

CASE 7106: C AND E OPERATORS, INC. FOR
COMPULSORY POOLING, SAN JUAN COUNTY, NEW
MEXICO

Case No.

7106

Application

Transcripts

Small Exhibits

ETC



BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

January 16, 1981

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Post Office Box 1769
Santa Fe, New Mexico

Re: CASE NO. 7106
ORDER NO. R-6562

Applicant:

~~C and F Operators, Inc.~~

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
Asteo 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. 7106
Order No. R-6562

APPLICATION OF C AND E OPERATORS,
INC. FOR COMPULSORY POOLING, SAN
JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on December 10, 1980, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 14th day of January, 1981, 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, C and E Operators, Inc., seeks an order pooling all mineral interests in the Mesaverde formation underlying the S/2 of Section 8, Township 30 North, Range 11 West, NMPM, San Juan County, New Mexico.
- (3) That the application in this case is premature in that the applicant has made insufficient effort to secure the consent or agreement of the parties involved.
- (4) That Case No. 7106 should be dismissed without prejudice.

IT IS THEREFORE ORDERED:

- (1) That Case No. 7106 is hereby dismissed without prejudice.

-2-
Case No. 7106
Order No. R-6562

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY
Director

S E A L

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

EXAMINER HEARING

IN THE MATTER OF:

Application of C and E Operators,
Inc., for compulsory pooling, San
Juan County, New Mexico.

and

Application of C and E Operators,
Inc., for compulsory pooling, San
Juan County, New Mexico.

and

Application of C and E Operators,
Inc., for compulsory pooling and a
non-standard proration unit, San Juan
County, New Mexico.

CASE
7105

CASE
7106

CASE
7107

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

1
2
3 For the Applicant:

2
W. Thomas Kellahin, Esq.
KELLAHIN & KELLAHIN
500 Don Gaspar
Santa Fe, New Mexico 87501

6 I N D E X

7
8 W. P. CARR

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14 E X H I B I T S

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16 CASE 7105

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20 CASE 7106

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24 CASE 7107

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MR. STAMETS: Call next Case 7105.

MR. PADILLA: Application of C and E Operators, Inc., for compulsory pooling, San Juan County, New Mexico.

MR. KELLAHIN: If the Examiner please, I'm Tom Kellahin of Santa Fe, New Mexico, appearing on behalf of the applicant, and I have one witness.

If the Examiner please, these are three separate compulsory pooling cases by C and E Operators. All three units are contiguous to each other and except for the difference in ownership between the three different tracts, all the other information is the same, including the overhead charges, the risk factor, and that sort of information.

We would propose to consolidate for purposes of testimony all three cases, and if the Examiner would allow us to do that, then we would ask that you enter us through separate orders, but it might expedite the hearing if we could not have to repeat our testimony.

MR. STAMETS: Is there any objection to this consolidation? Being none, I'll ask that the other two cases be called and we will consolidate them for the purposes of testimony.

MR. PADILLA: Application of C and E Operators, Inc., for compulsory pooling, San Juan County, New

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2 Mexico, and application of C and C Operators for compulsory
3 pooling and non-standard proration unit, San Juan County, New
4 Mexico.

5
6 (Witness sworn.)

7
8 W. P. CARR

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

11
12 DIRECT EXAMINATION

13 BY MR. KELLAHIN:

14 Q Mr. Carr, would you please state your
15 name and occupation?

16 A I'm W. P. Carr. I'm a petroleum engineer.

17 Q Mr. Carr, what is your relationship with
18 C and E Operators, Inc.?

19 A I'm the Chief Executive Officer.

20 Q Have you previously testified before the
21 Oil Conservation Division as a petroleum engineer?

22 A Yes, I have.

23 Q And were your qualifications accepted
24 and made a matter of record?

25 A Yes, they were.

Q And pursuant to that employment, Mr. Carr, have you made a study of the facts surrounding these three applications before the Commission?

A Yes, I have.

MR. KELLAHIN: We tender Mr. Carr as an expert witness.

MR. STAMETS: He is considered qualified.

Q Mr. Carr, I'd like to direct your attention to what I have marked as C and E Exhibit Number One, which is the plat of ownership for Case 7105 for the north half of Section 9. Let me show you my copy of that.

A Okay.

Q Would you identify that for us, please?

A This is a plat of the -- from the tax assessor's office, showing the current ownership of this quarter section.

Q The quarter section depicted on Exhibit Number One is what quarter section?

A That's the northeast quarter section of 9, 30 North, 11 West, San Juan County.

Q What is the status of the ownership for the northwest quarter of Section 9?

A It's all covered by leases of C and E Operators.

1
2 Q So the tracts of land that are involved
3 in this compulsory pooling application for the north half of
4 Section 9 are all located within the northeast quarter?

5 A Yes, sir.

6 Q And how are those tracts identified?

7 A All of the tracts outside of the dashed
8 area, which is the original city limits, or at least original
9 as I knew them, of the Town of Aztec, New Mexico, is the
10 dashed, black dashed line, that takes in an area in the south-
11 east part of the quarter section. Within that -- outside of
12 that area all the acreage is covered by C and E Operators
13 leases. Inside of that area, that's to the east and the
14 south of that dashed line, the acreage that is colored red
15 is unleased acreage, which shows the names of the parties
16 owning such tracts, and the balance of that acreage is covered
17 by leases held by Beta Development Company.

18 Q Now, Beta Development Company is one of
19 the companies for which you're seeking forced pooling.

20 A Yes.

21 Q Why have you been required to force pool
22 Beta's interest in this acreage?

23 A They don't -- they won't join.

24 Q You've talked to them about joining?

25 A Yes, I have.

1 Q And what specific response, if any, did
2 they give you concerning their participation in the drilling
3 of any of these three wells?

4 A They don't feel like they're very good
5 wells to drill. They have better places to spend their money,
6 I think.

7 Q All right. So apart from Beta, then,
8 the individual owners of these town lots within the city
9 limits of Aztec are indicated by the colored shading.

10 A Yes, sir.

11 Q Now tell me how this exhibit was prepared
12 for you.

13 A This exhibit was prepared from the tax
14 assessor's records. The plat came out of the tax assessor's
15 office, and the ownership came off of the tax assessor's
16 rent computer printout listing that they furnished us a copy
17 of.

18 Q So as best you can determine, this is a
19 true and accurate and current indication of the ownership of
20 the tracts involved in the forced pooling case.

21 A As it now exists in the county records,
22 yes, sir.

23 Q I'd like to refer you to Exhibit Number
24 Two and have you identify that for us.

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A This is a schematic plat of the north half of Section 9, Township 30 North, Range 11 West, that shows the tracts covered by C and E leases and by Beta Development Company leases, with the exception of the area down there in the old town site that we covered in the Exhibit One.

Q All right, sir. Now let me direct your attention to Exhibit Number Three and have you identify that for us.

A These are the names and addresses of the parties who own interests in the north half of Section 9, to whom pooling notices have been sent.

Q And how was that information tabulated, Mr. Carr?

A You mean the --

Q What's the source of the information?

A -- acreage information?

Q No, sir, what's the source of the names?

A Is the computer printout of the -- furnished by the tax assessor's office, of the people's current addresses as far as receiving tax notices.

Q All right, sir, and the last page of that exhibit contains a tabulation?

A Yes, it shows the acreage involved in the various leased and unleased tracts and their percentage

1 in the unit.

2
3 Q All right. Let me refer you to Exhibit
4 Number Four and have you identify that exhibit.

5 A Exhibit Number Four is an AFE for the
6 drilling of one of the wells which we have staked on this
7 unit, which we designate as the Fee No. 9-A, and it covers
8 the drilling and completion of a dual Mesaverde-Pictured
9 Cliff well.

10 Q The well to be drilled on the north half
11 of Section 9 is to be a dual Pictured Cliff-Mesaverde well?

12 A Yes, sir.

13 Q Your application seeks only a compulsory
14 pooling order on the Mesaverde formation. That's true, is it
15 not?

16 A That's true. The Pictured Cliff forma-
17 tion is already the subject of prior pooling and is held by
18 current Pictured Cliff production.

19 Q What is the total cost estimated for the
20 dually completed well?

21 A \$399,037.

22 Q All right. Now, subsequent in your
23 testimony we have another exhibit that discusses how you pro-
24 pose to allocate the costs of the dually completed well to
25 the nonconsenting owners of the Mesaverde rights.

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Let's defer that for the moment and we'll come back to it.

A

Okay.

Q

All right, Mr. Carr, let me direct your attention to the ownership with regards to Case 7106, which is the south half of Section 8.

MR. STAMETS: Before you go into that,

do we have any copies of the letters or notices or the correspondence with --

MR. KELLAHIN: Yes, sir.

MR. STAMETS: -- all of the people --

MR. KELLAHIN: I'd proposed to introduce

that after we'd gone through the ownership of the --

MR. STAMETS: Okay, fine. Thank you.

MR. KELLAHIN: -- tracts.

MR. STAMETS: Thank you.

Q

All right, Mr. Carr, would you identify Exhibit Number Five for us?

A

This exhibit is a plat of the south half of Section 8, Township 30 North, Range 11 West, in San Juan County, New Mexico.

Q

Would you identify for us on Exhibit Number Five the tracts that are required to be force pooled by this application?

1 A. Well, all of the southeast quarter of
2 the section, which is the east half of the area depicted.

3 Q. What about the southwest quarter of the
4 section?
5

6 A. They're all covered by current leases
7 by C and E Operators.

8 Q. Do you have any leases at all in the
9 southeast quarter?

10 A. No, sir.

11 Q. So it will be the entire southeast quart-
12 er that you're pooling?

13 A. Yes, sir.

14 Q. All right. Have you made a tabulation
15 of the owners of the various tracts in the southeast quarter?

16 A. Yes, we have.

17 Q. I show you Exhibit Number Six. Would
18 you identify Exhibit Number Six for us?

19 A. Exhibit Number Six is a list of the
20 names and addresses of people to whom the forced pooling
21 notices were sent. The first 16 of those people subsequent
22 to our notifying them, we discovered that the Mesaverde rights
23 under the tracts which they held were held by Beta Development
24 Company, and actually Beta Development Company and the City
25 of Aztec hold only -- hold all the acreage in that southeast

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2 quarter.

3 Q Now the Beta leases that are involved in
4 this acreage have been farmed out or assigned to you, have
5 they not?

6 A The Beta leases?

7 Q Yes, sir.

8 A No. These are leases that, well, Beta
9 has held for a long time, in this -- this southeast quarter
10 of this section.

11 Q In addition to those individuals, then,
12 you are also pooling Beta Development Company.

13 A Yes, sir.

14 Q All right. How was the list tabulated,
15 Mr. Carr, from what information did you obtain this?

16 A From, again, from the tax records and
17 from Beta's forced pooling order for their Dakota Unit.

18 Q Based upon your knowledge, Mr. Carr, is
19 this a true and accurate compilation of the ownership of the
20 southeast quarter of this unit?

21 A Yes, sir, it is.

22 Q All right. Let me show you Exhibit
23 Number Seven and ask you to identify that.

24 A Exhibit Number Seven is a 2-part exhibit.
25 It is an AFE for a single well Mesaverde completion and it

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2 is an AFE covering a dual Pictured Cliff-Mesaverde well com-
3 pletion.

4 The reason it was submitted in this
5 fashion, we have an oral agreement only concerning the Pictured
6 Cliff rights under this acreage. Unless and until that
7 agreement is firmed up we have to assume we're working strictly
8 on a Mesaverde well because we have no Pictured Cliffs rights,
9 at this time under that quarter section.

10 Q If you're able to obtain an interest in
11 the Pictured Cliff rights, then you intend to drill a dually
12 completed well?

13 A Yes, sir.

14 Q And if not, then it will be a single
15 Mesaverde completion.

16 A Yes, sir.

17 Q And thus the different AFE's?

18 A Yes, sir.

19 Q All right. All right, sir, let me
20 direct your attention to Case 7107 and the ownership of the
21 southwest quarter of Section 9, and in that regard I want
22 to show you Exhibit Number Eight and have you identify that.

23 A Exhibit Number Eight is a copy of the
24 tax assessor's current ownership plat covering the southwest
25 quarter of Section 9, Township 30 North, Range 11 West in

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2 San Juan County, New Mexico.

3 It has been colored to indicate the --
4 the state, present state of mineral ownership. The interest
5 of C and E Operators is in blank, except for one tract where
6 the man that did the coloring got carried away and colored
7 one small C and E lease, which is noted as an exception in
8 the Beta Development acreage which shows as yellow. The un-
9 leased tracts are shown in red.

10 MR. STAMETS: Now which lease is the one
11 that is erroneously -- okay.

12 Q Now in Case 7105 you have formed a
13 standard north half of Section 9 proration unit for the Mesa-
14 verde formation.

15 A Yes, sir.

16 Q Have you sought to form a standard pro-
17 ration unit for this Mesaverde in the south half of 9?

18 A Yes, sir.

19 Q And that would have included the south-
20 east quarter.

21 A Yes, sir.

22 Q Why have you sought to exclude the south-
23 east quarter from this particular case?

24 A We had obtained permission -- since we
25 bought our leases all of this acreage is now in the current

1
2 corporate limits of the City of Aztec. None of it was in it
3 at the time the leases were acquired, and they have -- they've
4 passed some drilling rules and regulations a year ago; they
5 amplified them this year, and they denied our application to
6 drill in the southeast quarter of Section 9, and for this
7 reason we wanted to seek a non-standard unit that would just
8 consist of the southwest quarter of Section 9.

9 Q This acreage is within the Blanco-Mesa-
10 verde Pool, is it not?

11 A Yes, sir.

12 Q And it's subject to the Commission in-
13 fill order for two Mesaverde wells on a 320-acre proration
14 unit.

15 A Yes, I think that's correct.

16 Q Let me show you Exhibit Number Nine and
17 in relation to Exhibit Number Eight would you identify Exhibit
18 Number Nine?

19 A It is the list of names and addresses of
20 the parties to whom the forced pooling notices were sent, with
21 a tabulation of the ownership within the quarter section.

22 Q All right, except for the correction
23 you've indicated in the yellow area, the yellow area repre-
24 sents the acreage held by Beta?

25 A Yes, sir.

Q And the other shaded area represents the individual tract owners within the City of Aztec.

A That are not subject to any lease as far as we can determine.

Q And both Exhibits Eight and Nine were prepared from the current tax assessor rolls for the City of Aztec?

A Yes.

Q All right. Now let me refer you to Exhibits Number Ten and Eleven, Mr. Carr.

A Is Number Ten the newspaper article?

Q No, sir, it's the letter from the city.

A All right. Number Ten is a copy of the letter which the City of Aztec sent to us approving the wells which we're proposing to drill in the city limits and denying the well that they did not give us permission to drill.

Q The denial of that well was a well for which you would have dedicated the south half of Section 9?

A Yes.

Q Okay, and as a result of that denial you're seeking to exclude the southeast quarter and develop only the southwest quarter.

A Yes, sir.

Q Okay. And what is Exhibit Number Eleven?

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A It's just a copy of a newspaper article concerning the city's actions in this matter.

Q There wasn't a permitted well location within the southeast quarter?

A No. Oh, you mean did we request one?

Q Yes, sir,

A Yeah, we did request one, a well in the southeast quarter, and they denied that.

Q All right. I'll direct your attention to Exhibit Number Twelve and have you identify that.

A Exhibit Number Twelve is an AFE for a dual Mesaverde-Pictured Cliff well in the southwest quarter of Section 9, Township 30 North, Range 11 West.

Q With regards to this acreage, do you have the Pictured Cliffs rights?

A Yes, we do.

Q You're seeking to force pool the Mesaverde for a dual Pictured Cliff-Mesaverde well.

A Yes, sir.

Q And you have a proposed method of allocation that we'll talk about later?

A Yes, sir.

MR. KELLANIN: If the Examiner please, we would introduce Exhibit Number Thirteen to you, which is

1
2 our affidavit of mailing of notice to all non-consenting parties
3 in all three cases.

4 Q Now, as a result of the notice being sent
5 to all these non-consenting parties in the three cases, Mr.
6 Carr, what if any response have you had from any of these in-
7 dividuals or companies?

8 A I've had a call from two individuals, one
9 of whom said he would be here this morning. He had an interest
10 in the well and didn't -- didn't think that his tract was
11 leased. I haven't met him, although I don't know him and he
12 may be here.

13 And the other one was from a lady who had
14 a tract that was unleased that was -- she was buying on a
15 contract, and she just wanted to be sure there would be no --
16 nothing adverse to her purchase contract by virtue of this
17 hearing.

18 Q As a result of the responses you received
19 from these people pursuant to the notice, what is your posi-
20 tion insofar as obtaining leases or some kind of contractual
21 agreement with them?

22 A We plan to approach everyone who we feel
23 has an unleased interest and attempt to get a lease covering
24 those interests.

25 Q Pooling orders are going to be required

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2 in the event that you can't obtain them or located these indi-
3 viduals in order to lease everything?

4 A. That's right and, of course, a pooling
5 order was going to be required anyway, because of Beta's re-
6 fusal to join.

7 Q. All right. Let me direct your attention
8 to Exhibit Number Fourteen. What is Exhibit Number Fourteen?

9 A. That's a plat of a portion of Township
10 30 North, Range 11 West in San Juan County, showing Mesaverde
11 wells and the names of the operators of wells and indicating
12 the southwest quarter of Section 9, where we're asking for
13 the non-standard unit, is outlined in red.

14 Q. This same information is applicable to
15 all three cases, is it not?

16 A. I'd assume it is, yes, sir.

17 Q. And the wells identified on here are
18 only the Mesaverde wells?

19 A. That's correct.

20 Q. All right. Let me direct your attention
21 to Exhibit Number Fifteen, Mr. Carr. What is Exhibit Number
22 Fifteen?

23 A. Number --- Exhibit Number Fifteen is a
24 portion, a copy of a portion of a map published by some dupli-
25 cating company in Farmington that shows all of the Pictured

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2 Cliff production. There are two figures. The upper figure
3 being the Mesaverde production for the calendar year 1978 and
4 the lower figure being the cumulative Mesaverde production.
5 These maps, I understand, are prepared from the Corporation
6 Commission records.

7 Q Have you examined the information on this
8 exhibit and found it to be true and accurate to the best of
9 your knowledge?

10 A Yes, as far as our wells --

11 Q All right.

12 A -- are concerned, that's correct.

13 Q All right, and have you relied upon that
14 information in reaching your decisions about the drilling of
15 these wells?

16 A Yes, sir. Now, I might add, that I added
17 something to this map, and that's the river-looking thing at
18 the southwest boundary in which I indicated the rapid pro-
19 ductivity decline, as you come out of the basin to the south-
20 east by putting in two contours, one of which represents
21 400-million Mcf of ultimate recovery and the other represents
22 200.

23 Q How would you generally characterize the
24 three units on which you intend to drill, so far as the pro-
25 ductivity or potential productivity?

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2 A Well, they're -- they're certainly not
3 going to be as good as the wells to the north and to the west,
4 and as you can see all along the map, that area is pretty
5 well been defined, because everybody's left it alone. There's
6 not even any dry holes out in there.

7 Q You're on the very edge, then, of the
8 Blanco-Mesaverde Field?

9 A Well, we're extending the production
10 limits with these wells. We're not within any producing
11 limits.

12 Q All right. Based upon your knowledge
13 and information, Mr. Carr, do you have an opinion as to the
14 risk involved in drilling these three wells?

15 A Yeah, it's considerable. If we didn't
16 feel that we could overall make some money out of drilling
17 the wells, we wouldn't want to drill them. We've been wrong
18 before, but we will drill wells that won't pay out.

19 Q Have you drilled any Mesaverde wells in
20 this area that will not pay out?

21 A Yes, sir, we drilled one last year. It's
22 the one I've designated Poor Well there to the -- we haven't
23 completed it as yet, either.

24 And it's in the -- just to the west about
25 a mile of the leases that are the subject of this -- these

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2 applications.

3 Q As you know, Mr. Carr, the Commission
4 statutory mandate sets some rules with regards to the risk
5 factor penalty that may be assessed against the non-consenting
6 owners, and that statutory maximum is 200 percent, plus recovery
7 from production of their proportionate share of the costs of
8 the well.

9 In terms of that statute, Mr. Carr, do
10 you have an opinion as to what you would believe to be a fair
11 and reasonable risk factor to assess against these individuals?

12 A Well, I don't see how the risk could be
13 much greater unless you just were drilling a rank wildcat.

14 Q In your opinion would a risk factor
15 penalty of 200 percent be fair and reasonable?

16 A Yes, sir.

17 Q Now your Exhibit Number Fifteen shows
18 a line of cross section, A through A' --

19 A Yes, sir.

20 Q -- indicating four wells?

21 A Yes, sir.

22 Q Have you prepared a cross section?

23 A Yes, sir.

24 Q I show you Exhibit Number Sixteen and
25 ask you to identify that.

1
2 A. This is a line of cross section A-A'
3 that is shown on Exhibit Fifteen, and it goes from a producing
4 Mesaverde well through the area in which there is no Mesaverde
5 production and it contains the other three logs, which I've
6 numbered one, two, and three, are logs of Dakota wells that
7 have been drilled, I think all of them by Southwest Production
8 Company.

9 Q. Number one is a Dakota well?

10 A. Yes.

11 Q. And number two is a Dakota well?

12 A. Yes, sir.

13 Q. And three and four are Mesaverde wells?

14 A. Well, let me see. No, three is a Dakota
15 well. Only four is a Mesaverde well.

16 Q. All right. Do the logs for wells one,
17 two, and three show any Mesaverde development?

18 A. Yes, sir, the -- I've indicated that
19 the logs three and four, which are the wells deeper into the
20 basin, the logs exhibit the somewhat cleaner sand than the
21 logs do in the wells number one and two, which are further
22 up dip out of the main producing area of the basin.

23 Q. Were wells one, two, or three ever com-
24 pleted as producers in the Mesaverde?

25 A. No, sir.

1
2 Q The operators in each of those three
3 wells elected to complete them in the Dakota?

4 A Yes, sir.

5 Q All right, sir, let me direct your at-
6 tention to Exhibit Number Seventeen. What is Exhibit Number
7 Seventeen?

8 A Exhibit Number Seventeen is a copy of
9 billings which we have received for joint interest wells where
10 we are the non-operators, one from Supron, and then I believe
11 the other two are from Amoco, and they cover the operations
12 of Mesaverde wells in the area. In fact, the well, the
13 Supron well, is the well on the -- that the number four well
14 on the cross section is the log of the well covered by this
15 invoice.

16 Q What are you being charged for overhead
17 charges in those offsetting wells?

18 A The Supron well, which is a new operating
19 agreement, it's only about a year old, provides for a monthly
20 charge of \$273.25. The two Amoco wells, which are covered
21 on -- under an operating agreement that is about two and maybe
22 three years old, show administrative overhead charges for
23 two wells that total \$477.22, and the other billing is from
24 Amoco and it covers the operating charges from a well that
25 is about a year older than the other well that shows admini-

1
2 strative charges of \$436.26, covering two wells on the unit.

3 Q Okay, and Exhibit Number Eighteen?

4 A This is a copy of the amendment to the
5 operating agreement covering the Supron Lester Unit, which
6 covers the north half of Section 3 in Township 30 North, Range
7 11 West, which again contains well number four of the cross
8 section.

9 Q Do you have a recommendation to the Exa-
10 miner of the overhead charges to be assessed against the non-
11 participating working interest owners while drilling and
12 after completion of the well?

13 A Well, this agreement and the latest cur-
14 rent operating agreements we've written is at ten times the
15 monthly charge.

16 Q You've indicated in your testimony that
17 the current monthly charge being charged by other operators
18 in the area is \$273.25 a month.

19 A Yes, sir.

20 Q In your opinion is that a fair and
21 reasonable charge to be assessed for your operation of that
22 well?

23 A Yes, sir.

24 Q And the drilling well rate would be ten
25 times that amount while drilling?

1

2

A. Yes.

3

Q. It would be \$2732.50?

4

A. I believe, yeah.

5

Q. All right, sir, and those are your recommendations to the Examiner?

6

7

A. Yes, sir.

8

Q. And, sir, let me direct your attention to Exhibit Number Nineteen.

9

10

A. Exhibit Number Nineteen covers the --- the operating agreement provision of expenses for dual wells, which we would propose for the dual wells, which we're planning in these applications.

11

12

13

14

Q. Has this type of allocation of costs been used before in this area?

15

16

A. As far as I know, it is just pretty much standard with all the operators in there. With all the operators we've gotten one from, I'll put it that way. They're all basically the same.

17

18

19

20

Q. Would you summarize for us briefly how we would allocate costs for the drilling of a dual Pictured Cliff-Mesaverde well insofar as the non-consenting Mesaverde working interest owners and royalty owners are concerned?

21

22

23

24

A. Yes. All costs down to the deepest productive zone in the Pictured Cliff would be split 50-50 be-

25

1
2 tween the Pictured Cliffs and the Mesaverde. Below that --
3 and all the completion charges of the Pictured Cliffs would
4 be borne entirely by the Pictured Cliffs owners. And the
5 cost and expenses below the Pictured Cliffs producing zone
6 would be borne entirely by the Mesaverde zone owners.

7 Q In your opinion, Mr. Carr, is that an
8 accepted practice within the industry for allocating costs
9 among various owners in different horizons?

10 A Yes, it is.

11 Q In your opinion is that a fair and reason-
12 able way of allocating the costs for the particular indivi-
13 duals involved in these cases?

14 A Yes, sir.

15 Q Were Exhibits One through Nineteen either
16 prepared by you directly or compiled under your direction and
17 supervision?

18 A Yes, they were.

19 Q And in your opinion, Mr. Carr, will ap-
20 proval of this application be in the best interests of con-
21 servation, the prevention of waste, and the protection of
22 correlative rights?

23 A I feel that it will.

24 MR. KELLAHIN: We move the introduction
25 of Exhibits One through Nineteen.

1 MR. STAMETS: These exhibits will be ad-
2

3 mitted.
4

5 CROSS EXAMINATION

6 BY MR. STAMETS:

7 Q Mr. Carr, does C and E have its own over-

8 head rate? Are you operating any new wells in the area?

9 A Yes, sir.

10 Q What overhead charges are you applying

11 to those wells?

12 A The same as we're asking for in this

13 hearing.

14 Q Okay. Now, the only thing I haven't

15 seen here is any indication that C and E has attempted to

16 gain voluntary agreement of any of these owners prior to

17 filing the application to compulsorily pool. Do you have any

18 evidence that such was --

19 A Well, I have just by what I reported to

20 you as to my conversation with Beta Development Company. I

21 made a trip to Midland and spent about a half a day with

22 their landman getting stuff for another well that we were in-

23 volved with, and with them on, and asked him again had his

24 position changed any about joining in on these wells. And

25 he said no, it hadn't. So I said, well, we'll -- since we'll

1
2 have probably other unleased owners, we'll go ahead with a
3 forced pooling hearing, and that was fine with him.

4 But I don't -- I can't prove that to you.
5 I can just tell you that it --

6 MR. STAMETS: Okay.

7 A -- took place.

8 Q But he's not the only owner in any of
9 these tracts. There are other owners, the City of Aztec.

10 A We have already approached the City of
11 Aztec for a lease. WE have a man working on that now.

12 Q Was that done before the application
13 was filed, or after?

14 A No, sir, as a matter of fact, we didn't
15 know that the City of Aztec had the tract unleased until after
16 the application was filed.

17 Q What about the other owners, small tract
18 owners?

19 A We, as I say, we -- we've got a short
20 fuse on the thing. We've got a contractor that is ready to
21 move in on these locations at about the end of this month,
22 and we figured we could probably buy some of the leases. We
23 expected we could not buy them all. We knew we had to have
24 a forced pooling hearing anyway because of Beta's position,
25 so we went ahead with that first and now we will contact the

1
2 other people.

3 MR. KELLAHIN: As Mr. Carr has indicated
4 in his testimony, subsequent to receiving the notice, some
5 of these individuals have contacted him and he's certainly
6 shown every intention to work out a lease or some other agree-
7 ment with them. The typical forced pooling order, as you
8 know, subsequent to the order allows a non-consenting party
9 to participate only if they tender their share of the well
10 cost. We would propose that the order could be modified in
11 this situation to allow those people an opportunity to lease
12 or to farmout their acreage without actually having to tender
13 their share of any cost.

14 I think that may be a very acceptable and
15 adequate way to give these people sufficient time in order to
16 contact Mr. Carr and for him to contact them again.

17 But because of the rig availability and
18 the contract problems we have on the drilling of this acreage,
19 it was imperative that we immediately commence forced pooling
20 actions.

21 MR. STAMETS: Of course, Mr. Kellahin,
22 I'm sure you recognize the language of the statute relative
23 to compulsory pooling and the interpretation of the Division
24 as applies to that, that in order for owners to not have agreed,
25 they must have had the opportunity to agree, and it does not

1
2 appear as though they were ever contacted; some of them were
3 never contacted and never had the opportunity to agree or dis-
4 agree, and I'm not certain that we wouldn't be --

5 A Well, they were on a prior hearing. They
6 wouldn't agree with Beta eighteen years ago.

7 Q I'm not certain that we will be able to
8 grant the applications sought because of that particular
9 failure. We'll just have to review the situation. Anything
10 that you could give us, Mr. Kellahin, which would help us
11 grant the relief that your client seeks here, would be appre-
12 ciated.

13 Any other questions of the witness? Mr.
14 Padilla.

15
16 CROSS EXAMINATION

17 BY MR. PADILLA:

18 Q Mr. Carr, I noted that your Exhibit A
19 is dated June 20th, 1979, and you have been talking that it's
20 a property identification map. Have you made an effort to
21 update that map, this map or --

22 A This is the latest information there is
23 available through the records, through the tax assessor's
24 records in the county.

25 Sir, I worked under a handicap on this

1
2 thing. I think if your records require, that if a well is
3 drilled in the city limits, we first obtain permission from
4 the city. This took some little time and --- but it really
5 took a whole lot longer than we figured it was ever going to
6 take, and after we did get this permission from the city, we
7 just had to go full blast to try to get really to meet the
8 obligation to this contractor to have these locations ready.

9 Q Doesn't one of these maps just show sur-
10 face acreage ownership?

11 A Yes, sir. The --- it shows surface owner-
12 ship only as far as unleased acres are concerned. Now these
13 same tracts were force pooled by Beta Development Company in
14 their hearing of eighteen years ago, and I give you those
15 order numbers if you'd like. I've got a copy of the hearing.
16 They're the same tracts that they could not obtain leases on.

17 Q But in order to get the correct mineral
18 ownership would you have to obtain an abstract to ---

19 A I certainly would, and I approached the
20 only abstractor out there who's got good mineral records,
21 and he told me there was no way that he could get into this
22 for some weeks. This is why I had to go the route I went.

23 Now, we will write all of these owners.
24 We'll be glad to send you copies of their letters. We'll
25 contact them and see if they think they own minerals; if they

1
2 do think they own minerals, then we'll have to go to an ab-
3 stractor and make a mineral takeoff but we won't have to do
4 it on all the acres in the section.

5 We've already got all the information
6 on the records as to Beta's leases. WE've got over 152 leases
7 that Beta took in that area.

8 Q Mr. Carr. I have one other question now.
9 The City of Aztec is on the non-standard proration unit, re-
10 quests that you submit additional data on their denial. Was -
11 did you ever submit additional data?

12 A I have no additional data that I can
13 submit under their rules. This application was denied be-
14 cause of a building permit that was filed for subsequent to
15 our staking of this location, and it's the only spot in there.
16 It's right in the middle of the old city and it's the only
17 spot in there that we could have put a rig that would comply
18 with their regulations, and then when they denied that spot,
19 because of this after the fact building permit application,
20 there's nothing -- nothing else we can do about it.

21 MR. PADILLA: I have nothing further.

22 MR. STAMETS: Any other questions of
23 the witness? He may be excused. Anything further in this
24 case? These cases?

25 They will be taken under advisement.

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREPY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
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.

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

_____, Examiner
Oil Conservation Division

BEFORE EXAMINER STATEMENTS
OIL CONSERVATION DIVISION
C&E EXHIBIT NO. 2
CASE NO. 7105
Submitted by _____
Hearing Date _____

BETA DEV
BACON

C&E OPERATORS, INC. ALL OTHER ACREAGE
IN N/2 9-30-11

BE
ERC

N/2 Sec 9-30-11
SAN JUAN CO.
1 = 400'

N

ORIGINAL TOWNSHIP
AZTEC N.M.

BEFORE EXAMINER STAMPS

C&E OPERATORS, INC. ALL OTHER ACREAGE
IN N/2 9-30-11

BETA DEV. CO.
BACON 5 ac.

28.25 ac.
BETA DEV.
EXCEPT AS SHOWN

1/2 Sec 9-30-11
SAN JUAN CO.
400'

N

ORIGINAL TOWNSITE
AZTEC N.M.

C & E OPERATORS FORCED POOLING APPLICATION
N/2 SECTION 9 - T30N-R11W, SAN JUAN COUNTY, NEW MEXICO CONTAINING 317.90 ACRES
NOTICES TO:
AC.

Church of Latter Day Saints
Real Estate Division
50 E. North Temple
Salt Lake City, Utah 84150

.66

Church of Latter Day Saints
Mr. Brent Christensen
Box 2488
Farmington, New Mexico 87401

Ralph A. Ransom
411 Aztec Blvd. NE
Aztec, New Mexico 87410

.40

Shamrock Oil & Gas Co.
Attn: Emerald Corp.
P. O. Box 631
Amarillo, Texas 79105

.30

Loyd Armstrong
428 N. Church Street
Aztec, New Mexico 87400

.36

Claudio Chavez
665 Pioneer Avenue
Aztec, New Mexico 87400

.59

Terry Moss
c/o Hooper
c/o Gregory Plesko
616 Pioneer Avenue
Aztec, New Mexico 87400

.16

Albert Marquez
618 Pioneer Street
Aztec, New Mexico 87400

.23

Joe B. Montoya
722 Pioneer Avenue
Aztec, New Mexico 87400

.24

William Wayne Sumner
818 Pioneer Avenue
Aztec, New Mexico 87400

.28

Ford C. & Elsie Webb

5.60

BEFORE EXAMINER STAMPEYS
OF THE REGISTRATION DIVISION

CVE EXHIBIT NO. 3

CASE NO. 7105

Submitted by

Hearing Date

TRACT

Lots 32, 33, 34, 35 & Fr.
Lots 7, 8, 9, 10
McCoy Tract 2

(same land)

Fr. Lots 1, 2, 3, 4, 5, 36
37, McCoy Tract 2

Fr. Lots 1, 39, 40, 41,
42, 43, 44
McCoy Tract 2

Fr. SE/NE Sec. 9
T30N-R11W

Fr. SE/NE Sec. 9
T30N-R11W

Fr. SE/NE Sec. 9
T30N-R11W

Fr. SE/NE Sec. 9
T30N-R11W

Lot 35, McCoy
Tract 1

Lot 23, Fr. lot 22,
McCoy Tract 1

Fr. N/2 Sec. 9-T30N-R11W

C & E OPERATORS FORCED POOLING APPLICATION
N/2 SECTION 9 - T30N-R11W, SAN JUAN COUNTY, NEW MEXICO CONTAINING 317.90 ACRES
NOTICES TO:

	AC.	TRACT
Rosie Cordova 803 McCoy Avenue Aztec, New Mexico 87401	.26	Lot 12, McCoy Tract 1
Floyd E. Hazen c/o Noah E. Tindle 300 N. Light Plant Road	.26	Lot 9, McCoy Tract 1
Leslie Webb c/o Genevieve Lopez 719 McCoy Avenue Aztec, New Mexico 87401	.26	Lot 10, McCoy Tract 1
Yvonne C. Scogin 713 McCoy Avenue Aztec, New Mexico 87401	.51	Lots 7 & 8, McCoy Tract 1
Mrs. Rosa J. Archuleta 711 McCoy Avenue Aztec, New Mexico 87401	.26	Lot 6, McCoy Tract 1
Angelica & Joe E. Martinez 1404 Hermosa S. E. Albuquerque, New Mexico 87108	.26	Lot 5, McCoy Tract 1
Bernardo Sanchez 707 McCoy Avenue Aztec, New Mexico 87401	.26	Lot 4, McCoy Tract 1
Ann Tonia Bennett 5209 Berget Drive Amarillo, Texas 79106	.67	Fr. SE/NE Sec. 9-T30N-R11W
Lillian C. Lopez 608 White Avenue Aztec, New Mexico 87401	.11	Fr. SE/NE Sec. 9-T30N-R11W
Beta Development Company P. O. Box 1659 Midland, Texas 79701	27.18	Various Oil & Gas Leases

C & E OPERATORS FORCED POOLING APPLICATION
N/2 SECTION 9 - T30N-R11W, SAN JUAN COUNTY, NEW MEXICO CONTAINING 317.90 ACRES
PARTIES INTEREST IN UNIT

	AC	PERCENTAGE
Church of Latter Day Saints	0.66	.002076
Ransom	0.40	.001258
Shamrock	0.30	.000944
Armstrong	0.36	.001132
Chavez	0.59	.001856
Moss	0.16	.000503
Marquez	0.23	.000723
Montoya	0.24	.000755
Sumner	0.28	.000881
Cordova	0.26	.000818
Hazen	0.26	.000818
Webb	0.26	.000818
Scogin	0.51	.001604
Archuleta	0.26	.000818
Martinez	0.26	.000818
Sanchez	0.26	.000818
Bennett	0.67	.002108
Lopez	0.11	.000346
Webb	5.60	.017616
Beta Development Company	27.18	.085499
C & E Operators	279.05	.877791
	317.90	1.000000

N/2 Section 9-T30N-R11W

AFE - Gas Development Drilling

Lease Fee Well No. S-A Depth 4,800 Dual Mesaverde-PC

Location: Unit B Sec. 9 - 30N - 11W, San Juan Co., N.M.

Dirt Work: Road & Loc. 26,000 Clean up 8,000 34,000

Drilling Fluids Water Frac 6,300 Drig - 8,400 Mud 12,000 26,700

Cement & Services: Surface 8-5/8" @ 275' 2,043

Production 5 1/2" @ 4,800' 2 stage 10,525

Logging: OH YES & D/N 7,310 CH GR & CBL 2,185 9,495

Perforating MV 2,930 PC 2,600 5,530

Other Cased Hole Wire Line Services BP & Mod "D" Pkr 2,655

Press. tests, Spot acid 500 Gal Acetic - 2 set ups 2,400

Packers for break down 2 sets 2,760

Pump charge & acid for break down 500 gal 15% HCl 2 set ups 2,700

Fracturing: MV 28,232 PC 31,076 59,308

Rentals & Misc.:

Guyline Anchors 500 Frac tanks 12 2,820

Rental tools for dual 1,800

Dual Equipment Mtl & Services Baker Services 3,770 8,890

Other Charges

Consulting Eng & Geol. 5,800

H₂ or Gas to clean up well 16,000

Roustabout Labor for Surface Hookup 3,500

Fencing Mtl & installation 5,000

Cathodic Protection 7,500 37,800

Rig Contract

4,800 ft. @ 15.50 ft. 74,400

Day work 1 days @ 4,800 4,800

Completion Rig 9 days @ 2,000 /12 hr. day 18,000

Trucking: 4,000 casing: 1,800 comp. Rig

1,000 Frac tanks 6,800

Tangible Costs

Well Head 10" series 600 OCT Dual Well Head 17,000

Casing 8-5/8" 24#J @ \$10.32/ft Surface 275 2838

Casing 5 1/2" 15.5#J @ \$6.70/ft Production 4,850 - 32,495 35,333

Tubing 1 1/2" 2.9 #EUE @ \$2.82/ft 4,500 - 12,690 2,100' - 5,355 18,045

Flow line & Connections 1,800

\$3,657 Stock Tank & Stairway

8,488 Production Unit

2,594 Production Unit

3,314 Intermitter & Piston Installation 18,053

Total \$399,037

Shallow Zone Total 155,748.00

Mesa Verde Zone Total 243,289.00

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

CVE EXHIBIT NO. 4

CASE NO.

Submitted by

Hearing Date

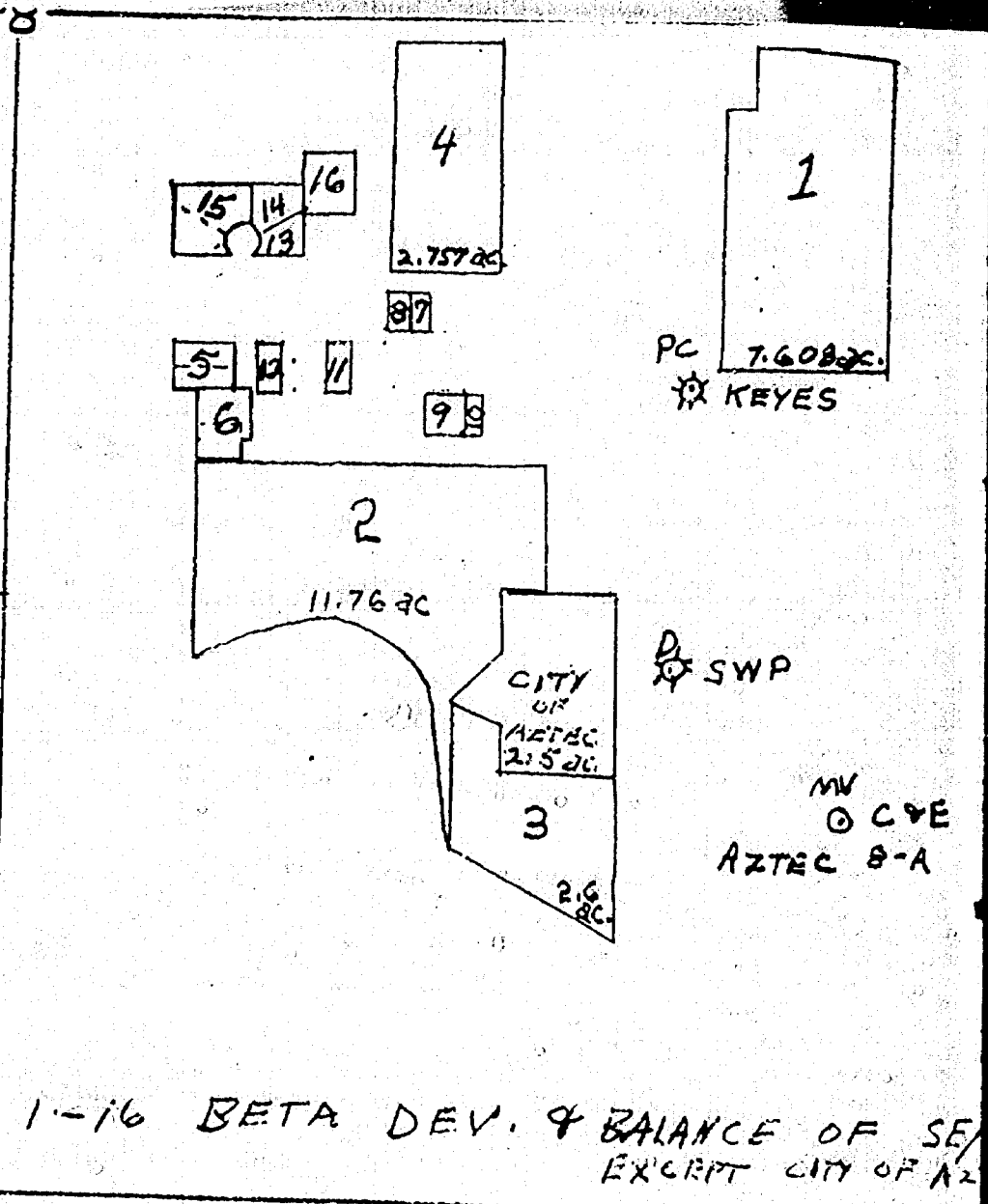
EXAMINER'S OFFICE
OIL CONSERVATION DIVISION
CPE EXHIBIT NO. 5
CASE NO. 7106
Submitted by _____
Hearing Date _____

PC
CPE

C & E
MV
CPE
AZTEC 8

OPERATORS
SW/4

D SWP



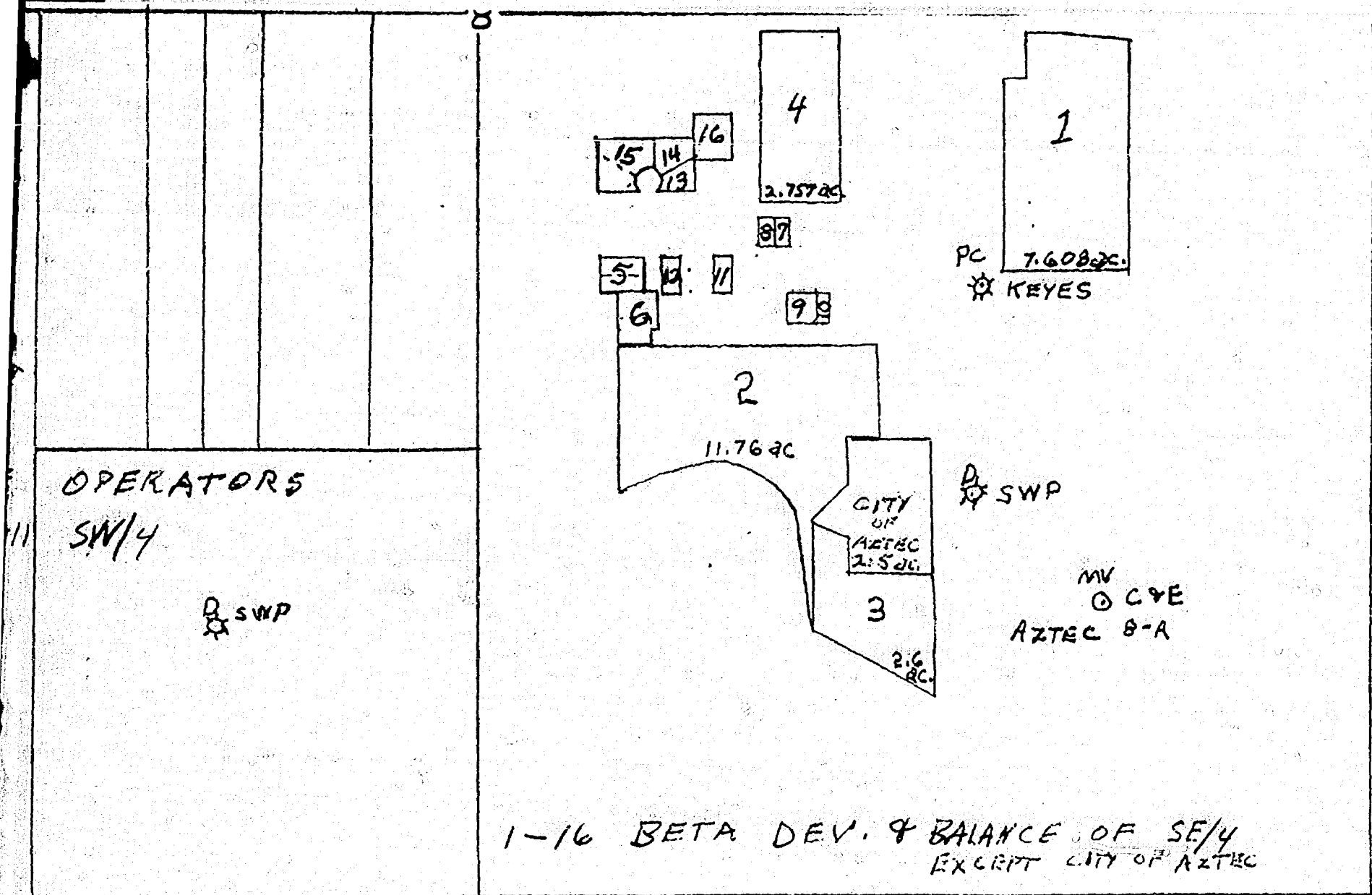
PC
KEYES

D SWP

MV
CPE
AZTEC 8-A

5/2 SEC 8-30N-11W
SAN JUAN CO.

SCALE: 1" = 4



S/2 SEC 8-30N-11W
SAN JUAN CO.

SCALE: 1" = 400'



FORCED POOLING NOTICES

SOUTH HALF (S/2) SECTION 8, T. 30N., R. 11W., N.M.P.M. containing 317.08 Acres
Acres & Percentage of Unit

Name	Acres	Percentage of Unit
1. Harold B. Barnes c/o Robert W. Taylor Box 591 Placitas, New Mexico 87043	7.608 acres	.023994
2. Edward Diefel John Eichman 1500 El Serno Avenue Bakersfield, Calif. 93304	11.760 acres	.037088
3. Onefre R. Jacquez P.O. Box 362 Aztec, New Mexico 87410	2.600 acres	.008200
4. Edna O. Perry 1015 Candelaria Road N. W. Albuquerque, New Mexico 87107 & Edna O. Perry c/o Virgil Dennis Johnson P. O. Box 2042 Aztec, New Mexico 87410	2.757 acres	.008695
5. Frances Leon Quintana 1516 Martin Avenue Aztec, New Mexico 87410	.41 acres Lots 14 & 15 Block 5 Riverview Subidivision	.001293
6. Robert E. Pate 304 East Glenmary Aztec, New Mexico 87410	.34 acres Lots 16 & 17 Block 5 Riverview Subdivision	.001072
7. R. J. Trahan c/o Clyde C. Lamar Attn. B. Johnson 1413 Martin Avenue Aztec, New Mexico 87410	Lot 9, Block 1 Riverview Subdivision .120 acres	.000379
8. Jerry D. Soseman c/o Vernon L. McDonald P. O. Box 541 Aztec, New Mexico 87410	Lot 10, Block 1 Riverview Subdivision .120 acres	.000379
9. Lanell W. Baird and Evelyn Baird, his wife Star Lake Plant Cuba, New Mexico	Lots 9 and 10, Block 3 Riverview Subdivision .252 acres	.000795
10. Frederick A. Cornish 305 Dixon Street Aztec, New Mexico 87410	Lot 11, Block 3 Riverview Subdivision .126 acres	.000397
11. M. Zelma Troxel 1512 Martin Avenue Aztec, New Mexico 87410	Lot 2, Block 4 Riverview Subdivision .126 acres	.000397

BEFORE EXAMINER'S TESTS
OIL CONSERVATION DIVISION

CNE EXHIBIT NO. 6

CASE NO. 7106

Submitted by _____

Hearing Date _____

FORCED POOLING

Page 2

Name	Acres & Percentage of Unit
12. E. W. Phelps c/o Susan or Jerry McGaha 810 N.Vine SP #22 Farmington, New Mexico 87401	Lot 5, Block 4 Riverview Section .126 acres .000397
13. Delbert D. Deck 207 Sumner Place Aztec, New Mexico 87410	Lot 7, Block 5 Riverview Subdivision .20 acres .000631
14. Wm. L. Sewell c/o Michael Schropp 211 Sumner Place Aztec, New Mexico 87410	Lot 8, Block 5 Riverview Subdivision .28 acres .000833
15. Gilbert J. Martinez, Jr. 324 S. Mesa Verde Street Aztec, New Mexico	Lots 9 & 10, Block 5 Riverview Subdivision .46 acres .001451
16. Church of Christ, Inc. Aztec c/o Aztec Boys Club P. O. Box 488 Aztec, New Mexico 87410	Lots 4 and 5 - .354 acres Simonds Subdivision .001116
Mesa Verde rights in the above tracts 1 through 16 are held by Beta Development Company	
17. Beta Development Company P. O. Box 1659 Midland, Texas 78701	155.1 acres Various Oil & Gas Leases .489151
18. City of Aztec 201 W. Chaco St. Aztec, New Mexico 87410	City Light Plant 2.5 Ac. (Unleased) .007884
19. C and E Operators, Inc. 4925 Greenville Avenue #170 Dallas, Texas 75206	159.480 acres Various Oil & Gas Leases .502965
	317.08 acres 1.000000

APE - Gas Development Drilling

Lease Aztec Well No. 8-A Depth 4,700 Single Mesaverde

Location: Unit P Sec. 8 - 30N - 11W, San Juan Co., N.M.

Dirt Work: Road & Loc. 28,000 Clean up 8,000

Drilling Fluids Water 4,000 Drlg. 8,225 Mud 11,750

Cement & Services: Surface 8-5/8" @ 275

Logging: OH IES & D/N 7260 CH GR CBL 2,155

Perforating Mesaverde 2,930

Other Cased Hole Wire Line Services ---

Press. tests, Spot acid 500 gal. Acetic 1 run

Packers for break down 1 run

Pump charge & acid for break-down 500 gal. 15% HCl

Fracturing: 125,000# 70BPM@2,500

Rentals & Misc.:

Guyline Anchors 500 Frac tanks 12 2820

Rental tools for single 750

Dual Equipment Mtl & Services NA

Other Charges

Consulting Eng & Geol. 3,800

N₂ or Gas to clean up well 3,000

Roustabout Labor for Surface Hookup 3,500

Fencing Mtl & installation 5,000

Cathodic Protection 7,500

Rig Contract

4,700 ft. @ 15.50 ft.

Day work 1 days @ 4,800

Completion Rig 4 days @ 2,000 /12 hr. day

Trucking: 3,800 casing: 1,800 comp. Rig

1,000 Frac tanks

Tangible Costs

Well Head 10" series 600 OCT Single

Casing 8-5/8" 24J @ 10.32/ft Surface 275' - 2838

Casing 5 1/2" 15.5J @ \$6.70/ft Production 4,750' - 31,825

Tubing 1 1/2" 2.9# EUE; 4,400' @ \$2.82/ft

Flow line & Connections

\$3,657 Stock Tank & Stairway 300 bbl

8,488 Production Unit Mesaverde

none Production Unit

\$3,314 Intermittent & Piston Installation

36,000

23,975

2,043

10,525

9,415

2,930

0

1,200

1,380

1,350

28,232

4,070

22,800

72,850

4,800

8,000

6,600

10,800

34,663

12,408

1,800

15,459

\$311,300

Total

S/2 Sec. 8-T30N-R11W

AFE - Gas Development Drilling

Lease Aztec Well No. 8-1 Depth 4,700 Dual Mesaverde-PC

Location: Unit P Sec. 8 - 30N - 11W, San Juan Co., N.M.

Dirt Work: Road & Loc. 28,000 Clean up 8,000

Drilling Fluids Water-Frac 6,300 Drilg 8,225 Mud 11,750

Cement & Services: Surface 8-5/8" @275'

Production 5 1/2" @4,700' 2 stage

Logging: OH IES & D/N 7,260 CH GR CBL 2,155

Perforating Mesaverde 2,930 PC 2,600

Other Cased Hole Wire Line Services BP & Mod "D" Pkr.

Press. tests, Spot acid 500 gal Acetic

Packers for break down Straddle - 2 runs

Pump charge & acid for break down 500 gal 15% HCl - 2 set ups
175,000# 70 BPM @ 2,500 75,000# 50BPM @ 1,500
70% foam 31,076

Fracturing: MV 28,232

Rentals & Misc.:

Guyline Anchors 500 Frac tanks 12 2,820

Rental tools for Dual 1,800

Dual Equipment Mtl & Services Baker Services 3,770

Other Charges

Consulting Eng & Geol. 5,800

H₂ or Gas to clean up well 16,000

Roustabout labor for Surface Hookup 3,500

Fencing Mtl & installation 5,000

Cathodic Protection 7,500

Rig Contract

4,700 ft. @ 15.50 ft.

Day work 1 days @ 4,800

Completion Rig 9 days @ 2,000 /12 hr. day

Trucking: 4,000 casing: 1,800 comp. Rig

1,000 Frac tanks

Tangible Costs

Well Head 10" series 600 OCT Dual Tree

Casing 8-5/8" 24#J @ \$10.32/ft Surface 275' 2,838

Casing 5 1/2" 15.5 J @ \$6.70/ft Production 4,750 31,825
4,400' 12,408 1,900' 4,845

Tubing 1 1/2" EUE @ \$2.82/ft; 1 1/2" IJ @ \$2.55/ft

Flow line & Connections

\$3,657 Stock Tank & Stairway 300 bbl

8,488 Production Unit Mesaverde

2,594 Production Unit

3,314 Intermittent & Piston Installation

Total

Shallow Zone Total

154,646.00

Mesa Verde Zone Total

242,824.00

36,000

26,275

2,043

10,525

9,415

5,530

2,605

2,400

2,760

2,700

59,308

8,890

37,800

72,850

4,800

18,000

6,800

17,000

34,663

17,253

1,800

18,053

\$397,470

FORCED POOLING FOR NON-STANDARD MESA VERDE UNIT SW/4 SEC. 9-T30N-R11W,
SAN JUAN COUNTY, NEW MEXICO, CONTAINING 158.54 acres

NOTICES

	AC.	Tract
Robert N. Ramsey 412 S. Church Street Aztec, New Mexico 87410	1.03	FR SE/SW 9-30-11
Keith Vandruff Box 421 Aztec, New Mexico 87410	.16	Lot 7, Block 1, Currents Subd.
Ernest & Margaret Maestas Box 493 Aztec, New Mexico 87410	.16	Lot 2, Block 2, Currents Subd.
Hazel C. Bazter P. O. Box 146 Aztec, New Mexico 87410	.32	Lots 3 & 4, Block 2, Currents Subd.
AND	.08	Lot 18, Block 10, Aztec
Floyd & Maruice Rhodes c/o Robert L. Stevenson 301 S. Main Street Aztec, New Mexico 87410	.28	Lots 1 thru 5, Block 10, Aztec
Georgia Fay Anderson 322 S. Main Street Aztec, New Mexico 87410	.34	Lots 10, 11, 12, Block 10, Aztec and Frac. SE/SW 9-30-11,
ALSO		Lots 13 thru 17 Block 10, Aztec and Frac. SE/SW 9-30-11
Eugene Stewart Box 692 Aztec, New Mexico 87410	.4	Lots 20-24 Block 20, Aztec
New Mexico State Highway Commission Box 1140 Santa Fe, New Mexico 87501	1.78	Fr. SW/4 9-30-11
New Mexico State Highway Commission Box 1149 Santa Fe, New Mexico 87501		SAME LAND
Beta Development Co. P. O. Box 1659 Midland, Texas 79701	12.98	Various Oil & Gas Leases
Ford C. & Elsie Webb Rte 3, Box 134-A Farmington, New Mexico 87401	.25	Fr. NE NW-Sec. 9-T30N-R11W

C & E OPERATORS FORCED POOLING APPLICATION

NON-STANDARD MESA VERDA UNIT COVERING SW/4 SECTION 9 - T30N - R11W , SAN JUAN COUNTY,
NEW MEXICO, CONTAINING 158.54 ACRES.

	AC.	INTEREST
Ramsey	1.03	.006497
Vandrieff	0.16	.001009
Maestas	0.16	.001009
Baxter	0.40	.002523
Rhodes	0.28	.001766
Anderson	0.34	.002145
Stewart	0.40	.002523
Webb	0.25	.001577
Hlway	1.78	.011227
Beta	12.98	.081872
C & E Operators	<u>140.76</u>	<u>.887852</u>
	158.54	1.000000



City of Aztec

201 WEST CHACO

Aztec, New Mexico
87410

PHONE: 505 334-9462
505 334-9463

RECEIVED NOV 21 1980

WINNER ALL AMERICAN CITY AWARD

LENN MCQUITTY, Mayor

November 13, 1980

W.P. Carr
C. & E. Operators, Inc.
One Energy Square - Suite 170
Dallas, Texas 75206

Subject: City of Aztec Drilling Permits

Dear Mr. Carr:

The Aztec City Commission, at its regular meeting, November 10, 1980 approved all but one of your applications to drill wells within the City limits of Aztec, New Mexico.

Wells that were approved are:

Aztec #9 Well
Fee #9 Well
Fee #9-A Well
Aztec #8 Well
Fee #8-A Well
Fee #8 Well
Aztec #8-A Well

Aztec #9-A Well was not approved by the Commission at that time as the Commissioners felt a more definite survey should be furnished reflecting the exact location of the well site. It was their understanding from the evidence submitted by Mr. Dial and Mr. Lawson, (property owners within the area) that this well site should be moved to satisfy the 200ft. requirement of the City.

Regarding the request for an access easement from the City to get to the site of Fee #8 Well, the Commission felt that approval of this easement is a separate matter and should be negotiated with the City Manager. The Commission did not vote to grant the easement.

Thank you for your time and consideration. If further information is needed feel free to call me anytime. The phone number is 334-9462.

Sincerely,

Nathan Broadhead
City Clerk

NB/rc

cc: N.M. Oil & Gas Commission-Mr. Chavez
Bill Stiles

Please Return

Wells

Commission okays permits for seven gas holes

The Astec City Commission approved permits Monday night for C&E Operators to drill seven gas wells within the city.

The application for an eighth permit was denied until the city is shown that the well will not be within 200 feet of any other structure.

OF THE SEVEN approved, the one receiving the most discussion was the one designated 8A, to be drilled in Riverside Park. The concern was the route of lines from the new well to existing liquid tanks in the park.

City Atty. Clement Hooper said that C&E would only be drilling the well and that the laying of lines would be done by the purchaser of the well's production, probably El Paso Natural Gas Co.

"We have a right to ask someone to make it safe," said Mayor Lena McQuitty.

Commissioners agreed to approve the drilling permit and to work later with whichever company runs lines from the well, to be sure they do not endanger the safety of persons using Riverside Park. The biggest fear is that the lines could run through the main picnic area.

OTHER WELLS for which permits were approved:

8B, to be drilled on farmland owned by Alonso Martinez east of the Animas River and south of Hampton Arroyo.

8C, to be drilled in the swampy area south of Snow Gray Chevrolet on W. Chaco.

8D, to be drilled in a pasture west of Astec Buick National Monument. That site is in the Grandland Park Subdivision, Rapid, which is undeveloped, and the commissioners were told C&E Operators is buying six of the subdivision's lots for a well site.

well site.

"That's right in the middle of a residential area," said Commissioner Kathy Ramsey. "That bothers me." She said the city will have to be certain that requirements for fencing and landscaping the completed well are met by the driller.

8E, east of N. Oliver Drive in an undeveloped area, about 400 feet from the nearest dwelling.

8F, about 300 feet east of S. Oliver Drive in a pasture area on land owned by Jackson David Bottling Co.

8G, in Estes Arroyo behind the W. Astec Blvd. business strip that contains the laundramat and second hand store. It's about 200 feet from the businesses and about 300 feet from Hampton Home Park, which lies to the north.

C&E will need to show the city an easement on city-owned land along Hampton Rd. to have access to the well site, commissioners were told.

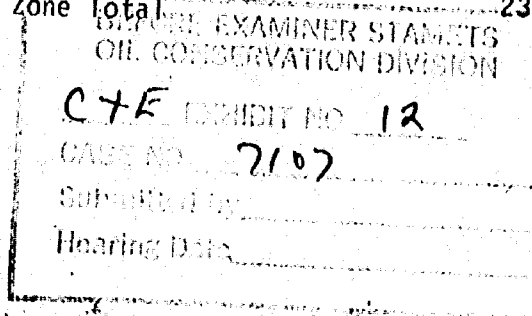
Commissioners were told.

They also expressed concern about enforcing safety provisions at that site, noting that Estes Arroyo is a play area for many neighborhood children.

THE PERMIT was denied for well 8H, which is proposed for Fred Lawing's property east of the Dial Oil Co. on Grande Ave. Dial Oil has a building permit for a new building that would be 50 feet from the proposed well site. Lawing said the well could be moved 100 feet from the building site, but that still would not meet the ordinance requirement that a well not be drilled within 200 feet of a structure.

Commissioners indicated they would consider the application for well 8H if it is shown that the ordinance requirement will be met.

SW/4 Section 9-T30N-R11W		
AFE - Gas Development Drilling		
Lease Aztec	Well No. 9	Depth 4750' Dual Mesaverde - PC
Location: Unit M Sec. 9 - 30N - 11W, San Juan Co, N.M.		
Dirt Work: Road & Loc.	24,000	Clean up 8,000
Drilling Fluids	Drilg 8313	
	Water Frac 6,300	Mud 11,875
Cement & Services: Surface	8-5/8 @275	
	Production 5 1/2 @4750 2 stage	
Logging: OH	IES & D/N 7285	CH GR CBL 2170
Perforating	MV 2930	PC 2600
Other Cased Hole Wire Line Services		BP & Mod "D" Pkr
Press. tests, Spot acid	500 gal. Acetic - 2 set ups	
Packers for break down	2 sets	
Pump charge & acid for break down	500 gal. 15% HCl 2 set ups	
Fracturing: MV	28,232	PC 31,076
Rentals & Misc.:		
Guyline Anchors	500	Frac tanks 12 2820
Rental tools	for Dual	1800
Dual Equipment Mtl & Services		Baker Services 3,770
Other Charges		
Consulting Eng & Geol.		5,800
N2 or Gas to clean up well		16,000
Roustabout Labor for Surface Hookup		3,500
Fencing Mtl & installation		5,000
Cathodic Protection		7,500
Rig Contract		
4750 ft. @	15.50 ft.	
Day work	1 days @ 4,800	
Completion Rig	9 days @ 2,000	/12 hr. day
Trucking: 4,000	casing: 1,800	comp. Rig
1,000	Frac tanks	
Tangible Costs		
Well Head	10" series 600 OCT Dual	
Casing 8-5/8 24#J @ \$10.32/ft	Surface 275'	2838
Casing 5 1/2 15.5 J @ \$6.70/ft	Production	4,800' 32,160
Tubing 1 1/2" 2.9 #J @ \$2.82/ft	4,350-12,267	2,050' 5,228
	1 1/2" IJ @ \$2.55/ft	
Flow line & Connections		
\$3,657	Stock Tank & Stairway	300 bbl.
8,488	Production Unit Mesaverde	
2,594	Production Unit PC	
3,314	Intermitter & Piston Installation	
Shallow Zone Total		155,329.00
Mesa Verde Zone Total		239,796.00
Total		\$395,125



Township 30 N, Range 11 W, County SAN JUAN, State NM

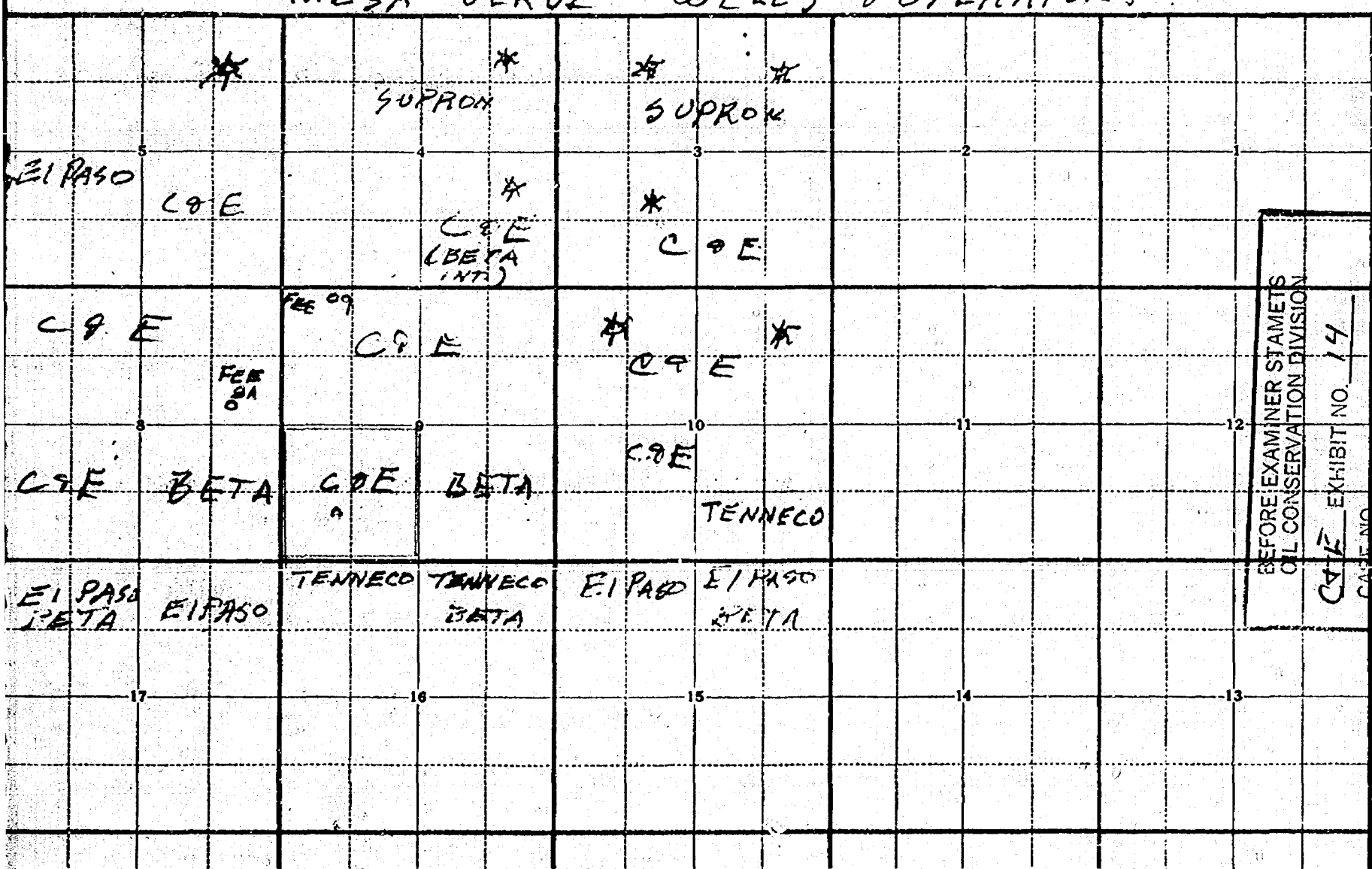
MESA VERDE WELLS & OPERATORS

The map is a hand-drawn diagram on a grid, showing various locations and labels. The labels are as follows:

- Top Section:**
 - Left: **EI PASO** (with a star symbol below it), **EI PASO**, **CDE**.
 - Middle: **SUPRON** (with a star symbol above it), **CDE** (with a star symbol above it), **(BETA INT)**.
 - Right: **SUPRON** (with a star symbol above it), **CDE** (with a star symbol above it).
- Middle Section:**
 - Left: **CDE** (with a star symbol above it).
 - Middle: **CDE** (with a star symbol above it), **FEE 09**, **FEE 0A**.
 - Right: **CDE** (with a star symbol above it), **CDE** (with a star symbol above it).
- Bottom Section:**
 - Left: **CDE** (with a star symbol above it), **BETA**.
 - Middle: **CDE** (with a star symbol above it), **BETA**, **CDE** (with a star symbol above it), **BETA**.
 - Right: **CDE** (with a star symbol above it), **TENNECO**.
- Bottom Row:**
 - Left: **CDE** (with a star symbol above it), **BETA**, **EI PASO**, **BETA**, **EI PASO**.
 - Middle: **TENNECO**, **TENNECO**, **BETA**.
 - Right: **EI PASO**, **EI PASO**, **BETA**.

ON, Range 11 W, County SAN JUAN, State N.M.

MESA VERDE WELLS & OPERATORS

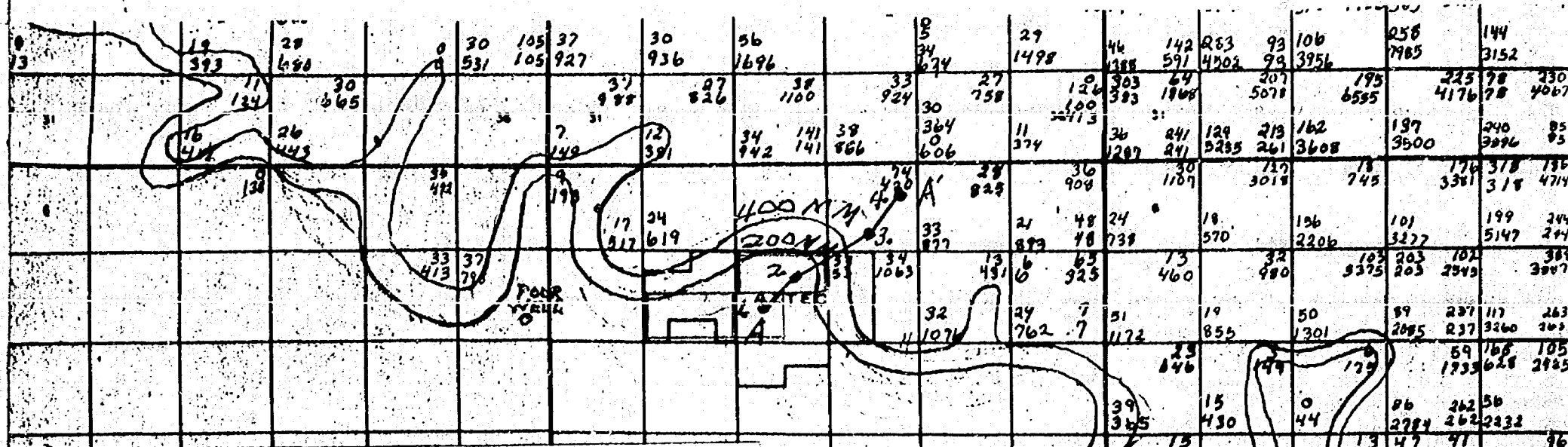


BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

CASE NO. 14

Submitted by 7105-7107

Hearing Date



MESA VERDE FORMATION

(Portion of Blanco Mesa Verde Field)

Gas Only

23 = Annual Production (MMCF) 1978

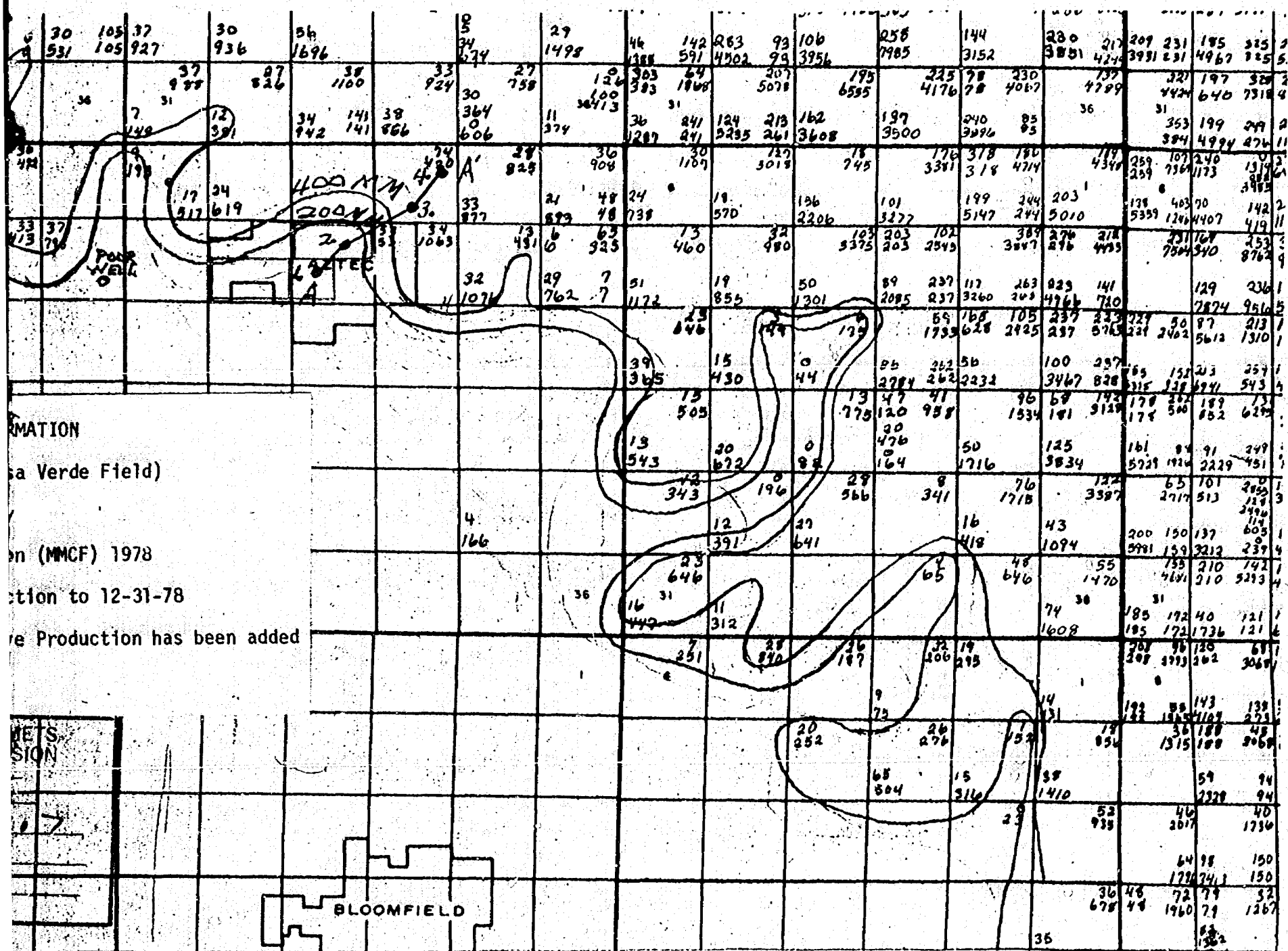
2345 = Cumulative Production to 12-31-78

Contour Interval 200 MMCF Cumulative Production has been added

BEFORE EXAMINER STAMET'S
OIL CONSERVATION DIVISION

EXHIBIT NO. 15
CASE NO. 7105-7117
Submitted by
Hearing Date

BLOOMFIELD



SUPRON ENERGY CORPORATION
BLOG. V, FIFTH FLOOR
10300 NORTH CENTRAL EXPRESSWAY
DALLAS, TEXAS 75231

JOINT INTEREST BILLING

9/23/80

INVOICE NO. 501240

OWNER: 01297
W.P. CARR

JOINT EXPENSE SUMMARY

PAGE 4
MONTH OF AUG. 1980

PROPERTY - LESTER MV
OPERATOR - SUPCO
DESC - LESTER #1 MV

STATE - NEW MEXICO
COUNTY - SAN JUAN

10861-00

REF	DESCRIPTION	GEN	SUB	DTL	B C	QUANTITY	EXPENSE AMOUNT
CONTRACT LABOR							
ME08-9735	CONTRACT LABOR	305	102		1		51.00
ME08-9733	CONTRACT LABOR	305	102		1		38.49
ME08-9735	CONTRACT LABOR	305	102		1		38.49
ME08-9735	CONTRACT LABOR	305	102		1		51.00
ME08-9100	LESTER #1 FARMINGTON	305	102		1	49110	7.50
ME08-9100	LESTER #1 FARMINGTON	305	102		1	49070	35.40
							144.90
ELECTRIC POWER							
AP08-5610	CATH PROT POWER	305	108		1		7.62
							7.62
CHEMICAL AND SOLVENTS							
AP08-0467	CHEMICAL	305	111		1		160.34
							160.34
ADMINISTRATIVE OVERHEAD / CPR							
JV08-8999	LESTER 1-A MV. <i>Never well (1979)</i>	305	399	90099	1		273.25
JV08-8999	LESTER MV <i>older well</i>	305	399	90099	1		218.90
							492.15
TOTAL PROPERTY							905.01

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

C & E EXHIBIT NO. 17

CASE NO. 7105 - 7107

Submitted by

Hearing Date

MONTH OF OPERATION
AUGUST 1980

AMOCO PRODUCTION COMPANY
P. O. BOX 591
TULSA, OKLAHOMA, 74102
PHONE 918/581-3358

616847 00

OPERATING STATEMENT 1

PROPERTY LEEPER GAS COM

NO. 290497 00 7 PAGE 1

REFERENCE	DESCRIPTION	AMOUNT
	WELL EXPENSE	
	SALARIES AND EXPENSES-LEASE SUPERVSN	34.13
	LABOR AND EXPENSES--PUMPERB	182.80
	LABOR AND EXPENSES (COMPANY)	11.67
	MATERIAL--OPERATION AND REPLACEMENT	7.52
	LEASE SERVICES	119.58
		361.60 *
	OTHER OPERATING EXPENSE	
	VACATION EXPENSE	12.59
	PAYROLL TAXES	11.86
	EMPLOYEE BENEFIT PLANS EXPENSE	47.16
	OTHER EXPENSES	8.51
		80.12 *
	DEPARTMENTAL ADMINISTRATIVE EXPENSE	
	ADMINISTRATIVE OVERHEAD	477.22
	PRODUCING WELL RATE	477.22 *
	TOTAL COST AND CHARGES	918.94 **
616847 000 W P CARR		28.00
BALANCE-REMAINING OWNER(S)	0304688	890.94
		918.94 **

MONTH OF OPERATION
AUGUST 1980

AMOCO PRODUCTION COMPANY
P. O. BOX 591
TULSA, OKLAHOMA, 74102
PHONE 918/581-3358

616847 00

OPERATING STATEMENT 1

PROPERTY MCCOY GAS COM /A/

NO. 290558 00 6 PAGE 4

REFERENCE	DESCRIPTION	AMOUNT
	WELL EXPENSE	34.12
	SALARIES AND EXPENSES-LEASE SUPERVISOR	188.80
	LABOR AND EXPENSES--PUMPER	11.58
	LABOR AND EXPENSES (COMPANY)	40.38
	LABOR - CONTRACT - OPERATION AND REPAIR	7.52
	MATERIAL--OPERATION AND REPLACEMENT	13.35
	POWER, FUEL, AND WATER (PURCHASES)	59.79
	LEASE SERVICES	1,155.54
	OTHER OPERATING EXPENSE	12.59
	VACATION EXPENSE	11.86
	PAYROLL TAXES	47.16
	EMPLOYEE BENEFIT PLANS EXPENSE	8.77
	OTHER EXPENSES	78.28
	DEPARTMENTAL ADMINISTRATIVE EXPENSE	436.28
	ADMINISTRATIVE OVERHEAD	438.25
	PRODUCING WELL RATE	1,670.18
	TOTAL COST AND CHARGES	263.34
616847 000 W P CARR		1,496.84
BALANCE-REMAINING OWNER(S)	1576686	1,670.18

Before 1979

WILLIAM PLACK CARR
6700 FOREST LANE
DALLAS, TEXAS 75230
368-5968

October 11, 1979

Lester #1-A-MV

Re: Lester No. 1 Unit
NW/4 Section 3, T30N, R11W
San Juan County, New Mexico

Supron Energy Corporation
Building V, Fifth Floor
10300 North Central Expressway
Dallas, Texas 75231

Gentlemen:

We are enclosing an executed signature page of an
Amendment of Operating Agreement on the above
captioned well.

Yours very truly,

W. P. Carr

WPC/nsf
Enc.

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION
C&E EXHIBIT NO. <u>18</u>
CASE NO. <u>7105-7107</u>
Submitted by _____
Hearing Date _____

AMENDMENT OF OPERATING AGREEMENT

THIS Amendment of Operating Agreement is made and entered into on this 7th day of August, 1979, by and between SUPRON ENERGY CORPORATION (hereinafter referred to as "Supron"), SOUTHLAND ROYALTY COMPANY (hereinafter referred to as "Southland"), and W. P. CARR (hereinafter referred to as "Carr").

W I T N E S S E T H T H A T :

WHEREAS, Supron, as Operator, and Southland and Carr, as Non-Operators, are the parties to that certain Operating Agreement dated January 10, 1975, which covers operations on the Lester No. 1 Well and the unit for such well for the production of gas and associated liquid hydrocarbons from the Pictured Cliffs formation in and beneath the NE/4 of Section 3, Township 30 North, Range 11 West, N.M.P.M., San Juan County, New Mexico, and the unit for such well for the production of gas and associated liquid hydrocarbons from the Mesaverde formation in and beneath the N/2 of Section 3, Township 30 North, Range 11 West, N.M.P.M., San Juan County, New Mexico; and

WHEREAS, in accordance with the rules and regulations of the New Mexico Conservation Commission, the parties hereto desire to drill a well on the NW/4 of Section 3, Township 30 North, Range 11 West, N.M.P.M., San Juan County, New Mexico; and

WHEREAS, in order for the parties hereto to drill such well, it is necessary to amend the hereinabove described Operating Agreement dated January 10, 1975.

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements herein contained, Supron, Southland and Carr hereby agree as follows:

1.

The Operating Agreement is hereby amended by the addition of Article IIIA entitled "DRILLING OPERATIONS COVERING THE SECOND WELL" to hereafter read as follows:

"IIIA.

DRILLING OPERATIONS COVERING THE SECOND WELL

Section 1. Operator shall, within a reasonable time period after August 7, 1979, commence or cause to be commenced the drilling of a well (hereinafter referred to as the "Second Well") at a lawful location in the NW/4 of Section 3, Township 30 North, Range 11 West, N.M.P.M., San Juan County, New Mexico; and Operator shall thereafter continue the drilling thereof of the Second Well with due diligence to a sufficient depth to test the Mesaverde formation, unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all the parties agree to abandon the Second Well at a lesser depth.

Section 2. Prior to commencement of drilling operations, Operator shall furnish to each Non-Operator an Authority for Expenditures which shall cover the costs expected to be incurred in drilling and equipping of the Second Well.

Section 3. All costs and expenses incurred in connection with the drilling, completing, testing, equipping and, if a dry hole, the plugging and abandonment of the Second Well, shall be borne by the parties hereto in the following proportions -

Supron -	86.07500%
Southland -	11.93125%
Carr -	1.99375%

Section 4. Operator shall make reasonable tests of the Mesaverde formation in the Second Well and, if in Operator's judgment the Second Well will not produce gas and associated liquid hydrocarbons in paying quantities and it desires to plug and abandon the Second Well as a dry hole, Operator shall first secure the consent of each Non-Operator and thereafter plug and abandon the Second Well.

Section 5. In the event the drilling of the Second Well as hereinabove provided shall be discontinued without first sufficiently testing the Mesaverde formation or in the event the well after completion should be abandoned, the parties hereto by mutual agreement may authorize the drilling of an additional Second Well on the NW/4 of Section 3, Township 30 North, Range 11 West, N.M.P.M., San Juan County, New Mexico, to such formation, the drilling of such additional Second Well to be governed by the terms and provisions of this Operating Agreement in the same manner as hereinabove specified for the drilling of the Second Well.

Section 6. Except as otherwise expressly specified in this Article IIIA, drilling operations covering the Second Well, and the unit therefor, shall be governed by the terms and provisions of this Operating Agreement, insofar as the same may be applicable.

2.

The Operating Agreement is hereby amended by amending the first sentence of Section 4 of Article VII to hereafter read as follows:

The Operator shall make no single expenditure in excess of Ten Thousand Dollars (\$10,000) without first obtaining the consent thereto of the Non-Operators; provided, however, that in case of accident or other emergency the Operator shall have the right and duty to take such action as in its judgment may be required for the protection of life and property and to incur for the joint account of the parties hereto the necessary costs and expenses in connection with said accident or other emergency, and the action taken shall be reported by the Operator to the Non-Operators as soon as reasonably possible; and provided, further, that the approval of the drilling of a well shall include all expenditures for the drilling, completion, testing and equipping of such well, including the necessary lines, separators and lease tankage.

3.

The Operating Agreement is hereby amended by the deletion of the Accounting Procedure attached as Exhibit "A" thereto and, in substitution therefor, the insertion of the Accounting Procedure attached hereto as Exhibit "A".

This Amendment of Operating Agreement may be executed in any number of counterparts and each counterpart so executed shall have the same force and effect as an original instrument and as if all the parties to the aggregate counterparts had signed the same instrument and shall be binding upon all the parties hereto and their respective heirs, legal representatives, successors and assigns.

It is expressly understood by the parties hereto that the amendments in this Amendment of Operating Agreement shall be effective as of August 7, 1979.

STATE OF TEXAS)
)
COUNTY OF DALLAS)

On this 7th day of August, 1979, before me appeared Bill Curtis, to me personally known, who, being by me duly sworn, did say that he is the Vice President of SUPRON ENERGY CORPORATION and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said Bill Curtis acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have set my hand and seal of office on this 7th day of August, 1979.

Judith E. Edstrom
Notary Public in and for
Dallas County, Texas

My Commission Expires:
8-31-80

STATE OF TEXAS)
)
COUNTY OF _____)

On this _____ day of _____, 1979, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ of SOUTHLAND ROYALTY COMPANY and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have set my hand and seal of office on this _____ day of _____, 1979.

Notary Public in and for
County, Texas .

My Commission Expires:

STATE OF TEXAS)
)
COUNTY OF DALLAS)

On this _____ day of _____, 1979, before me personally appeared W. P. CARR to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Witness my hand and seal the day and year last above written.

Notary Public in and for
Dallas County, Texas

My Commission Expires:

COPAS

EXHIBIT " A "

Attached to and made a part of an Amendment of Operating Agreement dated August 7, 1979, by and between Supron Energy Corporation, as Operator, and Southland Royalty Company and W. P. Carr, as Non-Operators.

ACCOUNTING PROCEDURE JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of twelve percent (12%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

5. Audits

A. Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

2. Labor

- A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.
- (2) Salaries of First Level Supervisors in the field.
- (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.
- B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
- C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.
- D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

3. Employee Benefits

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%).

4. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

5. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

- A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.
- B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.
- C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of \$200 or less excluding accessorial charges.

6. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

7. Equipment and Facilities Furnished by Operator

- A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.
- B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

9. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

10. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD**I. Overhead - Drilling and Producing Operations**

1. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

- (☒) Fixed Rate Basis, Paragraph 1A, or
() Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

- ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consulting services and contract services of technical personnel directly employed on the Joint Property shall () shall not (☒) be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

- (1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 2,500

Producing Well Rate \$ 250

- (2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

- [1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

- [1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
 - [2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
 - [3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
 - [4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
 - [5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.
- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

B. Overhead - Percentage Basis

(1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (%) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

(b) Operating

_____ Percent (%) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

(2) Application of Overhead - Percentage Basis shall be as follows:

For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, re-drilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating.

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of \$ _____:

- A. _____ % of total costs if such costs are more than \$ _____ but less than \$ _____; plus
- B. _____ % of total costs in excess of \$ _____ but less than \$1,000,000; plus
- C. _____ % of total costs in excess of \$1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells shall be excluded.

3. Amendment of Rates

The Overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

A. New Material (Condition A)

- (1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.
- (2) Line Pipe
 - (a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.
 - (b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.
- (3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.

(2) Material moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or

- (b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material (Condition C and D)

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

- (1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.
- (2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special Inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

4. Expense of Conducting Periodic Inventories

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

ARTICLE XV A

DUAL WELLS

DUAL FORMATION WELLS

A. Definitions

"Shallow Owners"

- the working interest owners owning the working interest in all formations between the earth's surface and the base of the Pictured Cliffs Formation.

"Deep Owners"

- the working interest owners owning the working interest in the Mesa Verde Formation.

B. Formula for Allocation of Costs for Drilling and Completing Dual Wells.

Whenever in this Agreement it is provided that costs will be borne by Shallow Owners and Deep Owners in accordance with Section B, Article XV A, the following procedures will be used:

Before drilling is commenced on any well, an estimate shall be made of the total costs of drilling and completing said well to the wellhead in the two formations. Such total estimated costs shall be divided into the following categories:

- (a) Costs to be incurred above the base of the deepest sand perforated in the Shallow Zone, except those set forth in Subsection (c) hereof.
- (b) Costs to be incurred below the base of the deepest sand perforated in the Shallow Zones.
- (c) Costs attributable to testing and completing in the shallow Zones.

Upon completion of the well, the actual costs of drilling, completing, testing and equipping such well will be apportioned among the three categories set forth hereinabove, and these actual costs will be paid by the obligated parties as follows:

- (a) Costs incurred above the base of the deepest sand perforated in the shallow zone, except those set forth in Subsection (c) hereof will be shared equally by and between Shallow Owners and Deep Owners.
- (b) The costs incurred below the base of the deepest sand perforated in the shallow zone shall be paid by Deep Owners.
- (c) Costs attributable to testing and completing in the shallower formation shall be paid by Shallow Owners.

C. Drilling and Completing Dual Wells. Costs of drilling, testing, treating, equipping and completing wells to the wellhead which are begun with the objective of dual completion and which are completed as dual wells shall be borne by Shallow Owners and

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

CHE EXHIBIT NO. 19

CASE NO. 7105-7107

Submitted by

Hearing Date

by Deep Owners in accordance with the provisions of Section B.,
Article XV A. The material and equipment thereon shall be owned by
the party or parties paying the cost thereof pursuant to Section B,
Article XV A. Shallow Owners and Deep Owners shall respectively own
all unitized substances produced from their respective formations.
Upon abandonment of the well if dry in both formations, costs of
plugging and abandoning shall be shared equally by and between
Shallow Owners and Deep Owners.

D. Completion of Subject Well in the Shallow Zone, but Abandoned as
to the Deep Zone. In the event the subject well is drilled to
the Deep Zone Formation and results in discovery of oil and/or gas
in paying quantities in the Shallow Zone, but is dry in the Deep Zone
Formation, all costs of drilling, testing and treating shall be borne
by the Shallow Zone Owners and the Deep Zone Owners in accordance
with Paragraph B, Article XV A. All costs of equipping the well shall
be borne by Shallow Zone Owners. Further, Shallow Zone Owners shall
pay to Deep Owners the salvable value of the material and equipment or
share thereof paid for or furnished by Deep Owners. Thereafter
Shallow Owners shall own all material and equipment acquired in the
drilling and completing of said well. Shallow Owners shall own all
oil and/or gas produced from the Shallow Formation and shall bear
all costs of operating, reworking and plugging and abandonment of
the well.

E. Completion of Subject Well in the Deep Zone Formation but Abandoned
as to the Shallow Zone. In the event that the subject well results
in discovery of oil and/or gas in paying quantities in the Deep Zone
Formation, but is dry in the Shallow Zone Formation, all costs of
drilling, testing and treating shall be borne by the Shallow Zone
Owners and the Deep Zone Owners in accordance with the provisions of
Paragraph B, Article XV A. All costs of equipping the well shall be
borne by Deep Zone Owners. Further, Deep Zone Owners shall pay to
Shallow Zone Owners the salvable value of the material and equipment
or share thereof paid for or furnished by Shallow Zone Owners.

Thereafter, Deep Zone Owners shall own all material and equipment acquired in the drilling and completion of such well. Deep Zone Owners shall own all material and equipment acquired in the drilling and completion of such well. Deep Zone Owners shall own all oil and/or gas produced from the Deep Zone Formation, and shall bear all costs of operating, reworking and plugging and abandoning the well.

F. Abandonment of Subject Well After Completion in Both Formations.

In the event the subject well is capable of producing dry gas and associated liquid hydrocarbons from both the Shallow Zone and Deep Zone Formation, it shall not be abandoned as to one or both formations without the mutual consent of the working interest owners in the formation or formations to be abandoned, whichever shall be applicable. In the event any of the parties owning a working interest in one formation desire to abandon the well as to their formation, such party or parties shall so notify the other party or parties owning working interest in the subject formation, and the latter shall have thirty (30) days after receipt of such notice in which to elect whether to agree to such abandonment. If all parties agree to such abandonment, the working interest owners of the remaining producing formation shall be entitled to select one of the following options regarding the abandonment of the other formation:

- (1) To pay to the working interest owners of the formation to be abandoned the actual salvage value of the equipment belonging to said owners. The owners of the formation to be abandoned shall bear the cost, risk and expense of the abandonment of their formation and shall have control over the manner in which the formation is abandoned, or
- (2) To pay to the working interest owners of the formation to be abandoned the difference, if any, between the estimated costs of abandonment and the estimated value of the salvable equipment belonging to said owners. Thereafter, the owners of the remaining producing formation shall have control over the manner in which the formation is to be abandoned and shall bear the cost and risk of any actual abandonment operations thereafter conducted.

After selection of either option #1 or #2 above, the working interest owners of the formation from which the well continues to produce shall own all of such equipment and shall also bear all costs of operating, reworking and plugging and abandoning upon later abandonment of the well as to their formation. If any

party or parties, owning working interest in the formation to be abandoned do not agree to said abandonment, such party or parties shall purchase the interest(s) of the party or parties desiring to abandon said well and the physical equipment therein and thereon; and within twenty-five (25) days after receipt of notice by the party or parties not electing to abandon, the party or parties desiring to abandon, shall execute and deliver to the other party or parties an assignment, without warranty of title, of all of its or their working interest in said well and physical equipment, and in the working interest and gas leasehold estate, insofar as it covers the formation which was to be abandoned.

In exchange for said assignment, the purchasing party or parties shall pay to the assigning party or parties the salvage value of the latter's interest in the salvable casing and other physical equipment in and on said well, such value to be determined in accordance with the provisions of the Accounting Procedure attached hereto as Exhibit "C".

In a like manner, in the event any party or parties owning a working interest in both formations desire to abandon the well as to both formations, such party or parties shall so notify all the parties hereto, and the latter shall have thirty (30) days after receipt of such notice in which to elect whether to agree to such abandonment. If all parties hereto agree to such abandonment, such well shall be abandoned and plugged by the Operator, and the costs thereof shall be shared equally by and between the Shallow Owners and the Deep Owners. All casing and physical equipment salvaged from said well shall be owned by the party or parties paying the costs thereof pursuant to Paragraph B, Article XV A. If any party or parties do not agree to said abandonment, such party or parties shall purchase the interest(s) of the party or parties desiring to abandon and shall be entitled to receive an assignment of their interest, in accordance with the provisions set forth hereinabove.

G. Allocation of General Operating and Maintenance Costs in Dual Wells.

After completion of any wells in both the Shallow Zone and Deep Zone Formations, the costs of producing operations shall be borne by the working interest owners of the two formations as follows:

- (1) The completion in each separate formation shall be treated as a separate well for overhead expense. Such overhead expense shall not be treated as part of the costs of drilling, testing, treating, equipping, completing and operating for purposes of allocation, as set forth in Paragraph B, Article XV A hereof, but the working interest owners of the respective formations shall bear such charges as a separate cost allocable to their interest:
- (2) Each formation shall bear all costs of normal producing operations, including costs of labor, repairs, maintenance and replacement of equipment attributable to such formation. All costs of operations performed for the joint benefit of both formations, shall be borne on a per well basis by the Shallow Zone Owners to the extent of 50% of the total costs, and by the Deep Zone Owners to the extent of 50% of total cost.

- CASE 7103:** Application of E. L. Latham, Jr. for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp thru Pennsylvanian formations underlying the N/2 of Section 7, Township 22 South, Range 26 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 7104:** Application of Conoco Inc. for the amendment of Orders Nos. R-4633 and WFX-462, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Division Orders Nos. R-4633 and WFX-462, which authorized the injection of water into applicant's Maljamar Mitchell Waterflood Project in Section 5, Township 17 South, Range 32 East. The amendments sought would include carbon dioxide in the injection authorization for said project.
- CASE 7105:** Application of C and E Operators, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde formation underlying the N/2 of Section 9, Township 30 North, Range 11 West, 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 7106:** Application of C and E Operators, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde formation underlying the S/2 of Section 8, Township 30 North, Range 11 West, 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 7107:** Application of C and E Operators, Inc. for compulsory pooling and a non-standard proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde formation underlying a 158.54-acre non-standard gas proration unit comprising the SW/4 of Section 9, Township 30 North, Range 11 West, 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 7090:** (Continued from November 25, 1980, Examiner Hearing)
Application of Dorchester Exploration, Inc. for directional drilling and an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to re-enter the old Union Hill Well No. 1, the surface location of which is 2310 feet from the North and West lines of Section 27, Township 12 South, Range 28 East, and to directionally drill in an indeterminate direction from a kick-off point at 7300 feet, bottoming said well at an approximate depth of 9100 feet in the Mississippian formation less than 330 feet away from the surface location. The W/2 of said Section 27 would be dedicated to the well.
- CASE 6668:** (Continued from November 25, 1980, Examiner Hearing)
In the matter of Case 6668 being reopened pursuant to the provisions of Order No. R-6139 which order promulgated temporary special rules and regulations for the South Culebra Bluff-Bone Spring Pool in Eddy County, New Mexico, including a provision for 80-acre spacing units. Operators in said pool may appear and show cause why the pool should not be developed on 40-acre spacing units.
- CASE 7092:** (Continued from November 25, 1980, Examiner Hearing)
Application of Delta Drilling Company for pool extension, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the extension of the South Culebra Bluff-Bone Spring Pool to include all of Sections 2, 11, 13, 14, 23, and 24, Township 23 South, Range 28 East.
- CASE 7056:** (Continued and Readvertised)
Application of Getty Oil Company for the extension of vertical limits of the Jalmat Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the vertical limits of the Langlie-Mattix Pool and the downward extension of the vertical limits of the Jalmat Pool to a depth of 3740 feet, subsurface, under the NW/4 SW/4 of Section 3, Township 24 South, Range 36 East.

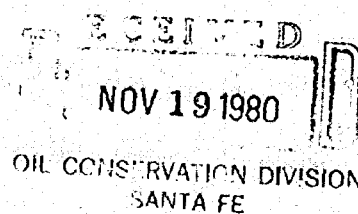
Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

KELLAHIN and KELLAHIN
Attorneys at Law
500 Don Gaspar Avenue
Post Office Box 1769
Santa Fe, New Mexico 87501

Telephone 982-4285
Area Code 505

November 18, 1980

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



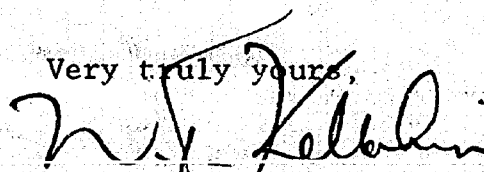
RE: Compulsory Pooling
S/2 Section 8
T30N, R11W
San Juan County New Mexico

Case 7106

Dear Mr. Ramey:

Please set the enclosed application for
hearing on December 10, 1980.

Very truly yours,


W. Thomas Kellahin

WTK:jm
Encl.
cc: W. P. Carr

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

RECEIVED
NOV 19 1980
OIL CONSERVATION DIVISION
SANTA FE

IN THE MATTER OF THE APPLICATION
OF C AND E OPERATORS, INC., FOR
COMPULSORY POOLING AND FOR APPROVAL
OF A NON-STANDARD PRORATION UNIT,
SAN JUAN COUNTY NEW MEXICO.

Case No. 7106

A P P L I C A T I O N

COMES NOW C AND E OPERATORS, INC., by and through its attorneys, Kellahin & Kellahin, and pursuant to Section 70-2-17 NMSA-1978, applies to the Oil Conservation Division of New Mexico for a compulsory pooling order pooling all mineral interest in the Mesa Verde formation in the S/2 of Section 8, T30N, R11W, San Juan County New Mexico and for approval of a non-standard proration unit consisting of 317.08 acres, more or less, and in support thereof would show:

1. Applicant has the rights to develop the Mesa Verde formation in the SW/4 of Section 8, T30N, R11W.

2. Applicant proposes to drill a Mesa Verde test at a standard location and to dedicate a non-standard proration unit consisting of the S/2 of said section to the well. The unit shall consist of 317.08 acres more or less.

3. Applicant has sought to obtain the cooperation of all parties.

3/2 of Sec 8 is Standard unit

4. In order to obtain its just and equitable share of the production underlying the above lands, Applicant needs an order pooling the mineral interest involved.

5. Those who have not consented to join in the drilling of the well, with their addresses, to the best of applicant's information and belief, are attached as Exhibit "A" hereto and incorporated by reference.

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 Commission enter its order pooling all of the mineral interests in the Mesa Verde formation underlying the S/2 of Section 8, Township 30 North, Range 11 West, N.M.P.M. Applicant further prays that it be named operator of the well, and that the order make provision for applicant to recover out of production its costs of drilling the subject well, completing and equipping it, costs of operation, including costs of supervision, and a risk factor in the amount of 200% for the drilling of the well for approval of a non-standard proration unit, and for such other and further relief as may be proper.

Respectfully submitted,

C AND E OPERATORS, INC

By: 

Kellahin & Kellahin
P.O. Box 1769
Santa Fe, New Mexico 87501
(505) 982-4285

Attorneys for Applicant

<u>Names</u>	<u>Addresses</u>
Beta Development Company	P.O. Box 1659 Midland, Texas 79701
Herald B. Barnes c/o Robert W. Taylor	Box 59 Placitas, New Mexico 87043
Edward Difel John Eichman	1500 El Serno Ave. Bakersfield, California 93304
Onefre R. Jacquez	P.O. Box 362 Aztec, New Mexico 87410
Edna O. Perry c/o Virgil Dennis Johnson P.O. Box 2042 Aztec, New Mexico 87410	1015 Candelaria Rd. NW Albq., New Mexico 87107
Frances Leon Quintana	1516 Martin Ave. Aztec, New Mexico 87410
Robert E. Pate	304 E. Glenmary Aztec, New Mexico 87410
R. J. Trahan c/o Clyde C. Lamar Attn: B. Johnson	1413 Martin Ave. Aztec, New Mexico 87410
Jerry D. Soseman c/o Vernon L. McDonald	P.O. Box 541 Aztec, New Mexico 87410
Lanell W. Baird Evelyn Baird	Star Lake Plant Cuba, New Mexico 87013
Frederick A. Cornish	305 Dickson St. Aztec, New Mexico 87410
M. Zelma Troxel	1512 Martin Ave. Aztec, New Mexico 87410
E. W. Phelps c/o Susan or Jerry McGaha	810 N. Vine Sp#22 Farmington, New Mexico 87401
Delbert D. Deck	207 Summer Pl. Aztec, New Mexico 87410
William L. Sewell c/o Michael Schropp	211 Summer Pl. Aztec, New Mexico 87410
Gilbert J. Martinez, Jr.	324 S. Mesa Verde St. Aztec, New Mexico 87410
Church of Christ Inc. Aztec c/o Aztec Boys Club	P.O. Box 488 Aztec, New Mexico 87410

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. 7106

Order No. R- 6562

APPLICATION OF C AND E OPERATORS, INC.
FOR COMPULSORY POOLING, SAN JUAN
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on December 10
19 80, at Santa Fe, New Mexico, before Examiner Richard L. Stamets
NOW, on this _____ day of December, 19 80, 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, C and E Operators, Inc.,
seeks an order pooling all mineral interests in the Mesaverde
formation underlying the S/2
of Section 8, Township 30 North, Range 11 West
NMPM, San Juan County, New
Mexico.

(3) That the application in this case is premature in that the
applicant has made insufficient effort to secure the consent or
agreement of the parties involved.

(4) The Case No. 7106 should be dismissed without
prejudice.

It is Therefore Ordered:

(1) That Case No. 7106 is hereby dismissed
without prejudice.

(2) Jurisdiction

DONE @