

CASE 6948: READING & BATES PETROLEUM
CO. FOR COMPULSORY POOLING, RIO ARRIBA
COUNTY, NEW MEXICO

- 6.

Case No.

6966

Application

Transcripts

Small Exhibits

ETC



BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

POST OFFICE BOX 2208
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-3434

Mr. William F. Carr
Campbell and Black
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico

Re: CASE NO. 6966
ORDER NO. R-6413

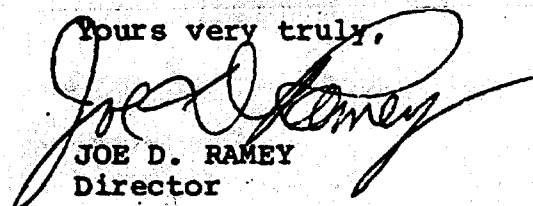
Applicant:

Reading & Bates Petroleum Co.

Dear Sir:

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

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD X
Artesia OCD X
Aztec OCD X

Other _____

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. 6966
Order No. R-6413

APPLICATION OF READING & BATES
PETROLEUM CO. FOR COMPULSORY
POOLING, RIO ARRIBA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 9, 1980, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 5th day of August, 1980, 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, Reading & Bates Petroleum Co., seeks an order pooling all mineral interests in the Gallup and Dakota formations underlying the NE/4 of Section 17, Township 24 North, Range 3 West, NMPH, West Lindrith Gallup-Dakota Pool, Rio Arriba County, New Mexico.
- (3) That the applicant has the right to drill and propose to drill a well at a standard location thereon.
- (4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas

-2-

Case No. 6966

Order No. R-6413

in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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

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

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

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

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

(11) That \$2185.00 per month while drilling and \$355.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

-3-

Case No. 6966
Order No. R-6413

(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 October 1, 1980, 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 Gallup and Dakota formations underlying the NE/4 of Section 17, Township 24 North, Range 3 West, NMPM, West Lindrith Gallup-Dakota Pool, Rio Arriba County, New Mexico, are hereby pooled to form a standard 160-acre spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of October, 1980, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Dakota formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of October, 1980, 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 Reading & Bates Petroleum Co. is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

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

-4-
Case No. 6966
Order No. R-6413

(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 who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

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

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

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

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

(9) That \$2185.00 per month while drilling and \$355.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator

-5-
Case No. 6966
Order No. R-6413

is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

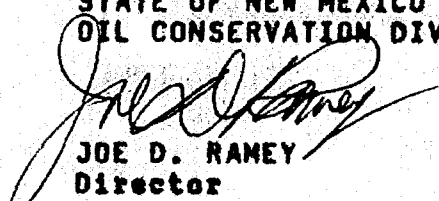
(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

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

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY
Director


S E A L

fd/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
9 July 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Reading & Bates
Petroleum Co. for compulsory pooling,
Rio Arriba County, New Mexico. CASE
6966

BEFORE: Daniel S. Nutter

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 to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

William F. Carr, Esq.
CAMPBELL & BLACK P. A.
Jefferson Plaza
Santa Fe, New Mexico 87501

SALLY W. BOYD, C.B.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I N D E X

JERRY HOFMAN

Direct Examination by Mr. Carr 3

Cross Examination by Mr. Nutter 13

MARK E. MEADOR

Direct Examination by Mr. Carr 13

Cross Examination by Mr. Nutter 16

E X H I B I T S

Applicant Exhibit One, Structure Map 5

Applicant Exhibit Two, Isopach 6

Applicant Exhibit Three, Isopach 8

Applicant Exhibit Four, Isopach 8

Applicant Exhibit Five, Cross Section 10

Applicant Exhibit Six, List 16

Applicant Exhibit Seven, Notice 14

Applicant Exhibit Eight, AFE 14

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

MR. NUTTER: Call Case Number 6966.

MR. PADILLA: Application of Reading and
Bates Petroleum Company for compulsory pooling, Rio Arriba
County, New Mexico.

MR. CARR: May it please the Examiner,
I am William F. Carr, Campbell and Black, P. A., appearing
on behalf of the applicant.

I have two witnesses who need to be sworn.

(Witnesses sworn.)

JERRY HOFMAN

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

DIRECT EXAMINATION

BY MR. CARR:

Q Will you state your full name and place
of residence?

A. My name is Jerry Hofman from Denver,
Colorado.

Q Would you spell your last name, please?

A. H-O-F-M-A-N,

Q Mr. Hofman, by whom are you employed and
in what capacity?

SALLY W. BOYD, C.S.R.
 Rt. 1 Box 193-B
 Santa Fe, New Mexico 87501
 Phone (505) 455-7409

1 A I'm employed by Reading and Bates Petroleum
 2 Company as a petroleum engineer.

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

6 A No, I have not.

7 Q Will you briefly summarize for the Examiner
 8 your educational background and work experience?

9 A Yes. I have a BS degree in petroleum en-
 10 gineering from the University of Missouri at Rolla, received
 11 in 1977.

12 I worked for two years and three months
 13 for Marathon Oil Company as a petroleum engineer in Casper,
 14 Wyoming.

15 The last ten months I've been employed as
 16 a petroleum engineer for Reading and Bates Petroleum Company.

17 Q Are you familiar with the application of
 18 Reading and Bates in this case?

19 A Yes, I am.

20 Q Are you familiar with the subject area?

21 A Yes, I am.

22 MR. CARR: Are the witness' qualifications
 23 acceptable?

24 MR. NUTTER: Yes, they are.

25 Q Mr. Hoffman, would you briefly state what

1 Reading and Bates seeks with this application?

2 A. Reading and Bates seeks to -- to have a
3 forced pooling of all the mineral interests underlying the
4 northeast quarter of Section 17, Township 24 North, Range 3
5 West in Rio Arriba County.

6 This would include mineral interests from
7 the Gallup and the Dakota formations.

8 Q. Would you please refer to what has been
9 marked for identification as Exhibit Number One and explain
10 to Mr. Nutter what it is and what it shows?

11 A. Yes. Exhibit Number One is the structure
12 map to the top of the Dakota formation. This exhibit and the
13 remaining four exhibits I'm presenting are essentially the
14 same as we presented early this year in Case Number 6772,
15 which was a compulsory pooling of the southeast quarter of
16 this same section. They've been modified incorporating the
17 data that we obtained from drilling the 17-1 Well in the
18 southeast quarter.

19 Q. What is the area shaded in green?

20 A. In green, that's the area where we have
21 the mineral interest. We have 1/3 mineral interest in this
22 area. This is not the -- we have the whole northeast quarter
23 and the south half of the southeast quarter.

24 Q. The north half of the southeast?

25 A. The north half of the southeast, right.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

Q And this plat does not reflect the proration unit.

A No, it does not.

Also on this map we have of particular interest, all the black labeled wells are Dakota wells in the area. Everything to the northwest are Dakota with some commingled Gallup. Everything to the south and east are basically Dakota producers.

Also we have shown cross hatched an area that we'll show on Exhibit Five is a cross section for the general area showing the Dakota formation.

This being a structure map, this is not a structural clay. It's a stratigraphic clay. This is just to indicate where we stand structurally in the area. We are 60-some foot low to the well we just drilled. That has not a whole lot of meaning in this case.

Q Mr. Hofman, Reading and Bates is proposing a standard proration unit, consisting of the northeast quarter, is that correct?

A Yes, sir.

Q Will you please refer to what has been marked for identification as your Exhibit Number Two, which is an Isopach on the Dakota A Sand, and first explain to Mr. Nutter what you mean when you refer to the A or B Sand.

A Okay. What we are calling the A and the

1 B Sands are not in -- do not coincide with what is generally
2 called A and B Sands in the area, and this is done mainly for
3 ease of mapping.

4 On my Exhibit Five I'll point this out.
5 Again, what I'm calling A Sand is essentially what is normally
6 called A Sand, but what I'm calling B Sand is a combination
7 of the B and the D zones in this area. This was done strictly
8 for ease of mapping and it serves the same purpose.

9 Q Okay, what does this exhibit show?

10 A This exhibit here shows the gross sand
11 thickness for the Dakota A in this area. We are expecting
12 less gross sand than we developed in our 17-1, as indicated.
13 Again, I'll describe what the gross sand is that we're talking
14 about on Exhibit Five.

15 MR. NUTTER: Mr. Hofman, --

16 A Yes, sir.

17 MR. NUTTER: -- I've drawn in the quarter
18 section on these exhibits that would be the northeast quarter
19 and it looks like that proposed location is awfully close to
20 the line that's across there.

21 A Yes.

22 Q Is that location spotted correctly on
23 that?

24 A It's supposed to be 330 feet from the
25 lines in each direction.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 435-7409

1 MR. NUTTER: And how about from the south
2 side of the proration unit?

3 A. 330 feet, also. I haven't -- just got
4 this map -- I haven't checked the spotting. It's 2310 from
5 the east line, 2310 from the north line.

6 MR. NUTTER: 2310 from each direction and
7 that is a standard location for that pool?

8 A. Yes, sir.

9 MR. NUTTER: Okay.

10 Q. Mr. Hofman, will you now refer to your
11 Exhibit Number Three and review this for the Examiner?

12 A. Exhibit Three is identical to Exhibit Two
13 except that it the B gross sand thickness. It has the same
14 well markings and sand markings.

15 Q. Will you now refer to Exhibit Number Four
16 your Isopach for porosity for the A and B Sands and review
17 the data contained thereon?

18 A. Okay. This is the one with the -- the
19 only one of the three that really is describing what we're
20 producing of in Section -- the gross sand thickness we pre-
21 sented before was strictly to get an idea. This is a channel
22 sand and we're not looking at much difference in total thick-
23 ness than our previous well, but in this one we took a den-
24 sity cutoff of 8 percent and applied it toward a net sand.
25 We had more modification on this exhibit than we did on any

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 435-7409

1 of the previous ones from the ones we presented early this
2 year, and it shows we did develop close to 24 feet of net
3 sand. This is including the A and the B in our 17-1 Well
4 in the southeast quarter. We expect to develop somewhat less
5 than 10 foot in the proposed location, but I need to point out
6 that we have essentially no control whatsoever to the north-
7 east. We've modified quite a bit from the last time and
8 where the 10-foot line comes in we really don't know right
9 now. This is a step out in this direction. There have not
10 been any dry holes drilled in this direction.

11 This should tell us a whole lot more
12 about how much further we can step out.

13 MR. NUTTER: What formation are all these
14 gas wells that are north and east of it?

15 A Those are Pictured Cliffs.

16 MR. NUTTER: All PC wells?

17 A Yes, sir, right around 3000 feet, 3200
18 feet. The dry hole to the northwest of our location was a
19 Pictured Cliffs dry hole back in, I believe it was back in
20 the '50s.

21 The only other dry hole shown is up in
22 Section 7, the southeast quarter, and that was a 1400 foot
23 test back in the early '50s.

24 To my knowledge, there hasn't been any
25 dry holes drilled in this area. Our 17-1 well was the most

1 was the first step out in the northeast direction, and our
2 17-2 well will just be extending the step out.

3 Q Will you please refer to Reading and Bates
4 Exhibit Number Five and review this for the Examiner?

5 A Okay. Number Five is what the -- all the
6 previous maps have been based on.

7 Again, I need to point out what we're
8 calling Dakota A, the perforations you see in each of these
9 sands are actually the Dakota A porosity. We're using from
10 the top of the Dakota A down to the top of the Dakota B as
11 the gross sand, and that nomenclature is consistent with the
12 area.

13 What we're calling Dakota B, the perfor-
14 ations you see right at the top of the Dakota B is in effect
15 the Dakota B sand. The lower perforations you see in three
16 of the wells is the Dakota D sand.

17 Again, for ease of mapping and everything
18 else, we included those two, because those -- the Dakota A
19 sand is the major contributor of production in the area.

20 Q Do you anticipate when you drill the
21 proposed well that you run the risk of drilling a dry hole?

22 A Yes, we do have that risk because we do
23 not have any control to the northeast. We're relying on our
24 thoughts on the mapping. The 10-foot net pay sand could
25 change; could change to our benefit and it could wipe us out.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 Q Are there many dry holes in the area?

2 A There are not any Dakota wells that are
3 dry in the area, to my knowledge.

4 Q Well then, are you running the risk of
5 having an uneconomic venture?

6 A Well, I feel that we're confident that
7 we will hit the Dakota sand. It's hitting Dakota porosity
8 that would make an economic producer is where our risk lies.

9 We are currently producing the well that
10 we just got on test a little over a week ago, the 17-1 in the
11 southeast quarter. That is why we have stepped out further.
12 It's right now producing right around 140 barrels a day;
13 about 140-150 Mcf, and so this has justified to us to go ahead
14 and step out and that is quite economic, and how much further
15 we can go --if we can make with 8' or 10 foot of sand, we feel
16 we can. If we get much less than that, it's going to be --

17 Q Do you consider the drilling of this well
18 a risky venture on the part of Reading and Bates?

19 A Yes, sir, I do.

20 Q How much risk do you believe Reading and
21 Bates is assuming?

22 A We're assuming considerable risk.

23 Q Would you be prepared -- are you prepared
24 to make a recommendation to the Examiner as to the risk factor
25 that should be assessed against any of those who do not parti-

SALLY W. BOYD, C.S.R.

Rt. 1 Box 192-B
Santa Fe, New Mexico 87501
Phone (505) 455-7429

1 cipate in the drilling of this well?

2 A Yes, I would recommend a maximum allowable
3 of 200 percent.

4 Q The maximum penalty?

5 A Of 200 percent, yes, sir.

6 Q In your opinion will the granting of
7 this application be in the best interests of conservation,
8 the prevention of waste, and the protection of correlative
9 rights?

10 A Yes, I do.

11 Q Have you reviewed Exhibits One through
12 Five and can you of your own knowledge verify their accuracy?

13 A Yes, I can.

14 MR. CARR: At this time, Mr. Nutter, we
15 would offer Reading and Bates Exhibits One through Five.

16 MR. NUTTER: Reading and Bates One
17 through Five will be admitted in evidence.

18 MR. CARR: I have nothing --

19 MR. NUTTER: What's your other witness
20 going to testify to?

21 MR. CARR: The other witness is going to
22 testify as to the status of the acreage which has been com-
23 mitted to this proration unit. He will testify as to the
24 notice that has been given and will present data as to --

25 MR. NUTTER: How about well costs?

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 MR. CARR: He will give data on the AFE
2 and also cost, administrative and other overhead charges.
3

4 CROSS EXAMINATION

5 BY MR. NUTTER:

6 Q Mr. Hofman, I presume that this 1-17, or
7 whatever that new well is, is classified as an oil well, is
8 that it?

9 A Yes, sir, it is.

10 Q And you anticipate you'll get an oil well
11 with this well, also?

12 A Yes, I do.

13 MR. NUTTER: Any further questions of
14 Mr. Hofman? He may be excused.

15 MR. CARR: I'll call Mark Meador.

16
17 MARK E. MEADOR
18 being called as a witness and having been duly sworn upon his
19 oath, testified as follows, to-wit:
20

21 DIRECT EXAMINATION

22 BY MR. CARR:

23 Q Would you state your full name and place
24 of residence?

25 A Mark E. Meador, Denver, Colorado.

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 435-7409

1 Q Mr. Meador, by whom are you employed and
2 in what capacity?

3 A I'm employed by Reading and Bates Petro-
4 leum Company as a landman.

5 Q Have you previously testified before this
6 Commission?

7 A No, I haven't.

8 Q Will you briefly summarize for the Examiner
9 your educational background and your work experience?

10 A I received a degree in business management,
11 petroleum land management from the University of Oklahoma in
12 1978, and started work with Reading and Bates shortly there-
13 after as the capacity of landman, and have been doing so for
14 approximately two years.

15 I'm a member of the AAPL, Tulsa Association
16 of Petroleum Landmen, and also the Oklahoma City Petroleum
17 Landmen's Association.

18 Q Are you familiar with the application in
19 this case?

20 A Yes, I am.

21 Q And are you familiar with the subject area?

22 A Yes, I am.

23 MR. CARR: Are the witness' qualifications
24 acceptable?

25 MR. NUTTER: Yes, they are.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 Q Mr. Meador, will you please refer to what
2 has been marked for identification as Reading and Bates Ex-
3 hibit Number Six and explain to Mr. Nutter what this is?

4 A Okay, this is virtually the lease owner-
5 ship in the northeast quarter of Section 17, Township 24 North
6 3 West.

7 Q What percentage of the working interest
8 has been committed to this unit?

9 A At this time 33.33 percent, of which
10 Reading and Bates has a working interest.

11 Q Have you been in communication with all
12 other working interest owners in the northeast quarter of
13 Section 17?

14 A Yes, I have.

15 Q How long ago did you originally start
16 discussing this proposed application with these other working
17 interest owners?

18 A At the time that the well in the southeast
19 quarter proved up we started making phone calls to get -- to
20 have the people, the other working interest owners, see if
21 they were interested in participating in the northeast quarter
22 and this has been starting about two months ago.

23 Q Do you anticipate at this time that other
24 working interest owners will participate in the drilling of
25 the well?

SALLY W. BOYD, C.S.R.

Rt. 1 Box 191-B

Santa Fe, New Mexico 87501

Phone (505) 435-7409

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 435-7409

1 A Yes, there are several that have verbally
2 committed to drilling. We've -- we've sent out operating
3 agreements and AFE's, and at this time they're reviewing them,
4 with the exception of Hooper, Kimble, and Williams, which were
5 doubtful of their participation at this point in time.

6 Q How recently have you been in contact
7 with Hooper, Kimble, and Williams?

8 A Reading and Bates has been in contact
9 with them from two weeks ago to date.

10 Q Has notice of this hearing been given to
11 all working interest owners?

12 A Yes, and I believe that's marked Exhibit
13 Seven.

14 Q Are all lands involved in this application
15 Federal lands?

16 A Yes, they are.

17 Q Have you prepared an AFE for the proposed
18 well?

19 A Yes.

20 Q And that is your Exhibit Number Eight?

21 A Yes, sir.

22 Q Would you explain to Mr. Nutter the
23 reason for the corrections to the AFE?

24 A We inadvertently got away from Denver
25 with the wrong AFE and the penciled in numbers all are re-

1 flected from the correct AFE.

2 Q Would review the totals on the AFE for
3 Mr. Nutter?

4 A Yes. For the 17-2 Well, we have a dry
5 hole cost of \$255,300 and as a producer, \$488,500.

6 Q Has the AFE with the correct figures been
7 supplied to all the working interest owners?

8 A Yes, it has.

9 Q Are the costs reflected on this AFE in
10 line with what other operators are charging in the area?

11 A Yes, they are.

12 Q And have you made an estimate of the
13 overhead and administrative costs while drilling and producing
14 the subject well, if in fact you get a producing well?

15 A Yes, I have.

16 Q Would you -- what are these?

17 A Okay, they're \$2185 as the drilling rate,
18 and \$355 as the producing.

19 MR. NUTTER: Give me those numbers again,
20 please.

21 A \$2185 as the drilling rate, and \$355 as
22 the producing rate.

23 MR. NUTTER: Okay.

24 Q Are these figures in line with what has
25 been charged by other operators in this area?

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 A Yes, they are.

2 Q And do you recommend that these figures
3 be incorporated into any order which will result from this
4 hearing?

5 A I do.

6 Q Does Reading and Bates request to be de-
7 signated operator of the well?

8 A Yes, we do.

9 Q In your opinion will granting this appli-
10 cation be in the interest of conservation, the prevention of
11 waste, and the protection of correlative rights?

12 A Yes.

13 Q Can you testify as to the accuracy of
14 Exhibits Six through Eight?

15 A Yes, I can.

16 MR. CARR: At this time, Mr. Nutter, we
17 would offer Exhibits Six through Eight into evidence.

18 MR. NUTTER: Applicant's Exhibits Six
19 through Eight will be admitted in evidence.

20 MR. CARR: I have nothing further of this
21 witness on direct.

22
23 CROSS EXAMINATION

24 BY MR. NUTTER:

25 Q Mr. Meador, now this Exhibit Number Six

1 shows these seven various interests and Reading and Bates are
2 listed at the first there as owning 33 percent.

3 You have committed Reading and Bates to
4 the unit, proposed unit.

5 Now, you stated that you think all of these
6 others, with the exception of Hooper, Kimble, and Williams,
7 will join?

8 A Yes, sir.

9 Q And Hooper,-- are they definitely out or
10 just they haven't indicated yet whether they're ready or not?

11 A From past experience, the well in the
12 southeast quarter, Hooper, Kimble, and Williams declined to
13 participate in that, and at this time we contacted them and
14 it appears to be doubtful. I can't say one way or the other,
15 but --

16 Q Is the ownership of the southeast quarter
17 the same as it is in the northeast quarter?

18 A No, sir, it's different.

19 Q I see. But they were parties to the south-
20 east quarter and didn't join in that one.

21 A That is correct.

22 Q How about Petroleum Corporation of Texas
23 and Ibex, they've got another large interest there?

24 A Right, through contacts with them, and
25 my conversations, they have agreed to participate and

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 it's just a matter of getting the operating agreement executed

2 Q I see.

3 A As to their interest.

4 Q So when you have them along with your in-
5 terest, you will have six -- you'll have 2/3rds interest in
6 the unit.

7 A Just a little less.

8 Q That have committed. Okay.

9 MR. NUTTER: Are there any further ques-
10 tions of the witness? He may be excused.

11 Do you have anything further, Mr. Carr?

12 MR. CARR: Nothing further, Mr. Nutter.

13 MR. NUTTER: Does anyone have anything
14 they wish to offer in Case Number 6966?

15 We'll take the case under advisement.

16
17 (Hearing concluded.)
18
19
20
21
22
23
24
25

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY
that the foregoing Transcript of Hearing before the Oil Con-
serva-tion 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.

Sally W. Boyd C.S.R.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 435-7409

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 6766
heard by me on 7/9 1980.

[Signature], Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
9 July 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Reading & Bates
Petroleum Co. for compulsory pooling,
Rio Arriba County, New Mexico.

CASE
6966

BEFORE: Daniel S. Nutter

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 to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

William F. Carr, Esq.
CAMPBELL & BLACK P. A.
Jefferson Plaza
Santa Fe, New Mexico 87501

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I N D E X

JERRY HOFMAN

Direct Examination by Mr. Carr 3

Cross Examination by Mr. Nutter 13

MARK E. MEADOR

Direct Examination by Mr. Carr 13

Cross Examination by Mr. Nutter 16

E X H I B I T S

Applicant Exhibit One, Structure Map 5

Applicant Exhibit Two, Isopach 6

Applicant Exhibit Three, Isopach 8

Applicant Exhibit Four, Isopach 8

Applicant Exhibit Five, Cross Section 10

Applicant Exhibit Six, List 16

Applicant Exhibit Seven, Notice 14

Applicant Exhibit Eight, AFE 14

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

SALLY W. BOYD, C.S.R.
Rt. 1 Box 199-B
Santa Fe, New Mexico 87501
Phone (505) 455-7499

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MR. NUTTER: Call Case Number 6966.

MR. PADILLA: Application of Reading and
Bates Petroleum Company for compulsory pooling, Rio Arriba
County, New Mexico.

MR. CARR: May it please the Examiner,
I am William F. Carr, Campbell and Black, P. A., appearing
on behalf of the applicant.

I have two witnesses who need to be sworn.

(Witnesses sworn.)

JERRY HOFMAN

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

DIRECT EXAMINATION

BY MR. CARR:

Q Will you state your full name and place
of residence?

A My name is Jerry Hofman from Denver,
Colorado.

Q Would you spell your last name, please?

A H-O-F-M-A-N.

Q Mr. Hofman, by whom are you employed and
in what capacity?

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 A I'm employed by Reading and Bates Petroleum
2 Company as a petroleum engineer.

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

6 A No, I have not.

7 Q Will you briefly summarize for the Examiner
8 your educational background and work experience?

9 A Yes. I have a BS degree in petroleum en-
10 gineering from the University of Missouri at Rolla, received
11 in 1977.

12 I worked for two years and three months
13 for Marathon Oil Company as a petroleum engineer in Casper,
14 Wyoming.

15 The last ten months I've been employed as
16 a petroleum engineer for Reading and Bates Petroleum Company.

17 Q Are you familiar with the application of
18 Reading and Bates in this case?

19 A Yes, I am.

20 Q Are you familiar with the subject area?

21 A Yes, I am.

22 MR. CARR: Are the witness' qualifications
23 acceptable?

24 MR. NUTTER: Yes, they are.

25 Q Mr. Hofman, would you briefly state what

1 Reading and Bates seeks with this application?

2 A Reading and Bates seeks to --- to have a
3 forced pooling of all the mineral interests underlying the
4 northeast quarter of Section 17, Township 24 North, Range 3
5 West in Rio Arriba County.

6 This would include mineral interests from
7 the Gallup and the Dakota formations.

8 Q Would you please refer to what has been
9 marked for identification as Exhibit Number One and explain
10 to Mr. Nutter what it is and what it shows?

11 A Yes. Exhibit Number One is the structure
12 map to the top of the Dakota formation. This exhibit and the
13 remaining four exhibits I'm presenting are essentially the
14 same as we presented early this year in Case Number 6772,
15 which was a compulsory pooling of the southeast quarter of
16 this same section. They've been modified incorporating the
17 data that we obtained from drilling the 17-1 Well in the
18 southeast quarter.

19 Q What is the area shaded in green?

20 A In green, that's the area where we have
21 the mineral interest. We have 1/3 mineral interest in this
22 area. This is not the -- we have the whole northeast quarter
23 and the south half of the southeast quarter.

24 Q The north half of the southeast?

25 A The north half of the southeast, right.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

Q And this plat does not reflect the proration unit.

A No, it does not.

Also on this map we have of particular interest, all the black labeled wells are Dakota wells in the area. Everything to the northwest are Dakota with some commingled Gallup. Everything to the south and east are basically Dakota producers.

Also we have shown cross hatched an area that we'll show on Exhibit Five is a cross section for the general area showing the Dakota formation.

This being a structure map, this is not a structural clay. It's a stratigraphic clay. This is just to indicate where we stand structurally in the area. We are 50-some foot low to the well we just drilled. That has not a whole lot of meaning in this case.

Q Mr. Hofman, Reading and Bates is proposing a standard proration unit, consisting of the northeast quarter is that correct?

A Yes, sir.

Q Will you please refer to what has been marked for identification as your Exhibit Number Two, which is an Isopach on the Dakota A Sand, and first explain to Mr. Nutter what you mean when you refer to the A or B Sand.

A Okay. What we are calling the A and the

1 B Sands are not in -- do not coincide with what is generally
2 called A and B Sands in the area, and this is done mainly for
3 ease of mapping.

4 On my Exhibit Five I'll point this out.
5 Again, what I'm calling A Sand is essentially what is normally
6 called A Sand, but what I'm calling B Sand is a combination
7 of the B and the D zones in this area. This was done strictly
8 for ease of mapping and it serves the same purpose.

9 Q Okay, what does this exhibit show?

10 A This exhibit here shows the gross sand
11 thickness for the Dakota A in this area. We are expecting
12 less gross sand than we developed in our 17-1, as indicated.
13 Again, I'll describe what the gross sand is that we're talking
14 about on Exhibit Five.

15 MR. NUTTER: Mr. Hofman, --

16 A Yes, sir.

17 MR. NUTTER: -- I've drawn in the quarter
18 section on these exhibits that would be the northeast quarter,
19 and it looks like that proposed location is awfully close to
20 the line that's across there.

21 A Yes.

22 Q Is that location spotted correctly on
23 that?

24 A It's supposed to be 330 feet from the
25 lines in each direction.

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 MR. NUTTER: And how about from the south
2 side of the proration unit?

3 A 330 feet, also. I haven't -- just got
4 this map -- I haven't checked the spotting. It's 2310 from
5 the east line, 2310 from the north line.

6 MR. NUTTER: 2310 from each direction and
7 that is a standard location for that pool?

8 A Yes, sir.

9 MR. NUTTER: Okay.

10 Q Mr. Hofman, will you now refer to your
11 Exhibit Number Three and review this for the Examiner?

12 A Exhibit Three is identical to Exhibit Two
13 except that it the B gross sand thickness. It has the same
14 well markings and sand markings.

15 Q Will you now refer to Exhibit Number Four,
16 your Isopach for porosity for the A and B Sands and review
17 the data contained thereon?

18 A Okay. This is the one with the -- the
19 only one of the three that really is describing what we're
20 producing of in Section -- the gross sand thickness we pre-
21 sented before was strictly to get an idea. This is a channel
22 sand and we're not looking at much difference in total thick-
23 ness than our previous well, but in this one we took a den-
24 sity cutoff of 8 percent and applied it toward a net sand.
25 We had more modification on this exhibit than we did on any

SALLY W. BOYD, C.S.R.

RL 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

1 of the previous ones from the ones we presented early this
2 year, and it shows we did develop close to 24 feet of net
3 sand. This is including the A and the B in our 17-1 Well
4 in the southeast quarter. We expect to develop somewhat less
5 than 10 foot in the proposed location, but I need to point out
6 that we have essentially no control whatsoever to the north-
7 east. We've modified quite a bit from the last time and
8 where the 10-foot line comes in we really don't know right
9 now. This is a step out in this direction. There have not
10 been any dry holes drilled in this direction.

11 This should tell us a whole lot more
12 about how much further we can step out.

13 MR. NUTTER: What formation are all these
14 gas wells that are north and east of it?

15 A Those are Pictured Cliffs.

16 MR. NUTTER: All PC wells?

17 A Yes, sir, right around 3000 feet, 3200
18 feet. The dry hole to the northwest of our location was a
19 Pictured Cliffs dry hole back in, I believe it was back in
20 the '50s.

21 The only other dry hole shown is up in
22 Section 7, the southeast quarter, and that was a 1400 foot
23 test back in the early '50s.

24 To my knowledge, there hasn't been any
25 dry holes drilled in this area. Our 17-1 well was the most

1 was the first step out in the northeast direction, and our
2 17-2 well will just be extending the step out.

3 Q Will you please refer to Reading and Bates
4 Exhibit Number Five and review this for the Examiner?

5 A Okay. Number Five is what the -- all the
6 previous maps have been based on.

7 Again, I need to point out what we're
8 calling Dakota A, the perforations you see in each of these
9 sands are actually the Dakota A porosity. We're using from
10 the top of the Dakota A down to the top of the Dakota B as
11 the gross sand, and that nomenclature is consistent with the
12 area.

13 What we're calling Dakota B, the perfor-
14 ations you see right at the top of the Dakota B is in effect
15 the Dakota B sand. The lower perforations you see in three
16 of the wells is the Dakota D sand.

17 Again, for ease of mapping and everything
18 else, we included those two, because those -- the Dakota A
19 sand is the major contributor of production in the area.

20 Q Do you anticipate when you drill the
21 proposed well that you run the risk of drilling a dry hole?

22 A Yes, we do have that risk because we do
23 not have any control to the northeast. We're relying on our
24 thoughts on the mapping. The 10-foot net pay sand could
25 change; could change to our benefit and it could wipe us out.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 191-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 Q Are there many dry holes in the area?
2 A There are not any Dakota wells that are
3 dry in the area, to my knowledge.

4 Q Well then, are you running the risk of
5 having an uneconomic venture?

6 A Well, I feel that we're confident that
7 we will hit the Dakota sand. It's hitting Dakota porosity
8 that would make an economic producer is where our risk lies.

9 We are currently producing the well that
10 we just got on test a little over a week ago, the 17-1 in the
11 southeast quarter. That is why we have stepped out further.
12 It's right now producing right around 140 barrels a day;
13 about 140-150 Mcf, and so this has justified to us to go ahead
14 and step out and that is quite economic, and how much further
15 we can go --if we can make with 8 or 10 foot of sand, we feel
16 we can. If we get much less than that, it's going to be --

17 Q Do you consider the drilling of this well
18 a risky venture on the part of Reading and Bates?

19 A Yes, sir, I do.

20 Q How much risk do you believe Reading and
21 Bates is assuming?

22 A We're assuming considerable risk.

23 Q Would you be prepared -- are you prepared
24 to make a recommendation to the Examiner as to the risk factor
25 that should be assessed against any of those who do not parti-

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 cipate in the drilling of this well?

2 A Yes, I would recommend a maximum allowable
3 of 200 percent.

4 Q The maximum penalty?

5 A Of 200 percent, yes, sir.

6 Q In your opinion will the granting of
7 this application be in the best interests of conservation,
8 the prevention of waste, and the protection of correlative
9 rights?

10 A Yes, I do.

11 Q Have you reviewed Exhibits One through
12 Five and can you of your own knowledge verify their accuracy?

13 A Yes, I can.

14 MR. CARR: At this time, Mr. Nutter, we
15 would offer Reading and Bates Exhibits One through Five.

16 MR. NUTTER: Reading and Bates One
17 through Five will be admitted in evidence.

18 MR. CARR: I have nothing --

19 MR. NUTTER: What's your other witness
20 going to testify to?

21 MR. CARR: The other witness is going to
22 testify as to the status of the acreage which has been com-
23 mitted to this proration unit. He will testify as to the
24 notice that has been given and will present data as to --

25 MR. NUTTER: How about well costs?

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

MR. CARR: He will give data on the APE and also cost, administrative and other overhead charges.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Hofman, I presume that this 1-17, or whatever that new well is, is classified as an oil well, is that it?

A Yes, sir, it is.

Q And you anticipate you'll get an oil well with this well, also?

A Yes, I do.

MR. NUTTER: Any further questions of Mr. Hofman? He may be excused.

MR. CARR: I'll call Mark Meador.

MARK E. MEADOR

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

DIRECT EXAMINATION

BY MR. CARR:

Q Would you state your full name and place of residence?

A Mark E. Meador, Denver, Colorado.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 433-7409

1 Q Mr. Meador, by whom are you employed and
2 in what capacity?

3 A I'm employed by Reading and Bates Petro-
4 leum Company as a landman.

5 Q Have you previously testified before this
6 Commission?

7 A No, I haven't.

8 Q Will you briefly summarize for the Examiner
9 your educational background and your work experience?

10 A I received a degree in business management
11 petroleum land management from the University of Oklahoma in
12 1978, and started work with Reading and Bates shortly there-
13 after as the capacity of landman, and have been doing so for
14 approximately two years.

15 I'm a member of the AAPL, Tulsa Association
16 of Petroleum Landmen, and also the Oklahoma City Petroleum
17 Landmen's Association.

18 Q Are you familiar with the application in
19 this case?

20 A Yes, I am.

21 Q And are you familiar with the subject area?

22 A Yes, I am.

23 MR. CARR: Are the witness' qualifications
24 acceptable?

25 MR. NUGTER: Yes, they are.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

SALLY W. BOYD, C.S.R.

RL 1 Box 191-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

Q Mr. Meador, will you please refer to what has been marked for identification as Reading and Bates Exhibit Number Six and explain to Mr Nutter what this is?

A Okay, this is virtually the lease ownership in the northeast quarter of Section 17, Township 24 North, 3 West.

Q What percentage of the working interest has been committed to this unit?

A At this time 33.33 percent, of which Reading and Bates has a working interest.

Q Have you been in communication with all other working interest owners in the northeast quarter of Section 17?

A Yes, I have.

Q How long ago did you originally start discussing this proposed application with these other working interest owners?

A At the time that the well in the southeast quarter proved up we started making phone calls to get -- to have the people, the other working interest owners, see if they were interested in participating in the northeast quarter, and this has been starting about two months ago.

Q Do you anticipate at this time that other working interest owners will participate in the drilling of the well?

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 A Yes, there are several that have verbally
2 committed to drilling. We've -- we've sent out operating
3 agreements and AFE's, and at this time they're reviewing them,
4 with the exception of Hooper, Kimble, and Williams, which were
5 doubtful of their participation at this point in time.

6 Q How recently have you been in contact
7 with Hooper, Kimble, and Williams?

8 A Reading and Bates has been in contact
9 with them from two weeks ago to date.

10 Q Has notice of this hearing been given to
11 all working interest owners?

12 A Yes, and I believe that's marked Exhibit
13 Seven.

14 Q Are all lands involved in this application
15 Federal lands?

16 A Yes, they are.

17 Q Have you prepared an AFE for the proposed
18 well?

19 A Yes.

20 Q And that is your Exhibit Number Eight?

21 A Yes, sir.

22 Q Would you explain to Mr. Nutter the
23 reason for the corrections to the AFE?

24 A We inadvertently got away from Denver
25 with the wrong AFE and the penciled in numbers all are re-

1 flected from the correct AFE.

2 Q Would review the totals on the AFE for
3 Mr. Nutter?

4 A Yes. For the 17-2 Well, we have a dry
5 hole cost of \$255,300 and as a producer, \$488,500.

6 Q Has the AFE with the correct figures been
7 supplied to all the working interest owners?

8 A Yes, it has.

9 Q Are the costs reflected on this AFE in
10 line with what other operators are charging in the area?

11 A Yes, they are.

12 Q And have you made an estimate of the
13 overhead and administrative costs while drilling and producing
14 the subject well, if in fact you get a producing well?

15 A Yes, I have.

16 Q Would you -- what are these?

17 A Okay, they're \$2185 as the drilling rate,
18 and \$355 as the producing.

19 MR. NUTTER: Give me those numbers again,
20 please.

21 A \$2185 as the drilling rate, and \$355 as
22 the producing rate.

23 MR NUTTER: Okay.

24 Q Are these figures in line with what has
25 been charged by other operators in this area?

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 A Yes, they are.

2 Q And do you recommend that these figures
3 be incorporated into any order which will result from this
4 hearing?

5 A I do.

6 Q Does Reading and Bates request to be de-
7 signated operator of the well?

8 A Yes, we do.

9 Q In your opinion will granting this appli-
10 cation be in the interest of conservation, the prevention of
11 waste, and the protection of correlative rights?

12 A Yes.

13 Q Can you testify as to the accuracy of
14 Exhibits Six through Eight?

15 A Yes, I can.

16 MR. CARR: At this time, Mr. Nutter, we
17 would offer Exhibits Six through Eight into evidence.

18 MR. NUTTER: Applicant's Exhibits Six
19 through Eight will be admitted in evidence.

20 MR. CARR: I have nothing further of this
21 witness on direct.

22

23

CROSS EXAMINATION

24

BY MR. NUTTER:

25

Q Mr. Meador, now this Exhibit Number Six

1 shows these seven various interests and Reading and Bates are
2 listed at the first there as owning 33 percent.

3 You have committed Reading and Bates to
4 the unit, proposed unit.

5 Now, you stated that you think all of these
6 others, with the exception of Hooper, Kimble, and Williams,
7 will join?

8 A Yes, sir.

9 Q And Hooper -- are they definitely out or
10 just they haven't indicated yet whether they're ready or not?

11 A From past experience, the well in the
12 southeast quarter, Hooper, Kimble, and Williams declined to
13 participate in that, and at this time we contacted them and
14 it appears to be doubtful. I can't say one way or the other,
15 but --

16 Q Is the ownership of the southeast quarter
17 the same as it is in the northeast quarter?

18 A No, sir, it's different.

19 Q I see. But they were parties to the south
20 east quarter and didn't join in that one.

21 A That is correct.

22 Q How about Petroleum Corporation of Texas
23 and Ibex, they've got another large interest there?

24 A Right, through contacts with them, and
25 my conversations, they have agreed to participate and

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 it's just a matter of getting the operating agreement executed.

2 Q I see.

3 A As to their interest.

4 Q So when you have them along with your in-
5 terest, you will have six -- you'll have 2/3rds interest in
6 the unit.

7 A Just a little less.

8 Q That have committed. Okay.

9 MR. NUTTER: Are there any further ques-
10 tions of the witness? He may be excused.

11 Do you have anything further, Mr. Carr?

12 MR. CARR: Nothing further, Mr. Nutter.

13 MR. NUTTER: Does anyone have anything
14 they wish to offer in Case Number 6966?

15 We'll take the case under advisement.

16
17 (Hearing concluded.)
18
19
20
21
22
23
24
25

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY

that the foregoing 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.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 195-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6966 heard by me on 7/9 1980.

 Examiner
Oil Conservation Division

EXHIBIT

NE/4 Section 17-Township 24 North-Range 3 West
Leasehold Ownership:

	<u>Interest</u>
READING & BATES PETROLEUM CO.	33.33333%
HOOPER, KIMBALL & WILLIAMS, INC	33.33333%
PETROLEUM CORPORATION OF TEXAS	15.60873%
IBEX PARTNERSHIP	15.60873%
MABEL REED, TRUSTEE FOR WARREN CLARK TRUST	.81380%
CAROLYN CLARK OATMAN	.87484%
MABEL REED AND H. M. REED, TRUSTEES FOR THE WARREN CLARK TESTAMENTARY TRUST	<u>.42724%</u>
TOTAL:	100.00000%

* Basic Lease - SF-081347

Lease Date - April 1, 1948

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION

AND FORS EXHIBIT NO. 6

CASE NO. 6966

June 30, 1980

Hooper, Kimbell & Williams, Inc.
Room 1025
89 Broad Street
Boston, Massachusetts 02110

Attention: Kingsley Durant

Re: New Mexico Oil Conservation Division
Case 6966

Dear Mr. Durant:

Enclosed is a copy of the docket for the July 9, 1980
Oil Conservation Division Examiner hearing.

You may have an interest that will be affected by the
above-referenced case.

Very truly yours,

William F. Carr

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT REQUEST

BEFORE EXAMINER NUTTER	
OIL CONSERVATION DIVISION	
READING	AND EXHIBIT NO. <u>7</u>
CASE NO. <u>6966</u>	

P11 6670427

RECEIPT FOR CERTIFIED MAIL

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

SENT TO	STREET AND NO.		P.O. STATE AND ZIP CODE	
POSTAGE	CERTIFIED FEE	SPECIAL DELIVERY	RESTRICTED DELIVERY	SHOW TO WHOM AND DATE DELIVERED
				SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY
				SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY
				SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY
CONSULT POSTMASTER FOR FEES				
TOTAL POSTAGE AND FEES				
POSTMARK OR DATE				

June 30, 1980

Ms. Mabel Reed,
Trustee for the Warren Clark Trust
Post Office Box 1846
Austin, Texas 78767

Attention: W. W. Oatman

Re: New Mexico Oil Conservation Division
Case 6966

Dear Mr. Oatman:

Enclosed is a copy of the docket for the July 9, 1980
Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the
above-referenced case.

Very truly yours,

William F. Carr

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT REQUEST

P11 6670426

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED —
NOT FOR INTERNATIONAL MAIL

(See Reverse)

SENT TO	STREET AND NO.		P.O., STATE AND ZIP CODE	
POSTAGE	CERTIFIED FEE	SPECIAL DELIVERY	RESTRICTED DELIVERY	SHOW TO WHOM AND DATE DELIVERED
				SHOW TO WHOM DATE AND ADDRESS OF DELIVERY
				SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY
				SHOW TO WHOM DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY
CONSULT POSTMASTER FOR FEES		OPTIONAL SERVICES		
RETURN RECEIPT SERVICE				
TOTAL POSTAGE AND FEES		POSTMARK OR DATE		

June 30, 1980

Ms. Carolyn Clark Oatman
Post Office Box 1846
Austin, Texas 78767

Attention: W. W. Oatman

Re: New Mexico Oil Conservation Division
Case 6966

Dear Mr. Oatman:

Enclosed is a copy of the docket for the July 9, 1980
Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the
above-referenced case.

Very truly yours,

William F. Carr

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

PII 6670425

RECEIPT FOR CERTIFIED MAIL

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

SENT TO	1700 Alameda
STREET AND NO.	
P.O., STATE AND ZIP CODE	
POSTAGE	\$
CERTIFIED FEE	\$
SPECIAL DELIVERY	\$
RESTRICTED DELIVERY	\$
SHOW TO WHOM AND DATE DELIVERED	
SHOW TO WHOM DATE AND ADDRESS OF DELIVERY	
OPTIONAL SERVICES	
RETURN RECEIPT SERVICE	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	
SHOW TO WHOM DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	
TOTAL POSTAGE AND FEES	\$
POSTMARK OR DATE	

Form 3800, Apr. 1976

June 30, 1980

Mabel Reed and H. M. Reed,
Trustees for the Warren Clark
Testamentary Trust
Post Office Box 1846
Austin, Texas 78767

Attention: W. W. Oatman

Re: New Mexico Oil Conservation Division
Case 6966

Dear Mr. Oatman:

Enclosed is a copy of the docket for the July 9, 1980
Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the
above-referenced case.

Very truly yours,

William F. Carr

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT REQUEST

P11 6670424

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL

(See Reverse)

SENT TO		STREET AND NO.		P.O., STATE AND ZIP CODE	
POSTAGE		CERTIFIED FEE		SPECIAL DELIVERY	
OPTIONAL SERVICES		RESTRICTED DELIVERY		SHOW TO WHOM AND DATE DELIVERED	
RETURN RECEIPT SERVICE		SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY		SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	
CONSUL POSTMASTER FOR FEES		TOTAL POSTAGE AND FEES		POSTMARK OR DATE	

Form 3800, Apr. 1976

June 30, 1980

Ibex Partnership
Post Office Box 911
300 North Breckenridge
Breckenridge, Texas 76024

Attention: O. H. Reaugh

Re: New Mexico Oil Conservation Division
Case 6966

Dear Mr. Reaugh:

Enclosed is a copy of the docket for the July 9, 1980
Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the
above-referenced case.

Very truly yours,

William F. Carr

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

P11 6670428

RECEIPT FOR CERTIFIED MAIL

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

SENT TO <i>Ibex Partnership</i>	
STREET AND NO.	
P.O., STATE AND ZIP CODE	
POSTAGE	\$
CERTIFIED FEE	*
SPECIAL DELIVERY	*
RESTRICTED DELIVERY	*
SHOW TO WHOM AND DATE DELIVERED	*
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	*
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	*
RETURN RECEIPT SERVICE	*
CONSULT POSTMASTER FOR FEES	*
TOTAL POSTAGE AND FEES \$	
POSTMARK OR DATE	

6/30/80

June 30, 1980

Petroleum Corporation of Texas
Post Office Box 911
300 North Breckenridge
Breckenridge, Texas 76024

Attention: Ron Holloway

Re: New Mexico Oil Conservation Division
Case 6966

Dear Mr. Holloway:

Enclosed is a copy of the docket for the July 9, 1980
Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the
above-referenced case.

Very truly yours,

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT RE

1. The following services are requested (check one): <input checked="" type="checkbox"/> Show to whom and date delivered. <input type="checkbox"/> Show to whom, date and address of delivery. <input type="checkbox"/> RESTRICTED DELIVERY <input type="checkbox"/> Show to whom and date delivered. <input type="checkbox"/> RESTRICTED DELIVERY. <input type="checkbox"/> Show to whom, date, and address of delivery.		2. ARTICLE ADDRESSED TO: Petroleum Corp. of Texas Post Office Box 911 Austin, Texas 76024		3. ARTICLE DESCRIPTION: REGISTERED NO. 6670429 CERTIFIED NO. 6670429 INSURED NO.		4. DATE OF DELIVERY: 7-3-80 POSTAGE: 0.86		5. ADDRESS (Complete only if registered)		6. UNABLE TO DELIVER BECAUSE OF: 8. INITIALS	
SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.		CONSULT POSTMASTER FOR FEES		I have received the article described above. SIGNATURE: [Signature] DATE: 7-3-80 ADDRESS: [Address]		I have received the article described above. SIGNATURE: [Signature] DATE: 7-3-80 ADDRESS: [Address]		I have received the article described above. SIGNATURE: [Signature] DATE: 7-3-80 ADDRESS: [Address]		I have received the article described above. SIGNATURE: [Signature] DATE: 7-3-80 ADDRESS: [Address]	

PS Form 3811, Jan. 1978

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

WELL COST ESTIMATE

COMPANY Reading & Bates Petroleum Co.

DATE June 21, 1980

WELL Federal 17-2
Jicarilla-Hindrich No. 2-1

LOCATION 2310' FNL 2310' FEL Section 17, T 24N, R 23W Rio Arriba CO., NM
C NE 1 SW 1 Section 2, T 23N, R 24W Rio Arriba CO., N.M.

PROPOSED TD 7700' 7650 EST. DRILLING DAYS 48-18

Tangible Well Costs

Well Pipe

350' of 8 5/8" @ \$ 9.55 /ft.
~~7700' 7650~~ of 4 1/2" @ \$ 4.85 /ft.
~~7700' 7650~~ of 2 3/8" @ \$ 2.65 /ft.
of _____ @ \$ _____ /ft.

Wellhead Assembly

Subsurface Equip. - packer, rods, pumps, etc.
Separation Facilities, Installed
Tanks and Shipping Facilities, Installed
Flow Lines, Pipe & Electric Lines, Installed
Other Equipment - Pumping Unit, Misc.

Total Tangibles

Producer	Dry Hole
\$	\$
<u>60,700</u>	
61,180	<u>3,300</u>
<u>11,500</u>	<u>1,500</u>
8,300 500	
<u>10,000</u>	
<u>10,000</u>	
<u>4,000</u>	
57,880 4800	<u>200</u>
<u>101,500</u>	
\$ <u>163,700</u>	\$ <u>5,000</u>

Intangible Well Costs

Permits, Surveys, Foundations

Location, Roads & Damages

Contract Drilling (MIRU, RD, & MO)

7650 ft. @ \$ 16.00 /ft.

12 days @ \$ 6200 /day

_____ days @ \$ _____ /day

Compl. Unit 15 days @ \$ 3300 /day

Cement and Cement Service

Drilling Fluid Materials

Fuel, Water & Power

Supplies

Drill Stem Testing ~~X~~ @ 9500

Coring and Analysis

Wireline Service

Logging 13,500 (Open hole)

Perforating 6,700

Other 5,100 (CBL and running plugs)

Formation Treating

Transportation and Hauling

Rentals, Contract Labor, Misc.

Engineering Supervision

Geological Supervision (~~Welllogger~~ and Consultant)

Overhead

Contingencies

Total Intangibles

TOTAL

\$ <u>1,000</u>	\$ <u>1,000</u>
10,000 8000	10,000 8,000
<u>10,500</u>	<u>10,500</u>
<u>145,600</u>	<u>129,100</u>
164,900	141,800
<u>20,400</u>	<u>5,700</u>
<u>35,000</u>	<u>35,000</u>
<u>13,700</u>	<u>8,700</u>
—	—
7,000	7,000
—	—
<u>25,300</u>	<u>13,500</u>
<u>65,000</u>	—
<u>3,000</u>	<u>500</u>
<u>7,500</u>	<u>3,500</u>
11,300 7,300	6,400 6,000
<u>8,100</u> 4500	<u>8,100</u> 4500
2,200 2000	1,000 1500
88,500 35,200	25,900 22800
<u>387,000</u>	<u>250,300</u>
\$ <u>423,600</u>	\$ <u>270,600</u>
<u>488,500</u>	<u>255,300</u>
\$ <u>587,300</u>	\$ <u>283,600</u>

Prepared By:

Jerry L. Hofman
Jerry L. Hofman
Petroleum Engineer

BEFORE EXAMINER NUTTER	
OIL CONSERVATION DIVISION	
READING	AND BATES EXHIBIT NO. <u>8</u>
CASE NO. <u>6966</u>	

June 30, 1980

Hooper, Kimbell & Williams, Inc.
Room 1025
89 Broad Street
Boston, Massachusetts 02110

Attention: Kingsley Durant

Re: New Mexico Oil Conservation Division
Case 6966

Dear Mr. Durant:

Enclosed is a copy of the docket for the July 9, 1980
Oil Conservation Division Examiner hearing.

You may have an interest that will be affected by the
above-referenced case.

Very truly yours,

William F. Carr

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT REQUEST

BEFORE EXAMINER NUTTER	
OIL CONSERVATION DIVISION	
READING	EXHIBIT NO. <u>7</u>
CASE NO. <u>6966</u>	

P11 6670427

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL

(See Reverse)

SENT TO	Hooper, Kimbell & Williams, Inc.	
STREET AND NO.	89 Broad Street	
P.O. STATE AND ZIP CODE	Boston, MA 02110	
POSTAGE	\$	
CERTIFIED FEE	\$	
SPECIAL DELIVERY	\$	
RESTRICTED DELIVERY	\$	
SHOW TO WHOM AND DATE DELIVERED	\$	
SHOW TO WHOM: DATE AND ADDRESS OF DELIVERY	\$	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	\$	
SHOW TO WHOM: DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	\$	
CONSULT POSTMASTER FOR FEES	\$	
OPTIONAL SERVICES	\$	
RETURN RECEIPT SERVICE	\$	
TOTAL POSTAGE AND FEES	\$	
POSTMARK OR DATE		

PS Form 3800, Apr. 1976

June 30, 1980

Ms. Mabel Reed,
Trustee for the Warren Clark Trust
Post Office Box 1846
Austin, Texas 78767

Attention: W. W. Oatman

Re: New Mexico Oil Conservation Division
Case 6966

Dear Mr. Oatman:

Enclosed is a copy of the docket for the July 9, 1980
Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the
above-referenced case.

Very truly yours,

William F. Carr

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT REQUEST

PII 6670426

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL

(See Reverse)

SENT TO		STREET AND NO.		P.O., STATE AND ZIP CODE	
POSTAGE		CERTIFIED FEE		SPECIAL DELIVERY	
RETURN RECEIPT SERVICE		RESTRICTED DELIVERY		SHOW TO WHOM AND DATE DELIVERED	
OPTIONAL SERVICES		SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY		SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	
CONSULT POSTMASTER FOR FEES		SUCH TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		TOTAL POSTAGE AND FEES	
				POSTMARK OR DATE	

June 30, 1980

Ms. Carolyn Clark Oatman
Post Office Box 1846
Austin, Texas 78767

Attention: W. W. Oatman

Re: New Mexico Oil Conservation Division
Case 6966

Dear Mr. Oatman:

Enclosed is a copy of the docket for the July 9, 1980
Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the
above-referenced case.

Very truly yours,

William F. Carr

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

PII 6670425

RECEIPT FOR CERTIFIED MAIL

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

SENT TO <i>Carolyn Clark Oatman</i>	STREET AND NO. <i>Post Office Box 1846</i>	P.O. STATE AND ZIP CODE <i>Austin, Texas 78767</i>	POSTAGE \$	CERTIFIED FEE \$	SPECIAL DELIVERY \$	RESTRICTED DELIVERY \$	SHOW TO WHOM AND DATE DELIVERED \$	SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY \$	SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY \$	SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY \$	TOTAL POSTAGE AND FEES \$	POSTMARK OR DATE
CONSULT POSTMASTER FOR FEES												
OPTIONAL SERVICES												
RETURN RECEIPT SERVICE												

PS Form 3800, Apr. 1976

June 30, 1980

Mabel Reed and H. M. Reed,
Trustees for the Warren Clark
Testamentary Trust
Post Office Box 1846
Austin, Texas 78767

Attention: W. W. Oatman

Re: New Mexico Oil Conservation Division
Case 6966

Dear Mr. Oatman:

Enclosed is a copy of the docket for the July 9, 1980
Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the
above-referenced case.

Very truly yours,

William F. Carr

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT REQUEST

PII 6670424

RECEIPT FOR CERTIFIED MAIL

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

SENT TO		STREET AND NO.		P.O. STATE AND ZIP CODE	
POSTAGE		CERTIFIED FEE		SPECIAL DELIVERY	
RETURN RECEIPT SERVICE		RESTRICTED DELIVERY		SHOW TO WHOM AND DATE DELIVERED	
OPTIONAL SERVICES		SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY		SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	
CONSULT POSTMASTER FOR FEES		TOTAL POSTAGE AND FEES		POSTMARK OR DATE	

June 30, 1980

Ibex Partnership
Post Office Box 911
300 North Breckenridge
Breckenridge, Texas 76024

Attention: O. H. Reaugh

Re: New Mexico Oil Conservation Division
Case 6966

Dear Mr. Reaugh:

Enclosed is a copy of the docket for the July 9, 1980
Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the
above-referenced case.

Very truly yours,

William F. Carr

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

P11 6670428

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL

(See Reverse)

SENT TO	STREET AND NO.		P.O. STATE AND ZIP CODE		POSTAGE		CERTIFIED FEE		SPECIAL DELIVERY		RESTRICTED DELIVERY		SHOW TO WHOM AND DATE DELIVERED		SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY		SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY		SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		TOTAL POSTAGE AND FEES		POSTMARK OR DATE		
Ibex Partnership																								6/30/80	

June 30, 1980

Petroleum Corporation of Texas
Post Office Box 911
300 North Breckenridge
Breckenridge, Texas 76024

Attention: Ron Holloway

Re: New Mexico Oil Conservation Division
Case 6966

Dear Mr. Holloway:

Enclosed is a copy of the docket for the July 9, 1980
Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the
above-referenced case.

Very truly yours,

WFC:lr

Enclosure

CERTIFIED MAIL
RETURN RECEIPT RE

1. The following services is requested (check one.) <input checked="" type="checkbox"/> Show to whom and date delivered. <input type="checkbox"/> Show to whom, date and address of delivery. <input type="checkbox"/> RESTRICTED DELIVERY <input type="checkbox"/> Show to whom and date delivered. <input type="checkbox"/> RESTRICTED DELIVERY. <input type="checkbox"/> Show to whom, date, and address of delivery.		2. ARTICLE ADDRESSED TO: Petroleum Corp. of Texas Post Office Box 911 Austin, Texas 76024		3. ARTICLE DESCRIPTION: REGISTERED NO. 6670429 INSURED NO.		4. SIGNATURE DATE OF DELIVERY 7-3-80 ADDRESS (Complete only if registered)		5. UNABLE TO DELIVER BECAUSE OF REASON INITIALS	
6. SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.		7. RETURN TO: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.		8. RETURN TO: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.		9. RETURN TO: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.		10. RETURN TO: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.	

PS Form 3811, Jan. 1978

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

WELL COST ESTIMATE

COMPANY Reading & Bates Petroleum Co.

DATE June 24, 1980

WELL Federal 17-2
Jicarilla Landrith No. 2-1

LOCATION 2310' FNL 2310' FEL Section 17, T 24N, R 2E W Rio Arriba Co., NM
6 NE 1 SW 1 Section 2, T 24N, R 2E W Rio Arriba Co., N.M.

PROPOSED TO 7700' 7650

EST. DRILLING DAYS 48 / 8

Tangible Well Costs

Well Pipe

350' of 8 5/8" @ \$ 9.55 /ft.
~~7700' 7650'~~ of 4 1/2" @ \$ 4.85 /ft.
~~7700' 7650'~~ of 2 3/8" @ \$ 2.65 /ft.
of _____ @ \$ _____ /ft.

Wellhead Assembly

Subsurface Equip. - packer, rods, pumps, etc.
Separation Facilities, Installed
Tanks and Shipping Facilities, Installed
Flow Lines, Pipe & Electric Lines, Installed
Other Equipment - Pumping Unit, Misc.

Total Tangibles

Producer	Dry Hole
\$	\$
<u>60,700</u>	<u>3,300</u>
61,700	<u>1,500</u>
<u>11,500</u>	<u>1,500</u>
9,300 500	<u>—</u>
<u>10,000</u>	<u>—</u>
<u>10,000</u>	<u>—</u>
<u>4,000</u>	<u>—</u>
57,800 4800	<u>200</u>
<u>101,500</u>	<u>—</u>
\$ <u>162,700</u>	\$ <u>5,000</u>

Intangible Well Costs

Permits, Surveys, Foundations

Location, Roads & Damages

Contract Drilling (MIRU, RD, & MO)

7650' ft. @ \$ 16.00 /ft.

2 days @ \$ 6200 /day

_____ days @ \$ _____ /day

Compl. Unit 15 days @ \$ 3300 /day

Cement and Cement Service

Drilling Fluid Materials

Fuel, Water & Power

Supplies

Drill Stem Testing

0-3500

Coring and Analysis

Wireline Service

Logging 13,500 (Open hole)

Perforating 6,700

Other 5,100 (CBL and running plugs)

Formation Treating

Transportation and Hauling

Rentals, Contract Labor, Misc.

Engineering Supervision

Geological Supervision (Geologist and Consultant)

Overhead

Contingencies

Total Intangibles

TOTAL

\$ <u>1,000</u>	\$ <u>1,000</u>
10,000 8000	10,000 8,000
<u>10,500</u>	<u>10,500</u>
<u>145,600</u>	<u>129,100</u>
164,900	141,800
<u>20,400</u>	<u>5,700</u>
<u>35,000</u>	<u>35,000</u>
<u>13,700</u>	<u>8,700</u>
<u>—</u>	<u>—</u>
7,000	7,000
<u>—</u>	<u>—</u>
<u>25,300</u>	<u>13,500</u>
<u>65,000</u>	<u>—</u>
<u>3,000</u>	<u>500</u>
<u>7,500</u>	<u>3,500</u>
11,500 70,300	6,400 6000
<u>8,100</u> 4500	<u>8,100</u> 4500
2,200 2000	1,000 1500
<u>40,500</u> 35,200	<u>25,500</u> 22800
<u>387,000</u>	<u>250,300</u>
\$ <u>423,600</u>	\$ <u>278,600</u>
<u>488,500</u>	<u>255,300</u>
\$ <u>567,300</u>	\$ <u>283,600</u>

Prepared By:

Jerry L. Hofman
Jerry L. Hofman
Petroleum Engineer

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
READING AND BATES EXHIBIT NO. <u>8</u>
CASE NO. <u>6966</u>

- CASE 6958:** Application of Kenai Oil and Gas, Inc. for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of undesignated Seven Rivers and Artesia Queen-Crayburg-San Andres production in the wellbore of its Gulf State Well No. 1 located in Unit K of Section 36, and its Cobb Federal Well No. 2 located in Unit H of Section 22, both in Township 18 South, Range 27 East, Artesia Pool. Applicant further seeks an administrative procedure whereby similar commingling could be approved for other wells to be drilled in the NE/4 and S/2 NW/4 of said Section 22.
- CASE 6959:** Application of Great Western Drilling Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the S/2 of Section 19, Township 18 South, Range 27 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, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 6960:** Application of Bass Enterprises Production Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down to and including the Strawn formation underlying the S/2 SE/4 of Section 13, Township 16 South, Range 36 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, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 6950:** (Continued from June 25, 1980, Examiner Hearing)
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 the unorthodox location of a Morrow test well to be drilled 660 feet from the North line and 1980 feet from the East line of Section 4, Township 25 South, Range 31 East, the E/2 of said Section 4 to be dedicated to the well.
- CASE 6961:** Application of Conoco Inc. for a dual completion and unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Meyer A-29 Well No. 11 to be drilled at an unorthodox location 990 feet from the North line and 660 feet from the East line of Section 29, Township 22 South, Range 36 East, to produce gas from the Langley-Devonian and -Ellenburger Pools thru parallel strings of tubing, the E/2 of said Section 29 to be dedicated to the well.
- CASE 6962:** Application of BTA Oil Producers for special pool rules and pool extension, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of Special Pool Rules for the North Bell Lake-Devonian Gas Pool to provide for 640-acre spacing and specified well locations. Applicant also seeks the extension of said pool to include all of Sections 6, 7, and 18, Township 23 South, Range 34 East.
- CASE 6896:** (Continued from June 25, 1980, Examiner Hearing)
Application of John E. Schalk for a non-standard gas proration unit and an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard Blanco Mesaverde gas proration unit comprising the NE/4 of Section 8, Township 25 North, Range 3 West, to be dedicated to his Gulf Well No. 2 to be drilled at an unorthodox location 1925 feet from the North line and 790 feet from the East line of said Section 8.
- CASE 6965:** Application of Supron Energy Corporation for a non-standard gas proration unit, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard Mesaverde and Dakota gas proration unit comprising the SE/4 of Section 8, Township 25 North, Range 3 West, to be dedicated to a well to be drilled at a standard location thereon.
- CASE 6966:** Application of Reading & Bates Petroleum Co. for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Gallup and Dakota formations underlying the NE/4 of Section 17, Township 24 North, Range 3 West, Chacon Field, 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, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 6942:** (Continued from June 25, 1980, Examiner Hearing)
Application of Benson-Montin-Greer Drilling Corporation for amendment of Order No. R-2565-B, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Rule 2 of the Special Pool Rules for the West Puerto Chiquito-Mancos Oil Pool as promulgated by Order No. R-2565-B to provide that all 320-acre spacing and proration units in said pool would comprise either the W/2 or the E/2 of a governmental section, provided however, that one injection well would have dedicated thereto the N/2 of Section 1, Township 24 North, Range 1 West, and also that the shore 400-acre sections on the South side of Township 27 North, Range 1 West, would each comprise a single spacing unit.

CAMPBELL AND BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR

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

June 25, 1980

Case 6966

Mr. Joe D. Ramey
Division Director
Oil Conservation Division
New Mexico Department of Energy & Minerals
Post Office Box 2088
Santa Fe, New Mexico 87501

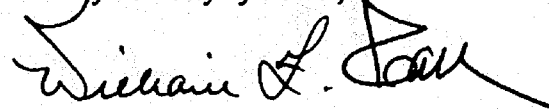
Re: Application of Reading & Bates Petroleum Co.
for Compulsory Pooling, Rio Arriba County,
New Mexico

Dear Mr. Ramey:

Enclosed in triplicate is the application of Reading &
Bates Petroleum Co. in the above-referenced matter.

The applicant requests that this matter be included on SANTA FE
the docket for the examiner hearing scheduled to be held
on July 9, 1980.

Very truly yours,



William F. Carr

WFC:lr

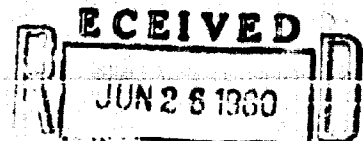
Enclosures

cc: Mr. Mark Meador

RECEIVED

JUN 26 1980

OIL CONSERVATION DIVISION



BEFORE THE

OIL CONSERVATION DIVISION
SANTA FE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION
OF READING & BATES PETROLEUM CO.
FOR COMPULSORY POOLING, RIO
ARRIBA COUNTY, NEW MEXICO

CASE 6966

APPLICATION

Comes now, READING & BATES PETROLEUM CO, by and through its undersigned attorneys and, as provided by Section 70-2-17, New Mexico Statutes Annotated, 1978 Compilation, hereby makes application for an order pooling all of the mineral interests in the Gallup and Dakota formations in and under the NE/4 of Section 17, Township 24 North, Range 3 West, N.M.P.M., Rio Arriba County, New Mexico, and in support thereof would show the Commission:

1. Applicant is the owner of 33.333% of the working interest in and under the NE/4 of Section 17, and applicant has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced pooled unit to its Federal 17-2 Well to be drilled at an orthodox location 2310 feet from the North and East lines of said Section 17.
3. Applicant has sought and obtained either voluntary agreement for pooling or farmout from all other working interest owners in the NE/4 of said Section 17 except the following:

Petroleum Corporation of Texas	15.608% WI
Ibex Partnership	15.608% WI

Hooper, Kimball &
Williams, Inc.

33.333% WI

Mabel Reed, Trustee for Warren
Clark Trust

.8138% WI

Carolyn Clark Oatman

.8748% WI

Mabel Reed and H. M. Reed,
Trustees for Warren Clark
Testamentary Trust

.4272% WI

4. Said pooling of interest and well completion will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interest should be pooled, and applicant should be designated the operator of the well to be drilled.

WHEREFORE, applicant prays that this application be set for hearing before the Division's duly appointed examiner, and that after notice and hearing as required by law the Division enter its order pooling the lands, including provisions designating the applicant as operator of the well, providing for applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling, and after completion, including overhead charges, and a risk factor for the risk assumed by the applicant in drilling, completing and equipping the well, and such other and further provisions as may be proper in the premises.

Respectfully submitted,

CAMPBELL AND BLACK, P.A.

By


William F. Carr
Post Office Box 2208
Santa Fe, New Mexico 87501
Attorneys for Applicant

BEFORE THE
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINES

RECEIVED

JUN 26 1980

OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF READING & BATES PETROLEUM CO.
FOR COMPULSORY POOLING, RIO
ARRIBA COUNTY, NEW MEXICO

CASE 6966

APPLICATION

Comes now, READING & BATES PETROLEUM CO, by and through its undersigned attorneys and, as provided by Section 70-2-17, New Mexico Statutes Annotated, 1978 Compilation, hereby makes application for an order pooling all of the mineral interests in the Gallup and Dakota formations in and under the NE/4 of Section 17, Township 24 North, Range 3 West, N.M.P.M., Rio Arriba County, New Mexico, and in support thereof would show the Commission:

1. Applicant is the owner of 33.333% of the working interest in and under the NE/4 of Section 17, and applicant has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced pooled unit to its Federal 17-2 Well to be drilled at an orthodox location 2310 feet from the North and East lines of said Section 17.
3. Applicant has sought and obtained either voluntary agreement for pooling or farmout from all other working interest owners in the NE/4 of said Section 17 except the following:

Petroleum Corporation of Texas

15.608% WI

Ibex Partnership

15.608% WI

Hooper, Kimball &
Williams, Inc.

33.333% WI

Mabel Reed, Trustee for Warren
Clark Trust

.8138% WI

Carolyn Clark Oatman

.8748% WI

Mabel Reed and H. M. Reed,
Trustees for Warren Clark
Testamentary Trust

.4272% WI

4. Said pooling of interest and well completion will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interest should be pooled, and applicant should be designated the operator of the well to be drilled.

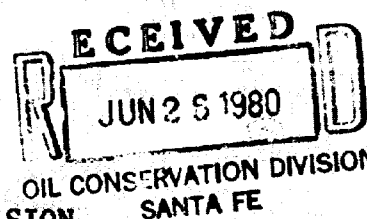
WHEREFORE, applicant prays that this application be set for hearing before the Division's duly appointed examiner, and that after notice and hearing as required by law the Division enter its order pooling the lands, including provisions designating the applicant as operator of the well, providing for applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling, and after completion, including overhead charges, and a risk factor for the risk assumed by the applicant in drilling, completing and equipping the well, and such other and further provisions as may be proper in the premises.

Respectfully submitted,

CAMPBELL AND BLACK, P.A.

By


William F. Carr
Post Office Box 2208
Santa Fe, New Mexico 87501
Attorneys for Applicant



BEFORE THE
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION
OF READING & BATES PETROLEUM CO.
FOR COMPULSORY POOLING, RIO
ARRIBA COUNTY, NEW MEXICO

CASE 6966

APPLICATION

Comes now, READING & BATES PETROLEUM CO, by and through its undersigned attorneys and, as provided by Section 70-2-17, New Mexico Statutes Annotated, 1978 Compilation, hereby makes application for an order pooling all of the mineral interests in the Gallup and Dakota formations in and under the NE/4 of Section 17, Township 24 North, Range 3 West, N.M.P.M., Rio Arriba County, New Mexico, and in support thereof would show the Commission:

1. Applicant is the owner of 33.333% of the working interest in and under the NE/4 of Section 17, and applicant has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced pooled unit to its Federal 17-2 Well to be drilled at an orthodox location 2310 feet from the North and East lines of said Section 17.
3. Applicant has sought and obtained either voluntary agreement for pooling or farmout from all other working interest owners in the NE/4 of said Section 17 except the following:

Petroleum Corporation of Texas	15.608% WI
Ibex Partnership	15.608% WI

Hooper, Kimball &
Williams, Inc.

33.333% WI

Mabel Reed, Trustee for Warren
Clark Trust

.8138% WI

Carolyn Clark Oatman

.8748% WI

Mabel Reed and H. M. Reed,
Trustees for Warren Clark
Testamentary Trust

.4272% WI

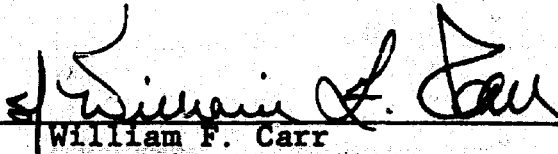
4. Said pooling of interest and well completion will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interest should be pooled, and applicant should be designated the operator of the well to be drilled.

WHEREFORE, applicant prays that this application be set for hearing before the Division's duly appointed examiner, and that after notice and hearing as required by law the Division enter its order pooling the lands, including provisions designating the applicant as operator of the well, providing for applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling, and after completion, including overhead charges, and a risk factor for the risk assumed by the applicant in drilling, completing and equipping the well, and such other and further provisions as may be proper in the premises.

Respectfully submitted,

CAMPBELL AND BLACK, P.A.

By 
William F. Carr
Post Office Box 2208
Santa Fe, New Mexico 87501
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. 6966

Order No. R- 6413

APPLICATION OF READING & BATES
PETROLEUM CO. FOR COMPULSORY
POOLING, RIO ARRIBA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 9
1980, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this _____ day of July, 1980, 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, Reading & Bates Petroleum Co.,
seeks an order pooling all mineral interests in the Gallup and Dakota
formations underlying the NE/4
of Section 17, Township 24 North, Range 3 West
NMPM, Chaco Field, Rio Arriba County, New
Mexico.

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

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

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

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

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

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

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

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

(11) That \$ 2185.00 per month while drilling and \$ 355.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before October 1, 1980, 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 Gallup and Dakota formations underlying the NE/4 of Section 17, Township 24 North, Range 3 West, NMPM, West Lindrieth Gallup-Dakota Pool, Chaco Field, Rio Arriba County, New Mexico, are hereby pooled to form a standard 160-acre ~~gas~~ spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of October, 1980, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Dakota formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of October, 1980, 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 Reading & Bates Petroleum Co. is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

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

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

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

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

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

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

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

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

(9) That \$ 2185.00 per month while drilling and \$ 355.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-6-
Case
Order No.

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

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

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

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

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

Called in by Bill Carr
June 20, 1980

Reading + Bates Petroleum Co.
Compulsory Pooling
Gallup and Lakota
NE 1/4 of Sec. 17, T24N, R3W
Rio Arriba County