/4 and SW/4

- (w) EXTEND the Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 18: SE/4

- (x) EXTEND the East Eagle Creek Atoka-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 7: N/2

- (y) EXTEND the Grama Ridge-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM
Section 35: All

- (z) REDEFINE the vertical limits of the Monument Tubb-Drinkard Pool in Lea County, New Mexico, to include only the Tubb formation and redesignate said pool as the Monument-Tubb Pool.

- (aa) EXTEND the West Indian Basin-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 22 EAST, NMPM
Section 23: E/2

- (bb) EXTEND the Millman-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM
Section 12: E/2

- (cc) EXTEND the South Prairie-Wolfcamp Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 36 EAST, NMPM
Section 20: N/2

- (dd) EXTEND the Querecho Plains-Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM
Section 34: NW/4

- (ee) EXTEND the Richard Knob Atoka-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM
Section 7: All
Section 18: N/2

- (ff) EXTEND the Round Tank-Queen Associated Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM
Section 30: NE/4

- (gg) EXTEND the South Salt Lake-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPM
Section 5: Lots 11, 12, 13, 14 and SW/4

- (hh) EXTEND the North Teague-Devonian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM
Section 22: NW/4

- (ii) EXTEND the Tomahawk-San Andres Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANGE 32 EAST, NMPM
Section 30: SW/4

(jj) EXTEND the Twin Lakes-San Andres Associated Pool in Chaves County, New Mexico, to include therein:

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

Docket No. 12-79

DOCKET: COMMISSION HEARING - THURSDAY - MARCH 15, 1979

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

CASE 6222: (Rehearing) (Continued from March 2, 1979, 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.

A. J. LOSEE
JOEL M. CARSON
CHAD DICKERSON

LAW OFFICES
LOSEE & CARSON, P.A.
300 AMERICAN HOME BUILDING
P. O. DRAWER 239
ARTESIA, NEW MEXICO 88210

AREA CODE 505
746-3508

7 February 1979

Mr. Joe D. Ramey, Director
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

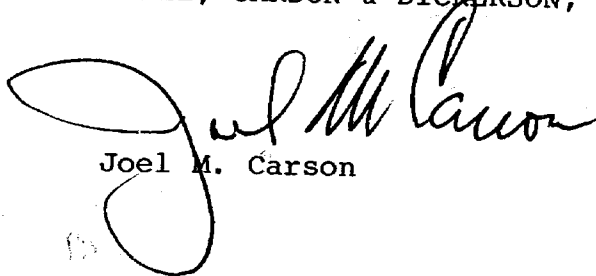
Dear Mr. Ramey:

Enclosed for filing, please find three copies of an Application of Yates Petroleum Corporation for compulsory pooling, in Eddy County, New Mexico.

We ask that this case be set for hearing before an examiner on February 28, if possible, and that you furnish us with a docket of said hearing.

Yours truly,

LOSEE, CARSON & DICKERSON, P.A.


Joel M. Carson

JMC:bjm
Enclosures

cc w/enclosure: Yates Petroleum Corporation

BEFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

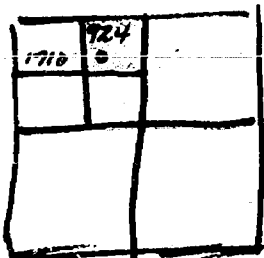
IN THE MATTER OF THE APPLICATION OF
YATES PETROLEUM CORPORATION FOR
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO

CASE NO. 6492

APPLICATION

COMES NOW YATES PETROLEUM CORPORATION, by its attorneys,
and in support hereof, respectfully states:

1. Applicant has the right to drill its Smith "FA"
No. 1 Well in the San Andres formation as an oil well, which
is to be located at a point 924 feet from the North line and
1,710 feet from the West line of Section 13, Township 17
South, Range 25 East, N.M.P.M., Eddy County, New Mexico.
2. The applicant has dedicated the NE/4 NW/4 of said sec-
tion to this well, and there are interest owners in the proration
unit who have not agreed to pool their interests.
3. Applicant should be designated the operator of
the well and the proration unit.
4. 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 in said unit, all mineral interests, whatever they may be,
from the surface through the San Andres formation underlying the
NE/4 NW/4 of said Section 13, should be pooled.



5. 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% thereof as a reasonable charge for the risk involved in the drilling of the well.

6. Applicant should be authorized to withhold from production the proportionate share of a reasonable supervision charge for drilling and producing wells attributable to each non-consenting working interest owner.

WHEREFORE, applicant prays that:

A. This application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. Upon hearing the Division enter its order pooling all mineral interests, whatever they may be, from the surface through the San Andres formation underlying the NE/4 NW/4 of said Section 13, Township 17 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, to form a 40-acre spacing unit dedicated to applicant's well.

C. And for such other relief as may be just in the premises.

YATES PETROLEUM CORPORATION

By: 

Joel M. Carson

LOSEE, CARSON & DICKERSON, P.A.
P. O. Drawer 239
Artesia, New Mexico 88210

Attorneys for Applicant

BEFORE THE OIL CONSERVATION DIVISION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :
YATES PETROLEUM CORPORATION FOR :
COMPULSORY POOLING, EDDY COUNTY, :
NEW MEXICO :

CASE NO. 6492

APPLICATION

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No. 1 Well in the San Andres formation as an oil well, which
is to be located at a point 924 feet from the North line and
1,710 feet from the West line of Section 13, Township 17
South, Range 25 East, N.M.P.M., Eddy County, New Mexico.
2. The applicant has dedicated the NE/4 NW/4 of said sec-
tion to this well, and there are interest owners in the proration
unit who have not agreed to pool their interests.
3. Applicant should be designated the operator of
the well and the proration unit.
4. 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 in said unit, all mineral interests, whatever they may be,
from the surface through the San Andres formation underlying the
NE/4 NW/4 of said Section 13, should be pooled.

5. 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% thereof as a reasonable charge for the risk involved in the drilling of the well.

6. Applicant should be authorized to withhold from production the proportionate share of a reasonable supervision charge for drilling and producing wells attributable to each non-consenting working interest owner.

WHEREFORE, applicant prays that:

A. This application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. Upon hearing the Division enter its order pooling all mineral interests, whatever they may be, from the surface through the San Andres formation underlying the NE/4 NW/4 of said Section 13, Township 17 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, to form a 40-acre spacing unit dedicated to applicant's well.

C. And for such other relief as may be just in the premises.

YATES PETROLEUM CORPORATION

By: 
Joel M. Carson

LOSEE, CARSON & DICKERSON, P.A.
P. O. Drawer 239
Artesia, New Mexico 88210

Attorneys for Applicant

BEFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF
YATES PETROLEUM CORPORATION FOR
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO

CASE NO. 6492

APPLICATION

COMES NOW YATES PETROLEUM CORPORATION, by its attorneys,
and in support hereof, respectfully states:

1. Applicant has the right to drill its Smith "FA"
No. 1 Well in the San Andres formation as an oil well, which
is to be located at a point 924 feet from the North line and
1,710 feet from the West line of Section 13, Township 17
South, Range 25 East, N.M.P.M., Eddy County, New Mexico.
2. The applicant has dedicated the NE/4 NW/4 of said sec-
tion to this well, and there are interest owners in the proration
unit who have not agreed to pool their interests.
3. Applicant should be designated the operator of
the well and the proration unit.
4. 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 in said unit, all mineral interests, whatever they may be,
from the surface through the San Andres formation underlying the
NE/4 NW/4 of said Section 13, should be pooled.

5. 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% thereof as a reasonable charge for the risk involved in the drilling of the well.

6. Applicant should be authorized to withhold from production the proportionate share of a reasonable supervision charge for drilling and producing wells attributable to each non-consenting working interest owner.

WHEREFORE, applicant prays that:

A. This application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. Upon hearing the Division enter its order pooling all mineral interests, whatever they may be, from the surface through the San Andres formation underlying the NE/4 NW/4 of said Section 13, Township 17 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, to form a 40-acre spacing unit dedicated to applicant's well.

C. And for such other relief as may be just in the premises.

YATES PETROLEUM CORPORATION

By: 

Joel M. Carson

LOSEE, CARSON & DICKERSON, P.A.
P. O. Drawer 239
Artesia, New Mexico 88210

Attorneys for Applicant

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. 6492

Order No. R- 6017

APPLICATION OF YATES PETROLEUM
CORPORATION FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on ~~March 14~~
19 79, at Santa Fe, New Mexico, before Examiner ~~REAS and~~ Daniel S. Nutter. *RE*

NOW, on this day of May, 1979, 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, Yates Petroleum Corporation
seeks an order pooling all mineral interests in the San Andres
formation underlying the NE/4 NW/4
of Section 13, Township 17 South, Range 25 East
NMPM, Eagle Creek-San Andres Pool, Eddy County, New
Mexico.

Case No.
Order No. R-

(3) That the applicant ^{has the right to drill and has drilled its} ~~Smith FR Well No. 1 at a standard location thereon~~ ^{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 ^{oil/} ~~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 ^{actual} ~~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 ^{actual} ~~estimated~~ well costs should have withheld from production his share of the reasonable well costs plus an additional 100 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.

(10) That ^{\$300.00} per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(11) ~~(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.

~~(12)~~ ~~(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 _____, 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 San Andres formation underlying the NE/4 NW/4 of Section 13, Township 17 South, Range 25 East, NMPM, Eagle Creek - San Andres Pool, Eddy County, New Mexico, are hereby pooled to form a standard 40 - acre ^{oil} ~~gas~~ spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon. ^{The Yates Petroleum Corporation}
^{Smith F.P. Well No. 1 drilled}

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the _____ day of _____, 1979, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the San Andres formation.

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the _____ day of _____, 1979, 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 Yates Petroleum Corporation is hereby designated the operator of the subject well and unit.

(3) That ^{within 30 days} 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 ^{actual} ~~estimated~~ well costs.

(4) That within 30 days from the date the schedule of ^{actual} ~~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

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

(6) 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, 100 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 \$300.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(8) ~~(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.

(9) ~~(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.

(10) ~~(12)~~ That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(11) ~~(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 herein-
above designated.