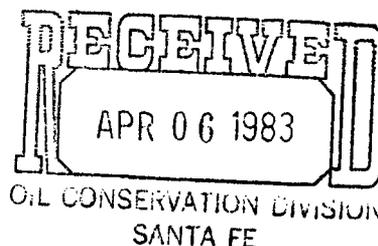


**ERNEST L. PADILLA**  
ATTORNEY AND COUNSELOR AT LAW

First Northern Plaza  
P.O. Box 2523  
Santa Fe, New Mexico 87501  
(505) 988-7577

April 6, 1983



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

RE: Application of Clements Energy, Inc. for  
Amendment of Order No. R-7155 and No. R-7155-A

*Case 7868*

Dear Mr. Ramey:

Enclosed for filing, in triplicate, is the above referenced application of Clements Energy, Inc.

We request that this application, in order to avoid administrative delays and in consideration of our previous experience in obtaining the above referenced orders, request that this application be set before the full Commission.

Please let me know if I can be of further assistance or if you have any questions.

Very truly yours,

A handwritten signature in cursive script that reads "Ernest L. Padilla".

Ernest L. Padilla

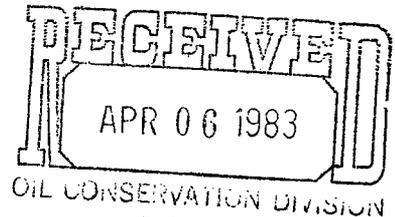
ELP/bv

Enc

cc: Clements Energy, Inc.

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION )  
OF CLEMENTS ENERGY, INC. FOR )  
AMENDMENT OF ORDER NO. R-7155 )  
AND ORDER NO. R-7155-A )



*Case 7868*

APPLICATION

Clements Energy, Inc. by its undersigned attorney,  
hereby makes application for amendment of Orders R-7155 and  
R-7155-A and in support of this application states:

1. That on December 8, 1982, the Oil Conservation Division issued its Order No. R-7155 approving the application of Clements Energy, Inc. for compulsory pooling in Lea County, New Mexico, and that on February 25, 1983, the Oil Conservation Commission issued its Order No. R-7155-A affirming Order R-7155 of the Division.

2. That Orders R-7155 and R-7155-A pooled all the mineral interests in the Pennsylvanian formation in the NE/4 of Section 14, Township 14 South, Range 34 East, Lea County, New Mexico.

3. That the applicant now seeks amendment of said Orders to include the Wolfcamp formation within the provisions of said Orders.

4. That the applicant also seeks amendment of Order (2) and (3) of Order No. R-7155-A, so that the date by which a well on the pooled unit should be commenced should be changed from June 1, 1983 to July 15, 1983.

5. That Orders R-7155 and R-7155-A are attached hereto as Exhibits A & B and incorporated herein by reference as if set forth in full detail.

6. That applicant seeks that the penalty, dedication of acreage, designation of operator and all other provisions of Order R-7155 and R-7155-A remain in full force and effect except that as stated above, the mineral interests within the Wolfcamp and Pennsylvanian formations shall be force-pooled in accordance with the provisions of Section 70-2-17 (c) N.M.S.A. 1978.

7. That to avoid the drilling of unnecessary wells, to protect relative rights and to afford to the owner of each interest in the proposed proration unit the opportunity to recover or receive without unnecessary expense its just and fair share of the hydrocarbons in the unit, Order R-7155 and Order R-7155-A should be amended as proposed herein.

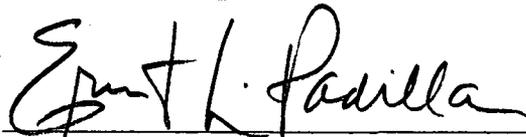
WHEREFORE, applicant respectfully requests:

1. That this application be set for hearing before the full Commission at the next available opportunity and that notice of said hearing be given as required by law.

2. That upon hearing, the Commission enter its Order amending Orders R-7155 and R-7155-A so that the Wolfcamp and the entire Pennsylvanian formations underlying the NE/4 of Section 14, Township 14 South, Range 34 East, Lea County, New Mexico, shall be included within the provisions of said orders.

3. For such other relief as the Division may deem appropriate in the premises.

Respectfully submitted,

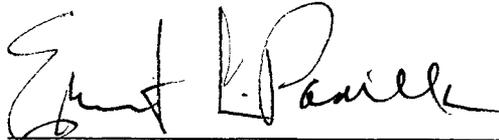
A handwritten signature in black ink, reading "Ernest L. Padilla". The signature is written in a cursive style with a horizontal line underneath it.

Ernest L. Padilla  
Attorney for Applicant

P.O. Box 2523  
Santa Fe, NM 87501  
505-988-7577

CERTIFICATE OF SERVICE

I hereby certify that I have mailed a true and correct copy of the foregoing Application to Perry Poole, 3565 Frow Avenue, Miami, Florida 33133, and William F. Carr, Esq., CAMPBELL, BYRD & BLACK, P.A., P.O. Box 2208, Santa Fe, New Mexico 87501, on this 6<sup>th</sup> day of April, 1983.

A handwritten signature in cursive script, appearing to read "Ernest L. Padilla". The signature is written in dark ink and is positioned above a horizontal line.

ERNEST L. PADILLA

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. 7744  
Order No. R-7155

APPLICATION OF CLEMENTS ENERGY,  
INC. 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 November 23, 1982, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 8th day of December, 1982, 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, Clements Energy, Inc., seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the NE/4 of Section 14, Township 14 South, Range 34 East, NMPM, High Plains-Pennsylvanian Pool, 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 in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

~~SECRET~~ A

(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 \$4755.00 per month while drilling and \$475.00 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 March 15, 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, in the Pennsylvanian formation underlying the NE/4 of Section 14, Township 14 South, Range 34 East, NMPM, High Plains-Pennsylvanian Pool, Lea County, New Mexico, are hereby pooled to form a standard 160-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 15th day of March, 1983, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of March, 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 Clements Energy, Inc. 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 \$4755.00 per month while drilling and \$475.00 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.

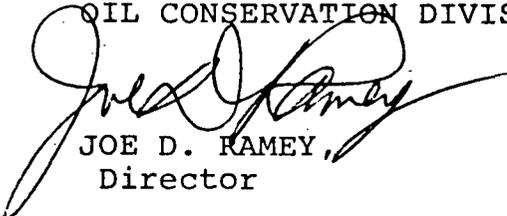
(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(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

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 7744 DE NOVO  
Order No. R-7155-A

APPLICATION OF CLEMENTS ENERGY,  
INC. FOR COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 23, 1983, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 25th day of February, 1983, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Clements Energy, Inc., seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the NE/4 of Section 14, Township 14 South, Range 34 East, NMPM, High Plains-Pennsylvanian Pool, Lea County, New Mexico.

(3) That the matter came on for hearing at 9 a.m. on November 23, 1982, at Santa Fe, New Mexico, before Examiner Richard L. Stamets and, pursuant to this hearing, Order No. R-7155 was issued on December 8, 1982, which granted Clements' application.

(4) That on January 3, 1983, application for hearing De Novo was made by Perry A. Poole and the matter was set for hearing before the Commission.

~~XXXXXXXXXX~~ B

(5) That the matter came on for hearing de novo on February 23, 1983.

(6) That the evidence adduced at said hearing indicates that Division Order No. R-7155 entered December 8, 1982, should be affirmed.

(7) That the date by which a well on the pooled unit should be commenced should be changed from March 15, 1983 to June 1, 1983.

IT IS THEREFORE ORDERED:

(1) That Division Order No. R-7155, entered December 8, 1982, is hereby affirmed.

(2) That the date in Finding No. (13) of said Order No. R-7155 is hereby amended to read, "June 1, 1983."

(3) That the dates in Order (1) of said Order No. R-7155 are hereby amended to read, "1st day of June, 1983."

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

Case No. 7744 De Novo  
Order No. 7155-A

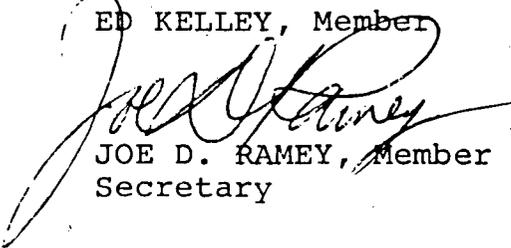
DONE at Santa Fe, New Mexico, on the day and year  
hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

JIM BACA, Member



ED KELLEY, Member



JOE D. RAMEY, Member &  
Secretary

S E A L