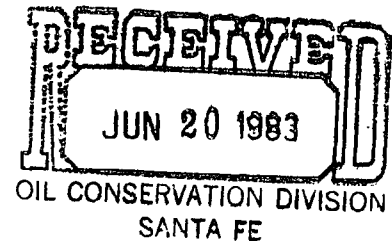


Morris R. Antweil
OIL OPERATOR
P. O. Box 2010
HOBBS, NEW MEXICO 88240



June 17, 1983
CERTIFIED MAIL

Unleased Mineral Owners

RE: Drilling Proposal
SW/4 SE/4 Section 28-T19S-R38E
Lea County, New Mexico

Morris R. Antweil proposes to drill a 7800-foot Yeso/Abo test at a legal location in the SW/4 SE/4 of Section 28-T19S-R38E, Lea County, New Mexico. You hold a mineral interest under the captioned proration unit that is unleased. Enclosed is a copy of New Mexico Oil Conservation Division Order No. R-7301 which pools all mineral interests from the surface to the base of the Abo formation underlying the SW/4 SE/4 of Section 28-T19S-R38E to form a 40-acre oil spacing and proration unit to be dedicated to the proposed well.

Morris R. Antweil is designated as Operator of the proposed well. Pursuant to the provisions of Order No. R-7301, an AFE Cost Estimate itemizing the estimated costs to drill and complete the proposed well is hereby furnished each unleased mineral interest owner. Order No. R-7301 provides that you may elect to join in the drilling of the proposed well as a participating working interest owner by paying your proportional share of the estimated well costs or elect to submit to the provisions of said Order as a non-consenting working interest owner.

We would prefer, that, as an alternative to the compulsory pooling order, you would lease your mineral interest to us under the terms and conditions which we have offered in our previous contacts with you regarding leasing. Please contact us if you would like to lease your interest or if you would like to join in the drilling as a participating working interest owner.

Yours Very Truly,

MORRIS R. ANTWEIL

A handwritten signature in cursive script, appearing to read "R. M. Williams".

R. M. Williams

RMW:pb

Enclosure

cc: New Mexico Oil Conservation Division

MAILING LIST

Muriel McNeill
P. O. Box 686
Hobbs, New Mexico 88240

Ruth Furneaux
P. O. Box 575
Walden, Colorado 80480

First National Bank of Roswell
P. O. Box 1977
Roswell, New Mexico 88201
ATTN: Sylvian Gillespie

Phillip Christman Estate
C/O Mark Boner
223 Kenilworth Place
Memphis, Tennessee 38112

Richard L. Westlake & Dorothy T. Westlake
300 West Louisiana - Suite 101
Midland, Texas 79701

Ridoron Properties, Inc.
P. O. Box 5014
Midland, Texas 79702

Bill C. Cotner
d/b/a Meadco Properties
P. O. Box 2236
Midland, Texas 79702

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. 7887
Order No. R-7301

APPLICATION OF MORRIS R. ANTWEIL FOR
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on May 25, 1983, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 6th day of June, 1983, 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, Morris R. Antweil, seeks an order pooling all mineral interests from the surface to the base of the Abo formation underlying the SW/4 SE/4 of Section 23, Township 19 South, Range 38 East, NMPM, Lea County, New Mexico.
- (3) That the applicant has the right to drill and proposes to drill a well at a standard location thereon.
- (4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the oil under the proposed spacing unit, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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

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

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

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

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

(11) That \$3000.00 per month while drilling and \$300.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before September 1, 1983, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, from the surface to the base of the Abo formation underlying the SW/4 SE/4 of Section 28, Township 19 South, Range 38 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 40-acre oil spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of September, 1983, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Abo formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of September, 1983, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Morris R. Antweil is hereby designated the operator of the subject well and unit.

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

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

(5) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days

following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

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

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

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

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

(9) That \$3000.00 per month while drilling and \$300.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

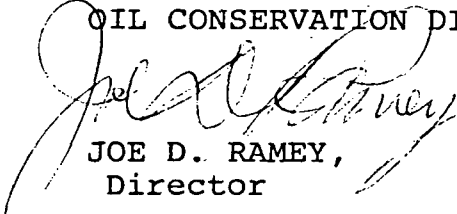
(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

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

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY,
Director

S E A L

AFE COST ESTIMATE
SW/4 SE/4 Sec. 28-T19S-R38E

ITEM

<u>Cost to Drill 7800-Foot Test</u>	Tangible	Intangible	Total
Roads, Location & Damages	\$	\$ 16,000	\$ 16,000
Footage Drilling			
7800' @ \$13.00/ft.		101,400	101,400
Daywork Operations			
1 day @ \$4800/day		4,800	4,800
Mud & Water		25,000	25,000
Intermediate Casing			
1500' 8 5/8" @ \$11.00/ft.	16,500		16,500
Cement & Service		9,000	9,000
Logging Service		20,000	20,000
Rental Tools & Equipment		6,000	6,000
Wellhead & Connections	3,000		3,000
Supervision & Expenses		5,000	5,000
Transportation & Misc. Labor		5,000	5,000
Contingencies		21,300	21,300
COST TO CASING POINT	\$ 19,500	\$213,500	\$233,000

Completion Cost

Production Casing			
7800' 5½" @ \$6.50/ft.	50,700		50,700
Cement & Service			
5½" Casing		10,000	10,000
Well Service Unit			
10 days @ \$1200/day		12,000	12,000
Perforating Service		6,000	6,000
Tubing			
7800' 2 3/8" @ \$2.25/ft.	17,600		17,600
Rental Tools & Equipment		6,000	6,000
Acid Treatment		6,000	6,000
Fracture Treatment		25,000	25,000
Wellhead & Connections	6,000		6,000
Pumping Unit	45,000		45,000
Rods & Pumping Equipment	15,000		15,000
Battery Facilities	20,000		20,000
Supervision & Expenses		5,000	5,000
Transportation & Misc. Labor		10,000	10,000
Contingencies		12,700	12,700
COST OF COMPLETION	\$154,300	\$ 92,700	\$247,000
TOTAL AFE COST	\$173,800	\$306,200	\$480,000

APPROVAL: _____

by: _____

date: _____