

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

March 28, 1944

Mr. Vilas P. Sheldon
Loco Hills Pressure
Maintenance Association, Inc.
Artesia, New Mexico

Re: Case No. 49 - Order No. 562 - Loco Hills Pressure
Maintenance Plan Order.

Dear Mr. Sheldon:

Form C-102, in quadruplicate, Notice of Intention to Use Well as Input Well, with regard to Fair, W.A.R.F. - Brainard No. 5, SENE 10-18-29, is herewith enclosed with the suggestion that this form be filled out pursuant to the writer's letter of March 25, bearing in mind that both the operator and Loco Hills Pressure Maintenance Association, Inc., should sign said notice.

Also enclosed is C-102, in quadruplicate, Notice of Intention to Cease Producing Allowable from other wells on Lease, Bassett & Birney, State No. 6, NWSE 11-18-29. This is one of the gas wells that was shut-in under the old Loco Hills Order No. 339, and under that order took its allowable elsewhere. Under the new order No. 562 no allowable is taken elsewhere for said well. That is a matter of private agreement between the operator and your association. The notice recites, among other things, that it is to be used as an input well. Do they really recite the facts? If so, then it is an input well. Somehow I had the impression that this gas well was to be shut-in and that gas therefrom was to be used to cycle through other input wells as may be necessary and that some sort of adjustment as compensation to the owners or operators of said gas well was to be made as a matter of private agreement between said owners or operators and your association.

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OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Vilas P. Sheldon

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3-28-44

Please review the wording in Form C-102 with regard to this well with the view of determining whether such wording accords with the facts. Not knowing for certain the exact facts, I cannot suggest the wording. At any rate, whatever wording is adopted the notice should be signed both by Bassett & Birney and your association.

Very truly yours,

John M. Kelly
Director

By

Chief Clerk & Legal Adviser

CHL:MS

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Sample Copy

NEW MEXICO OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

MISCELLANEOUS NOTICES

Submit this notice in triplicate to the Oil Conservation Commission or its proper agent before the work specified is to begin. A copy will be returned to the sender on which will be given the approval, with any modifications considered advisable, or the rejection by the Commission or agent, of the plan submitted. The plan as approved should be followed, and work should not begin until approval is obtained. See additional instructions in the Rules and Regulations of the Commission.

Indicate nature of notice by checking below:

Table with 4 columns: NOTICE OF INTENTION TO TEST CASING SHUT-OFF, NOTICE OF INTENTION TO CHANGE PLANS, NOTICE OF INTENTION TO REPAIR WELL, NOTICE OF INTENTION TO DEEPEN WELL, NOTICE OF INTENTION TO SHOOT OR CHEMICALLY TREAT WELL, NOTICE OF INTENTION TO PULL OR OTHERWISE ALTER CASING, NOTICE OF INTENTION TO PLUG WELL, NOTICE OF INTENTION TO USE WELL AS INPUT WELL FOR LOCO HILLS PRESSURE MAINTENANCE PROJECT

Artesia, New Mexico

April 1, 1944

Place

Date

OIL CONSERVATION COMMISSION, Santa Fe, New Mexico.

Gentlemen:

Following is a notice of intention to do certain work as described below at the

Dixon & Yates

Saunders

Well No. A-6

in SEM

Company or Operator

Lease

of Sec. 12, T. 18, R. 29, N. M. P. M., Loco Hills Field,

County.

FULL DETAILS OF PROPOSED PLAN OF WORK

FOLLOW INSTRUCTIONS IN THE RULES AND REGULATIONS OF THE COMMISSION

The undersigned operator or owner requests permission that the above described well be permitted to be used as a gas in-put well by Loco Hills Pressure Maintenance Association, Inc., as a gas in-put well under the provisions of Order No. 562, and fully understands that said well shall have no allowable of any kind during such use and that compensation for allowable lost during such use is a matter of private agreement between Loco Hills Pressure Maintenance Association and this operator.

The undersigned Loco Hills Pressure Maintenance Association, Inc., joins in the above request.

Approved _____, 19____ except as follows:

Dixon & Yates

Company or Operator

By _____

Position _____ Send communications regarding well to

Name _____

Address _____

Loco Hills Pressure Maintenance Assoc., Inc.

By: _____

OIL CONSERVATION COMMISSION,

By _____

Title _____

operator
The undersigned operator requests permission that the above-described well be permitted to be used as a gas in-put well ~~under the provisions of Order No. 562~~ by Loco Hills Pressure Maintenance Association, Inc as a gas in-put well under the provisions of Order No. 562, and fully understands that said well shall have no allowable of any kind during such use and that compensation for allowable lost during such use is a matter of private agreement between Loco Hills Pressure Maintenance Association and this operator.

the undersigned
^ Loco Hills Pressure Maintenance Association, Inc. joins in the above request.

U. S. CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

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March 25, 1944

Mr. C. J. Dexter
Loco Hills Pressure
Maintenance Association, Inc.
Artesia, New Mexico

Re: Case 49, Order No. 562 - "Loco Hills Pressure
Maintenance Plan Order."

Dear Mr. Dexter:

Enclosed please find copy of the new Loco Hills Order
noted in the caption.

Very truly yours,

John M. Kelly
Director

By

Chief Clerk & Legal Adviser

CEL:MS

U. S. CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

March 25, 1944

Mr. Vilas P. Sheldon
Loco Hills Pressure
Maintenance Association, Inc.
Artesia, New Mexico

Re: Case No. 49, Order No. 562 - Loco Hills Pressure
Maintenance Plan Order.

Dear Mr. Sheldon:

Enclosed please find a copy of the above captioned order.

Also enclosed upon C-102 is the wording which the Commission believes would be appropriate under the provisions of said order. This should be signed by the operator as such and by Loco Hills Pressure Maintenance Association, Inc., by its secretary or other authorized agent. One C-102 for Dixon & Yates-Saunders A-6, has been made out as an illustration. All other applications for use of wells for in-put wells should contain the same wording. Undoubtedly your office will desire to make out these notices and submit them to the respective operators whose wells are to be used as gas in-put wells.

The two executed C-102s as applications to use wells as in-put wells of Dixon & Yates-Saunders A-6, and O. H. Randel-Shelby No. 1, both dated January 14, 1944, are herewith returned to be revised as suggested.

Very truly yours,

John M. Kelly
Director

By

Chief Clerk & Legal Adviser

CBL:MS

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U.S. BUREAU OF CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

C
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March 20, 1944

Mr. C. A. Scheurich
Clovis, New Mexico

Dear Mr. Scheurich:

In further reply to your letter of February 15, this is to inform you that the new order for the Loco Hills Field will probably be signed by the Commission this week to be effective April 1, 1944. Due to the mechanics of the order, this is the earliest date that this order could be promulgated and made effective.

Hoping this has not inconvenienced your operations too much, I remain

Very truly yours,

John E. Kelly
Director.

JMK:MS

CIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

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February 17, 1944

Mr. C. A. Scheurich
Clovis, New Mexico

Dear Mr. Scheurich:

This is to acknowledge receipt of your letter of February 15 addressed to John Kelly, Director of this Commission. Mr. Kelly has just been called to Washington for a conference before the regulatory bodies. This is to assure you that your letter will be brought directly to Mr. Kelly's attention immediately upon his return.

Meanwhile, possibly this to some extent will help to clarify the matter. The petition of the Loco Hills Pressure Maintenance Association, Inc., for revision of the Loco Hills Pressure Maintenance plan order was not filed until January 25. The law requires for the change of any order that a notice of a public hearing be published for a certain length of time as to the date, place and general nature of the hearing. The hearing was held on schedule February 10, but an order of this nature usually takes an effective date at the beginning of a prorated month for the purpose of setting up the prorated schedule regarding the field affected.

The writer is sorry that you were unable to attend the hearing for your ideas no doubt would have been beneficial to the Commission.

Mr. Kelly will answer you more fully upon his return.

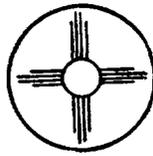
Very truly yours,

John M. Kelly
Director

By

Chief Clerk & Legal Adviser.

CSL:MS



ESTABLISHED 1907

The Scheurich Agency

WE KNOW HOW

INSURANCE
ABSTRACTS AND LOANS
REAL ESTATE
CLOVIS, NEW MEXICO

Feb., 15, 1944.

Hon., John Kelley,
State Geologist,
Santa Fe, N.Mex.,

Dear Mr. Kelley;

I learned yesterday in Roswell, from Mr. Aston, that decision on Input well Sec-32 T17S R30 has again been postponed to Macrh 1st. Even tho' the decision is given in our favor, we will have to await several months before we would compensated for the loss we are taking in helping the rest of well owners make a profit.

Is there not some way for the Board to reach a conclusion shortly in this case?

I am not a lawyer, and cannot write to you from my legal knowledge, but can from a justifiable angle. We have lost considerable revenue by our well being made an input well, and it seems to me that some equitable conclusion could be reached shortly to compensate us for what we have been loosing.

I love my neighbors, but do not want to be punished to get them big profits at iur expense.

Senator Hatch will not be here until next month, and cannot wait that long to try and get some action taken in this matter. Please advise just how matter stands and when do you suppose we will get decision.

Yours very truly,

C.A. Scheurich
C.A. Scheurich.

C. J. DEXTER
PRESIDENT

BERT ASTON
VICE-PRESIDENT

FRED BRAINARD
SECRETARY-TREASURER

Loco Hills
Pressure Maintenance Association, Inc.

ARTESIA, NEW MEXICO

MEMBERS
S. P. YATES
C. M. POPE, JR.
EMERY CARPER
A. B. OWEN
J. M. MURRAY, SR.
MARTIN YATES, JR.

February 26, 1944

Mr. Carl Livingston
Oil Conservation Commission
Santa Fe, New Mexico

Dear Carl:

As requested in your telephone conversation of this date, I am furnishing you a list of input wells now being used in the Loco Hills Field. I believe it will be some assistance to you if you will refer to the exhibit filed with you at the time of the hearing. The exhibit was a map showing gas-oil ratios and the input wells were designated by a red circle.

If I can be of any further assistance, please advise.

Yours very truly,



Vilas P. Sheldon, Engineer

VPS:l

Att'd

List of Input Wells
Loco Hills Field

Premier Pet. Corp.	Beeson F-7	NE NE	31-17-30
Aston & Fair	Scheurich State 4	NE SW	32-17-30
Franklin Pet. Corp.	Coppedge 4	NW NE	5-18-30
Franklin Pet. Corp.	Yates 6	SW NE	6-18-30
Yates, et al.	Yates 1	NW SW	6-18-30
Franklin Pet. Corp.	Ballard B-1	NW NE	1-18-29
Sallee & Yates	State 4	NW NE	2-18-29
Continental Oil Co.	State M-2	SE SE	2-18-29
Continental Oil Co.	Travis 1	SE SE	3-18-29
S. P. Yates	Brainard 3	NE SW	3-18-29
Sanders Bros.	Guy P-1	NE NE	9-18-29
Sanders Bros.	Miller 1	NE NE	5-18-29
Me-Tex	Yates 3	NW SE	5-18-29
Gordon Cone	Langford 1	NW SW	9-18-29
Stroup & Yates	Travis 4	NE NW	17-18-29

'L CONSERVATION COMMISSIO'
SANTA FE, NEW MEXICO

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February 11, 1944

Mr. Milton G. Losses
C/o Robert E. McKee
Artesia, New Mexico

Dear Mr. Losses:

This will acknowledge receipt of your letter of
February 9, which is being placed in the file of the Loco
Hills case.

Very truly yours,

John M. Kally
Director

JMK:MS

EL PASO, TEXAS
1900-1932 TEXAS STREET
PHONE MAIN 484
P. O. DRAWER 562

ROBERT E. McKEE

GENERAL CONTRACTOR
CONSTRUCTION ENGINEER

CABLE ADDRESS ALL OFFICES "REMCON"

EL PASO, TEXAS

J. F. HILL, MANAGER
D. R. PONDER, ASST. MANAGER
J. P. GREEN, CHIEF ESTIMATOR
J. R. BRENNAND, CONST. ENGINEER
E. L. TROWELL, CHIEF ACCOUNTANT

LOS ANGELES, CALIF.
4700 SAN FERNANDO ROAD, WEST
PHONE CHAPMAN 5-3141
P. O. BOX 350, GLENDALE, CALIF.

LAMAR WILSON, MANAGER
CHESTER C. WRIGHT, CONST. ENGINEER
T. C. DAEUBLE, OFFICE AUDITOR
R. S. HARDIE, GENL. SUPT., HONOLULU OFFICE
O. L. WYLIE, CONST. ENGR., HONOLULU OFFICE

AO 163

Artesia, New Mexico
February 9th, 1944

John M. Kelly, Director
New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Dear Mr. Kelly:

Thank you very much for advising us of the hearing to be held in Santa Fe, tomorrow morning, the 10th, relative to the future pro-ration orders covering the Loco Hills Field.

I would have liked very much to attend but after discussing the matter with Mr. Sheldon, of the Loco Hills Repressuring Association, and with you by telephone, and due to the fact that I am pretty well tied up at this time with the drilling operations in the Turkey Track Area, I feel that it is advisable for me to remain here.

Also, as the hearing tomorrow will not preclude any action on future petitions that might be filed in our behalf, we believe it is advisable to note the developments for the next month or two, in this area, that is as far as our interests are concerned, before making any decisions bearing on this subject.

Very truly yours

ROBERT E. MCKEE

By:

Milton G. Losee

MGL:k

FEDERAL BUREAU OF
WILDLIFE
U. S. DEPARTMENT OF AGRICULTURE
NATIONAL
WILDLIFE
CONSERVATION COMMISSION

SANTA FE, NEW MEXICO

C
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January 25, 1944

Honorable Carl A. Hatch
United States Senator
Senate Office Building
Washington, D. C.

Re: Case No. 49

Dear Senator Hatch:

Enclosed please find copy of Notice of Hearing in the above captioned case, which relates to a new Loco Hills Order. At a previous hearing you obtained an exception to that order as to an in-pit well. For information regarding the contemplated plan it is suggested that you contact the Loco Hills Pressure Maintenance Association.

I saw the press reports concerning your recent illness. We all wish that by now you have made a speedy and complete recovery.

With kindest personal regards, I am

Cordially yours,

John M. Kelly
Director

By

Chief Clerk & Legal Advisor.

GHL:MS

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 49
ORDER NO. 562

THE APPLICATION OF LOCO HILLS PRESSURE
MAINTENANCE ASSOCIATION, INC., FOR AN ORDER
COVERING THE LOCO HILLS FIELD, EDDY COUNTY,
WHICH IS TO INCLUDE: 1. BASIC ALLOWABLE; 2.
GAS-OIL RATIOS; 3. PRESSURE MAINTENANCE PLAN
EMBRACING PROVISIONS FOR IN-PUT WELLS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at ten o'clock A.M., February 10, 1944, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 24th day of March, 1944, the Commission having before it for consideration the testimony adduced at the hearing of said case and being fully advised in the premises;
IT IS THEREFORE ORDERED:

That the order herein shall be known as the:

"LOCO HILLS PRESSURE MAINTENANCE PLAN ORDER"

SECTION 1. (a) The project herein shall be known as the Loco Hills Pressure Maintenance Plan and shall hereinafter be referred to as the Project.

(b) The Loco Hills Pressure Maintenance Association, Inc., shall hereinafter be referred to as the Association.

SECTION 2. That the Project area shall be:

Township 17 South, Range 29 East: S¹/₂S¹/₂ of Section 32, S¹/₂SW¹/₂ of Section 35, and S¹/₂ of Section 36. Township 17 South, Range 30 East, NE¹/₂NE¹/₂, SE¹/₂NE¹/₂ and S¹/₂ of Section 31 and W¹/₂ and W¹/₂E¹/₂ of Section 32. Township 18 South, Range 29 East; All of Sections 1, 2, 3, 4, 5 and E¹/₂ of Section 6, All of Sections 8, 9, 10, 11, NE¹/₂NE¹/₂, S¹/₂NE¹/₂, S¹/₂ of Section 12, NE¹/₂NE¹/₂ of Section 14, NE¹/₂NE¹/₂, NE¹/₂NW¹/₂ of Section 15, N¹/₂ of Section 16, and the N¹/₂ of Section 17. Township 18 South, Range 30 East; E¹/₂NW¹/₂ of Section 5, All of Section 6, and W¹/₂ of Section 7.

SECTION 3. (a) That the input wells now in use and hereby authorized are as follows:

Premier Pet. Corp.	Beeson F-7	NE NE	31-17-30
Aston & Fair	Scheurich St. 4	NESW	32-17-30
Franklin Pet. Corp.	Coppedge 4	NW NE	5-18-30
Franklin Pet. Corp.	Yates 6	SW NE	6-18-30
Yates, et al	Yates 1	NW SW	6-12-30
Franklin Pet. Corp.	Ballard B-1	NW NE	1-18-29
Sallee & Yates	State 4	NW NE	2-18-29
Continental Oil Co.	State H-2	SE SE	2-18-29
Continental Oil Co.	Travis 1	SE SE	3-18-29
S. P. Yates	Brainard 3	NESW	3-18-29
Sanders Bros.	Guy F-1	NE NE	9-18-29
Sanders Bros.	Miller 1	NE NE	5-18-29
Mc-Tex	Yates 3	NW SE	5-18-29
Gordon Come	Langford 1	NW SW	9-18-29
Stroup & Yates	Travis 4	NE NW	17-18-29

(b) That the use of any of said input wells may be discarded with consent of the Commission, and, with the approval of the respective well owners, the Association, through its secretary or other authorized agent, may select other input wells within the Project area by application to the Commission for its consideration of approval administratively without further notice and formal hearing thereupon.

(c) That any gas well within the Project with the consent of the owner may be used for cycling in the project upon application by the Association, through its secretary or other authorized agent, to the Commission for its consideration of approval administratively without further notice and formal hearing thereupon.

SECTION 4. That the top unit allowable rate of withdrawal of crude oil per day proration unit, including back allowables within the Project area, shall be not less than 20 barrels nor over 40 barrels. The Association, through its secretary or other authorized agent, not later than the 25th day of the month, shall make application to the Commission for its approval for the maximum rate of withdrawal within the limits named for the ensuing proration month. Such application shall be considered and acted upon by the Commission administratively without further notice and formal hearing thereupon.

SECTION 5. (a) That the limiting gas-oil ratio in cubic feet per barrel for the Loco Hills Field shall be 2000.

(b) That the system of gas-oil ratio control shall be of Volumetric control whereby the current oil allowable for a proration unit under any applicable proration order is adjusted by reason of exceeding said limiting ratio in accordance with the following formula.

(c) Any proration unit with a gas-oil ratio in excess of said limiting ratio shall be permitted to produce daily that total volume of oil which, when multiplied by the gas-oil ratio of that unit, will result in a total gas volume that does not exceed the current top unit allowable times said limiting gas-oil ratio.

(d) A marginal unit, even though it be a gas well, shall be permitted to produce the same total volume of gas which it would be permitted to produce if it were a non-marginal unit.

(e) The production of gas from a gas well for cycling as provided in 3 (c) above excepted from this section.

SECTION 6. That the following orders are hereby repealed: 339, 540, 484 and order 250 insofar as said latter order is in conflict with the order herein.

SECTION 7. That this order shall become effective on the first day of the proration month next succeeding the month in which said order is adopted.

DONE AT SANTA FE, NEW MEXICO, on the day and year hereinabove designated.

OIL CONSERVATION COMMISSION
(SGD) John J. Dempsey, Chairman

(SEAL) (SGD) John M. Kelly, Secretary

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO.

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

CASE NO. 46
ORDER NO. 563

THE APPLICATION OF THE GULF OIL CORPORATION
TO CONNECT TO PIPE LINE AND RUN CONDENSATE
FROM ITS WEST GRIMES NO. 4 LOCATED IN THE
NORTHEAST QUARTER OF THE NORTHEAST QUARTER
OF THE NORTHWEST QUARTER OF SECTION 32, TOWNSHIP
18 SOUTH, RANGE 38 EAST, HOBBS POOL,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at ten o'clock A.M., August 3, 1943, at

Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 24th day of March, 1944, the Commission having before it for consideration the testimony adduced at the hearing of said case and being fully advised in the premises, the Commission finds:

F I N D I N G S

1. That the Byers Pool in the general structure of the Hobbs Field, is a reservoir containing an important common accumulation of natural gas, is completely separated from any zone now producing in the White Crystalline Lime below, thereby constituting the Byers Pool, a separate pool within the meaning of the basic Oil Conservation Act as amended.

2. That the Gulf Oil Corporation-West Grimes No. 4, in the NENW Section 32, 18S-30E, has been completed as a gas well so as to produce from the Byers Pool. Said well is producing large quantities of gas, being beneficially utilized for fuel purposes. With such gas production is produced at the surface of a substantial quantity of water-white liquid hydrocarbons of high gravity and of a highly volatile nature. Said well is produced primarily for gas, the production of said liquid hydrocarbons is incidental to such gas production.

3. On the same 40-acre tract is Gulf Oil Corporation-West Grimes Well No. 7, producing from a reservoir, predominately oil, in the White Crystalline Lime below the Byers Pool shown on the proration schedule as Unit C and as a non-marginal unit producing the full allowable of crude petroleum oil under applicable proration orders.

IT IS THEREFORE ORDERED:

A. That the pool in the 3500 to 3800 ft. depth zone shall be designated as the Byers Pool in the Hobbs Field.

B. That Gulf-Oil Corporation-West Grimes Well No. 4 shall be permitted to produce and market said water-white liquid hydrocarbons in whatever amount produced in the manner set out in 2 above, notwithstanding any proration order or gas-oil ratio order; provided that the gas thus produced does not exceed in volume 25% of its open flow potential and is utilized commercially for heat, power or lease use.

C. That Gulf Oil Corporation-West Grimes Well No. 7 and the proration of its production to its corresponding Unit C, as set out in 3 above, are unaffected by this order.

That this order shall become effective on the first day of the proration month next succeeding the month in which said order is adopted. The production and marketing of said water-white liquid hydrocarbons from said Well No. 4 theretofore are ratified and confirmed. Reservation is made herein for a final order on condensate and/or distillate production upon further hearing as provided by law.

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

OIL CONSERVATION COMMISSION

(SGD) John J. Dempsey, Chairman

(S'AL)

(SGD) John M. Kelly, Secretary

BEFORE THE OIL CONSERVATION
COMMISSION OF THE STATE
OF NEW MEXICO

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

CASE NO. 23

ORDER NO. 339

THE PETITION OF THE OPERATORS COMMITTEE
FOR THE OPERATORS IN THE LOCO HILLS
POOL IN EDDY COUNTY, IN CONNECTION WITH
THE PROPOSAL OF A COLLECTIVE PRESSURE
MAINTENANCE PROGRAM FOR SAID POOL.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at two o'clock P.M., December 11, 1940 at Santa Fe, New Mexico.

NOW, on this 28th day of January, 1941, the Commission having before it for consideration the testimony adduced at the hearing of said case and being fully advised in the premises, the Commission finds:

F I N D I N G S

1. That the Loco Hills oil and gas field in Eddy County, New Mexico, which is referred to in the amended petition, should be re-defined as including the following tracts of land:

Township 17 South, Range 29 East: $S\frac{1}{2}S\frac{1}{2}$ of Section 32, $S\frac{1}{2}SW\frac{1}{4}$ of Section 35, and $S\frac{1}{2}$ of Section 36.

Township 17 South, Range 30 East: $NE\frac{1}{4}NE\frac{1}{4}$, $S\frac{1}{2}N\frac{1}{2}$, and $S\frac{1}{2}$ of Section 31, and $W\frac{1}{2}$ and $W\frac{1}{2}E\frac{1}{4}$ of Section 32.

Township 18 South, Range 29 East: All of Sections 1, 2, 3, 4, 5 and $E\frac{1}{2}$ of Section 6, all of Sections 8, 9, 10, 11, $N\frac{1}{2}N\frac{1}{2}$, $S\frac{1}{2}NE\frac{1}{4}$, $SE\frac{1}{4}$ of Section 12, $N\frac{1}{2}N\frac{1}{2}$ of Section 14, $NE\frac{1}{4}NE\frac{1}{4}$, $N\frac{1}{2}NW\frac{1}{4}$ of Section 15, $N\frac{1}{2}$ of Section 16, and the $N\frac{1}{2}$ of Section 17.

Township 18 South, Range 30 East: $N\frac{1}{2}NW\frac{1}{4}$ of Section 5, all of Section 6, and $W\frac{1}{2}$ of Section 7.

2. That the plan for conserving the reservoir energy in the said Loco Hills Field as proposed in the amended petition is a proper and necessary plan in its general aspects for the prevention of waste and the conservation of the natural resources of the State.

3. That in the operation of the said conservation plan it is advisable that producing oil wells be used for the purpose of returning waste gas to the oil-bearing formations. During the period of such use it will not be possible for such wells to produce their allowable amount of oil and the owners of such wells will be permitted to produce such lost allowable from any other well or wells on owner's lease.

4. That the two gas wells referred to in the amended petition if permitted to produce, would produce natural gas from an oil-bearing formation, and the production of gas from such wells will therefore result in a decrease of reservoir energy. It is essential to the success of the proposed conservation plan that no wells capable of producing gas only should be permitted to produce such gas if such production would come from an oil-bearing formation. On account of the fact that the said wells were drilled prior to the formulation of the proposed plan, the owners of said wells should be permitted to receive as compensation for closing in such wells an allowable in oil equal to one hundred per cent (100%) of the top allowable prevailing in the field and the owners of each of such wells should be permitted to produce such allowable from any oil wells located on owner's lease, which produce oil from the same horizon.

IT IS THEREFORE ORDERED:

1. That the Loco Hills oil and gas field, Eddy County, New Mexico, is hereby re-defined as consisting of and including the following described tracts of land:

Township 17 South, Range 29 East: $S\frac{1}{2}S\frac{1}{2}$ of Section 32, $S\frac{1}{2}S\frac{1}{4}$ of Section 35, and $S\frac{1}{2}$ of Section 36,

Township 17 South, Range 30 East: $NE\frac{1}{4}NE\frac{1}{4}$, $S\frac{1}{2}N\frac{1}{2}$, and $S\frac{1}{2}$ of Section 31, and $W\frac{1}{2}$ and $W\frac{1}{4}E\frac{1}{4}$ of Section 32.

Township 18 South, Range 29 East: All of Sections 1, 2, 3, 4, 5 and $E\frac{1}{2}$ of Section 6, all of Sections 8, 9, 10, 11, $N\frac{1}{2}N\frac{1}{2}$, $S\frac{1}{2}NE\frac{1}{4}$, $SE\frac{1}{4}$ of Section 12, $NE\frac{1}{2}$ of Section 14, $NE\frac{1}{4}NE\frac{1}{4}$, $N\frac{1}{2}NW\frac{1}{4}$ of Section 15, $N\frac{1}{2}$ of Section 16, and the $N\frac{1}{2}$ of Section 17.

Township 18 South, Range 30 East: $N\frac{1}{2}NW\frac{1}{4}$ of Section 5, all of Section 6, and $W\frac{1}{2}$ of Section 7.

Any previous order of the Commission defining the said field as including other tracts of land or not including some of the above tracts of land is hereby modified accordingly. That portion of the area heretofore designated as the Loco Hills Area not included in the area hereinabove described is hereby designated as the Leo Area.

2. That the proposed plan for conserving the reservoir energy in the said field as set forth in the amended petition is hereby approved in its general aspectx. Such plan shall hereafter be known as the Loco Hills Pressure Maintenance Plan.

3. That in the operation of the said Loco Hills Pressure Maintenance Plan producing oil wells may be used for the purpose of returning waste gas to the oil-bearing formations, and the allowable amount of oil which any well so used fails to produce during the period of such use may be produced by the owner of the input well from other wells located on owner's lease, and as long after the cessation of its use as the capacity of such well to produce oil has been impaired by its use as an input well. If the owner of such input well is the owner of more than one other producing oil well on his lease, the Commission may require, without further notice or hearing, that such lost allowable be apportioned on an equitable basis among owner's other wells on his lease. No well shall be used as an input well without the consent of the owner.

4. That during such period of time as either one or both of the two gas wells referred to in Paragraph 11 of the amended petition are not permitted to produce natural gas, the owner or owners of such well or wells shall be permitted to produce from oil wells owned by them on the same lease an allowable in oil equal to one hundred per cent (100%) of the top allowable prevailing in the field, provided

that such allowable of oil be produced from the same horizon from which the natural gas from the closed well or wells would be produced.

In the case of the well owned by R.W. Fair, et al., located on the $SE\frac{1}{4}SE\frac{1}{4}$ of Section 10, T. 18 S., R. 29 E., N.M.P.M., the oil allowable shall be apportioned on an equitable basis among the other wells owned by the owners of the said gas well, which are located on the $E\frac{1}{2}$ of said Section 10.

In the case of the other gas well owned by Bassett and Birney, located on the $NW\frac{1}{4}SE\frac{1}{4}$ of Section 11, in said Township and Range, the oil allowable of such well shall be apportioned on an equitable basis among all of the other wells in the field belonging to said owners which are located on State Land.

5. That for the purpose of taking under further advisement, the Commission reserves herein for a supplemental order the matters in this petition insofar as they relate to the reallocation of back allowable oil in the field, which is present presented by Paragraph 9 of the amended petition.

OIL CONSERVATION COMMISSION

Sgd. John E. Miles, Governor
" H.R. Rodgers, Land Commissioner
" A. Andreas, State Geologist

WIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

C
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P
Y

January 25, 1944

Mr. Fred Brainard
Secretary & Treasurer
Loce Hills Pressure Maintenance Assn.
Artesia, New Mexico

Re: Case No. 49

Dear Mr. Brainard:

Enclosed please find copy of published notice of hearing in Case 49.

Your telegram was accepted as the primary filing of your application; however, be sure to draw your application in more detail and file it with the Commission before the hearing, which is set for February 10, at 10 A.M.

Kindest personal regards.

Very truly yours,

John M. Kelly
Director

By

Chief Clerk & Legal Adviser.

CBL:MS

C. J. DEXTER
PRESIDENT

BERT ASTON
VICE-PRESIDENT

FRED BRAINARD
SECRETARY-TREASURER

Loco Hills
Pressure Maintenance Association, Inc.
ARTESIA, NEW MEXICO

MEMBERS
S. P. YATES
C. M. POPE, JR.
EMERY CARPER
A. B. OWEN
J. M. MURRAY, SR.
MARTIN YATES, JR.

January 28, 1944

State Conservation Commission
Santa Fe, New Mexico

Gentlemen:

Whereas under date of January 28, 1941, in Order 339, the Oil Conservation Commission set out five orders in regard to the Loco Hills oil and gas field of Eddy County. These five orders defined the geographical limits of the field, approved the Loco Hills Pressure Maintenance Plan, provided for allowable of input wells to be made up from other wells on the same basic lease, provided that top oil allowable be granted two gas wells, and provided for a supplemental order in regard to reallocation of back allowable; and

Whereas under date of November 14, 1942, in Order 484, the Oil Conservation Commission provided a 30 barrel maximum allowable for a period of six months starting with December, 1942. It was further provided that the Engineer's Committee of the Loco Hills Pressure Maintenance Association, Inc., should make application to the Oil Conservation Commission for maximum rate of withdrawal for further periods of time but that such rates must not be below 20 barrels nor above 40 barrels; and

Whereas the Loco Hills Pressure Maintenance Association has, since June, 1943, made monthly requests to the Oil Conservation Commission for various maximum withdrawal rates as provided for in Order 484; and

Whereas the Loco Hills Pressure Maintenance Association, Inc., has, within the past several months, undertaken Petroleum Engineering studies of the field and, based on those studies, adopted a new plan of cooperative field operation; and

Whereas such new plan of operation provides for payment by the Association for the use of input wells; and

Whereas such new plan provides for use of Bassett and Birney gas well, located on the NE/4 SE/4 of section 11, T-18S, R-29E, N.M.P.M., as an input well:

(Handwritten initials: NW)

State Conservation Commission
Santa Fe, New Mexico

January 28, 1944

- 2 -

Now therefore, we respectfully request the Oil Conservation Commission of New Mexico to grant a hearing in order that evidence may be presented for the following proposals:

That the 2,000 cubic foot gas-oil ratio limitation now in effect be left unchanged.

That the provisions for setting the maximum oil withdrawal rate per well per day be left essentially as in Order 484. A maximum allowable of 30 barrels per well per day is requested for the month of March, 1944. It is also requested that provisions be made for the Loco Hills Pressure Maintenance Association, through its Chief Engineer, to make application to the Oil Conservation Commission each month for such maximum rate of withdrawal as may seem advisable. Such requested maximum rate to be on basis of engineering data but not to be below 20 barrels nor above 40 barrels per well.

That the provision allowing other wells on same basic lease to make allowable of input well be rescinded.

That, since the well is to be used as an input well, Bassett and Birney State #6 on the NE/4, SE/4 of Section 11, T-18S, R-29E, N.M.P.M., no longer be granted maximum oil allowable to be made from other wells in field belonging to owner and on State land.

Yours very truly,

LOCO HILLS PRESSURE MAINTENANCE ASS'N INC.


Fred Brainard, Secretary-Treasurer

VPS:1

REPORT OF EXECUTIVE COMMITTEE TO THE STOCKHOLDERS
OF THE LOCO HILLS PRESSURE MAINTENANCE ASS'N., INC.

October 29, 1943.

The Executive Committee of your Association was delegated to make a study of the operation of the Loco Hills Pressure Maintenance project and to prepare recommendations concerning the future operation of that project. The Executive Committee hired a Petroleum Engineer some two months ago who has since that time worked in conjunction with the Executive Committee in formulating a proposal for the future operation of the Loco Hills field.

The findings of the Executive Committee are set out on the following pages which cover the main questions which must be passed upon if the pressure maintenance project is to be carried out in an orderly and profitable manner.

Summing up the findings of the Executive Committee the following points are listed:

(1) To conduct field operations to promote maximum ultimate recovery from the field as a whole, and to preserve the various equities in the field, it is desirable, if not mandatory, that a cooperative plan of centralized field operation be adopted. If maximum oil recovery is obtained, it will be necessary to either adopt the Executive Committee Cooperative unit plan or the various equities in the field will have to be completely unitized.

(2) The Executive Committee recommends that a cooperative unit plan be adopted and that authority over operations in the field be vested in the Executive Committee of the Association who will in turn delegate power to the Chief Engineer of the Association.

(3) The plan of organization recommended by the Executive Committee is set out upon Exhibit 1 hereto attached.

(4) To reduce expenditures involved in some properties of the operators having a small number of wells in the field, the Executive Committee advocates combining several of these leases insofar as switching labor is concerned. Exhibit No. 2 hereto attached sets out some ten operators having a total of thirty-six wells, and also contains tentative suggestion as to how these various operators could group the properties so as to reduce the number of switches involved. This suggestion is to be carried out by the individual operators and will of course not be under the Association.

✓ (5) The Executive Committee recognizes the matter of injection wells as of great concern and important to the stockholders and that some change in the plan of injection wells is needed, therefore a proposal is advanced as a recommendation by which the Association would reimburse the contributors of injection wells on a basis of 75% of the value of the normal allowable. The question of whether or not 75% is the correct percentage is of little concern to the Executive Committee and should be decided upon by the Stockholders in general, however, the Executive Committee does feel that the plan should be adopted. Exhibits 3 and 4 are a detailed brief of such plan.

✓ (6) In the pressure maintenance field the gas oil ratios will inevitably increase, in some cases, due to injection of gas. In order to maintain pressure it is necessary to enforce a rather strict gas oil ratio limitation, therefore in some cases certain equity owners in the field will undergo a hardship. To alleviate such situation the Executive Committee recommends the adoption of a plan whereby the Association would reimburse such equity owner. This recommendation is set out in Exhibit 5.

(7) The capacity of the present compressor is such that approximately three and a half million cubic feet can be reinjected into the reservoir. At the present time approximately seven million cubic feet of gas is being produced from the field. It is a recommendation of the Executive Committee that additional compressors be installed so as to raise the capacity to such an extent that seven million cubic feet of gas can be injected into the reservoir. The installation of the additional compressors should cost approximately \$80,000.00. Detailed estimates are available in the office of the Pressure Maintenance Association.

(8) To help defray the expenses of the Pressure Maintenance Association, the Executive Committee recommends the installation of a gasoline extraction plant at an approximate cost of \$70,000.00. At the present time Petroleum Engineering of Tulsa, Oklahoma, is checking the design of such an installation and preparing detailed specifications and cost. These detailed figures will be available at the time the Stockholders' meeting reconvenes on November 8.

(9) To insure the success of the cooperative unit operation plan certain authority must be vested in the Chief Engineer who will be directly responsible to the General Manager, who is also Chairman of the Executive Committee. Exhibit 6 sets out a proposed set of rules which delegates certain authority to the Chief Engineer and also sets out the manner in which the various operators can appeal the decisions of the Chief Engineer.

EXHIBIT I

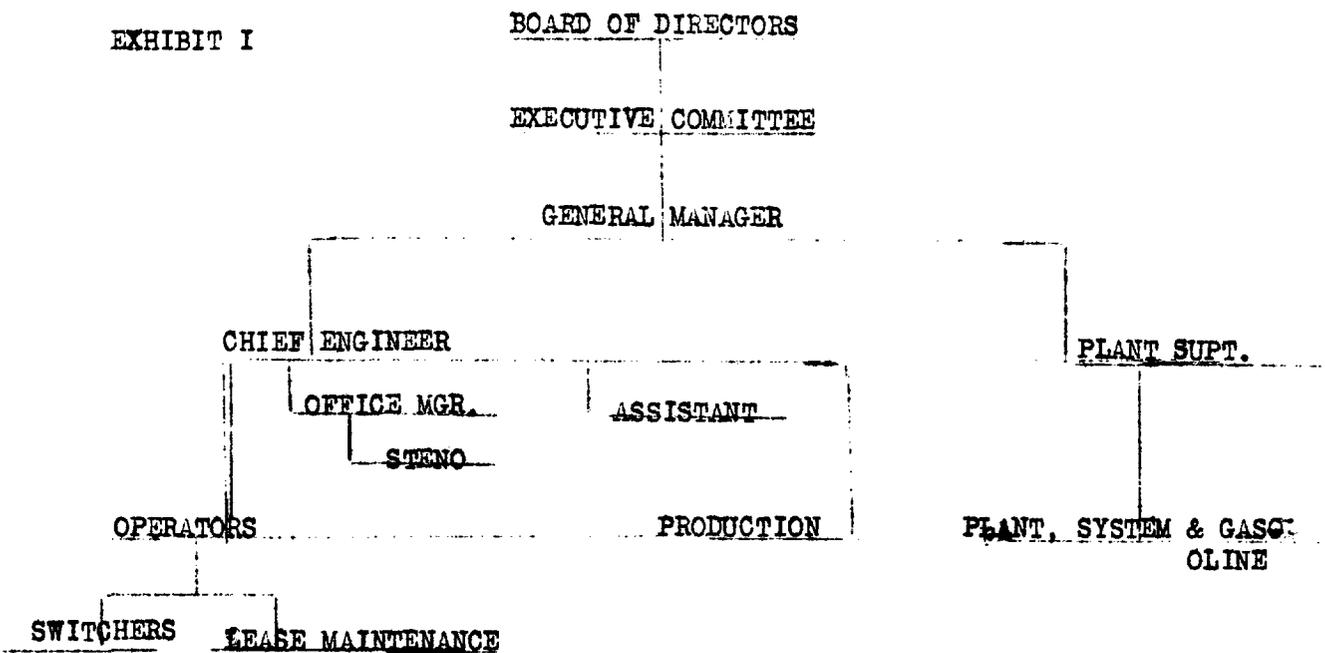


EXHIBIT 2

OPERATORS HAVING 6 WELLS OR LESS

Aston & Fair	2
Bassett & Birney	6
Bowers	1
Brainard-Guy	6
Carper	5
Cone, Gordon	5
Montgomery	2
Randel	1
Texas Trading	2
Yates, S. P.	6
	<hr/> 36

PROPOSED COMBINATIONS

SWITCHER # 1		SWITCHER # 2		SWITCHER # 3	
Carper	3	Texas Trading	2	S. P. Yates	6
Bowers & Bowers	1	Carper	2	Brainard & Guy	6
Aston & Fair	2	Randel	1		
B. & Birney	5	Cone	5		
Montgomery	2	Bassett & Birney	1		

PRESENT SWITCHERS IN THE FIELD

<u>Lease-Owners</u>	<u>Switchers</u>
Premier	1
Woolley	1
Franklin & Aston & Fair	1
Dixon & Yates)	
Yates et al (1
Sallee & Yates	1
Carper)	
Bowers (1
Continental	1
S. P. Yates	1
Continental & M. Yates	1
Allen, Fair & Pope)	
R. W. Fair (2
Montgomery	1
Bassett & Birney	2
Brainard & Guy	1
Banner)	
Sanders Bros. (1
Mc-Tex)	
Kleiner (1
Cone	1
Randel	1
Stroup & Yates)	
Flynn, Welch & Yates (1

INJECTION WELLS

The injection well plan now in use in Loco Hills allows an operator to make up the allowable for an injection well out of other wells on the same lease. In that case the operator secures an immediate return on his investment as well as ultimate good through pressure maintenance.

Objection to this plan is that the lease owner having an injection well will definitely be giving the surrounding leases a free ride. The presence of the injection well will increase recovery on the immediate lease, thus, it is beneficial to have one, however, each operator should participate in the expense.

One possible solution is adoption of a plan similar to the one in use in Maljamar. That is, for the Association to compensate the owner of an injection well on a monthly basis. Under such plan the Production Engineer of the Association will be empowered to select injection wells from time to time as the need arises and will have authority to inject gas into such wells. The selection will be based upon detailed engineering studies and the Engineer will make a written report to the Executive Committee at the time of selecting a well or wells.

Payment to the owner of an injection well would be made by the Association by remitting 75% of the value of the normal allowable which the well would ordinarily have.

The normal allowable of the injection well would be computed by the Association's Production Engineer and will be the average of the allowable of all producing wells within the boundary described when mid points, between the well in question and all surrounding injection wells, are connected by a series of straight lines, however, said normal allowable shall not be greater than the well was capable of producing prior to its conversion to an injection well.

As stated above, the Association would pay 75% of the value of the normal allowable, however, such 75% is to include all royalty and over-ride payments. After all royalty and over-ride interests are met, the Association would compensate the operator up to the 75% limitation.

With 20 injection wells and a 30 barrel top allowable the payments for injection wells could cost \$ 8094 monthly. Prorated against a 3,300 barrel allowable, the assessment would be about 9.2¢ per bbl.

This appears very high at first but it must be remembered that it merely amounts to a redistribution of funds among the operators themselves. If an operator contributes injection wells in proportion to his field holdings he will break even.

EXHIBIT 4

LOCO HILLS PRESSURE MAINTENANCE ASSOCIATION, INC.

Artesia, New Mexico

October 28, 1943

SUMMARY OF INPUT WELL
PROPOSAL

<u>Operators</u>	<u>Actual August Runs in bbls</u>	<u>Probable Runs with 30 Top</u>	<u>Charges at 9.2¢ bbl. in dollars</u>	<u>Credit for input wells in dollars</u>
Allen & Fair	2588	2588	238	
Aston & Fair	5985	5921	544	530
Banner Oil Company	481	481	44	
Bassett & Birney	4582	4372	402	580
Bowers & Bowers	761	930	85	
Brainard & Guy	2846	3007	276	266
Bright & Gordon	321	321	30	
Carper Drilling Co & C-M-T	2959	3427	315	
Cone, Gordon	2200	2200	202	97
Continental Oil Co.	4487	3927	361	492
Continental & S. P. Yates	2000	2000	184	47
Dixon & Yates	6594	6975	641	605
Fair & Bright	768	930	85	
Fair, R. W.	770	930	85	
Flynn, Welch & Yates	1357	1357	125	
Franklin Petroleum Corp.	13669	13640	1255	1740
Friendship Oil Co	765	930	85	
Franklin & Yates	769	930	85	
Grayburg Oil Co.	780	930	85	
Kinfolks Trust	855	930	85	
Mc-Tex Supply Co.	1540	1540	141	240
Premier Petroleum Corp.	5335	4619	425	945
Randel, O. H.	257	257	24	
Rose City Oil Corp.	460	460	42	
Sallee & Yates	4486	4185	384	605
Sanders Brother	3956	3956	364	485
Stroup & Yates	1939	1939	178	420
Wooley, R. R.	2344	2790	256	
Yates, Harvey E.	251	251	23	
M. Yates & Continental	3076	3720	342	
Yates, S. P.	2750	2728	251	243
Yates, et al	3054	2790	256	606
Fair, N.N. & F. Brainard	2133	2133	196	193
	<hr/>	<hr/>	<hr/>	<hr/>
Total Association	87098	88094	\$ 8094	\$ 8094
Total Outside Association	9086	10802		
Field Total	96184	98896		

EXCESSIVE GAS-OIL RATIO RULE

EXHIBIT 5

WHEREAS: The Loco Hills Pressure Maintenance Association, Inc. is a cooperative enterprise with the main purpose of injecting gas into the Loco Hills field, so as to maintain bottom-hole pressure. The Association has erected gas compressor equipment and contemplates installing additional equipment to enable it to reinject residue gas into the reservoir, the cost of compressing and reinjecting said gas costing approximately 5¢ per MCF for operating expense alone.

WHEREAS: Some wells have already developed high gas-oil ratios, and in the future other wells will undoubtedly develop high gas-oil ratios, the result being production of gas beyond the capacity of the Association equipment.

WHEREAS: To reduce the total gas produced from the field, the operators have voluntarily accepted a gas limitation rule which limits the volume of gas produced from any one well to that volume allowed to the highest allowable well in the field. Such rule effectively reduces total gas production and lends emphasis to gas-oil ratio control. In some cases the gas-oil ratio cannot be corrected and in a pressure maintenance project the ratio of each well will necessarily eventually become excessive. Enforcement of a severe gas limitation rule is to the definite benefit of the field as a whole, however, such enforcement can be very objectionable to the royalty and lease owners in a field having diversified ownership.

THEREFORE: To compensate the operator for a severely penalized well, to promote maximum recovery from the field as a whole, and to prevent uneconomic compression charges per barrel of oil produced, the herein described compensatory scheme has been adopted.

✓ 1. The Association's Production Engineer will have authority, after making a careful study, to shut in any well having a gas-oil ratio in excess of 7,500 cu. feet per barrel. The execution of such an order will be promptly reported to the Executive Committee by means of a written report.

2. The Association's Production Engineer will prepare an evaluation as to the future recovery possible to obtain from the shut-in well had it not been closed in. Such evaluation will be submitted to the Executive Committee for subsequent approval by the Association.

3. The Loco Hills Pressure Maintenance Association, Inc. will reimburse the owner of the shut-in well by making monthly payments at a rate amounting to 75% of the crude price and based on the penalized allowable using the gas-oil ratio at the time of closing in the well, except that the allowable so used shall not be less than 10 bbls. for each allowable day. The payments will be made until the operator has been credited with the amount of future recovery estimated by the Production Engineer and approved by the Association.

4. The Operator shall have the option of testing such a closed in well at the end of each six month period and of producing the well so long as the gas-oil ratio remains under 7,500 cu. feet per barrel of oil. At such time as the ratio again exceeds 7,500 cu. feet the well will again be closed in and payments resumed by the Association. A new evaluation will Not be made after such a flow period but payments will be resumed on the basis of the agreement made at the time of originally closing in the well.

EXHIBIT 6

PLAN FOR COOPERATIVE FIELD OPERATION
LOCO HILLS FIELD

Authority over producing operations of all properties included in the Loco Hills Pressure Maintenance Association shall be vested in the Executive Committee of the Board of Directors of the Loco Hills Pressure Maintenance Association.

The actual operation of the various properties is to be handled by the owners as at present, however, operations, insofar as producing of crude oil and gas are concerned, are to be carried out under the direction of the Executive Committee or person designated by the Executive Committee.

Should any operator desire to protest a decision of the Executive Committee he shall have the privilege of appealing to the Board of Directors of the Loco Hills Pressure Maintenance Association, Inc. at time of the regular meeting of that body.

To supervise producing operations of the Loco Hills field and to supervise the pressure maintenance program, the Association shall hire a Petroleum Engineer to serve in the capacity of "Chief Engineer" of the Loco Hills Pressure Maintenance Association, Inc. The "Chief Engineer" will report directly to the Chairman of the Executive Committee and will be charged with such responsibilities as may be designated by the Chairman of the Executive Committee. Certain responsibilities which shall be designated to the "Chief Engineer", although not necessarily the only one, are listed in the following topics,

1. The Chief Engineer will compute the volumes of gas to be injected into each injection well and will direct the Plant to follow such procedure.

2. The Chief Engineer will select injection wells as needed to properly produce the field under the pressure maintenance program. In the selection of injection wells the Chief Engineer will give proper consideration to the various theoretical engineering aspects and also give weight to equities so as to reduce, insofar as possible, inequitable conditions.

3. The Chief Engineer will direct the execution of the "Injection Well Plan" as approved by the Stockholders of the Loco Hills Pressure Maintenance Association, Inc.

4. The Chief Engineer will direct the execution of the "Excessive Gas-Oil ratio Rule" as approved by the stockholders of the Loco Hills Pressure Maintenance Association, Inc.

5. The Chief Engineer will be responsible for the taking of the official gas-oil ratios and will report such ratios to the New Mexico Conservation Commission for use in the allocation of oil allowable. An official ratio survey is to be taken approximately three times per year, but the exact number of surveys is to be determined by the Executive Committee.

6. The Chief Engineer will be responsible for the taking of bottom-hole pressures. A complete field survey is to be taken at least twice a year and oftener at the discretion of the Executive Committee. The Chief Engineer will notify the well owners to place their wells in proper condition so that a pressure gauge can be run at least 15 days prior to the time the pressure is to be secured. In case of pumping wells or flowing wells having devices preventing the running of a pressure gauge, the bottom hole pressures will be secured by the use of a sound-wave deflection recording device such as the Echometer.

7. The Chief Engineer will prepare operation schedules setting out time and method of producing each well so as to secure the optimum oil production with the optimum gas production and to insure an even flow of gas to the plant.

8. The Chief Engineer will study the individual leases and wells and will recommend remedial or corrective work to the owners of the wells. Under no circumstances shall the Chief Engineer have authority to direct a well owner to undertake remedial or corrective works other than such work as is necessary to permit the taking of bottom hole pressures and/or gas-oil ratios.

9. The Chief Engineer will be responsible for the Artesia office of the Loco Hills Pressure Maintenance Association, Inc.

10. In order to carry out the obligation of the operator to properly produce his wells to prevent wasting of gas and to deliver proper flow of gas to the plant, it is agreed that the chief engineer shall report to the Executive Committee any well permitting the wasting of gas or which fails to deliver the proper amount of gas to the system and the Executive Committee shall authorize the Engineer to order said well to be shut in until such practices are remedied. In the event such an order is made, and the operator fails to comply with the order, then such operator shall not be entitled to receive any payments from the Association for injection wells and shall not be entitled to receive any shares of stock or any other privileges or benefits so long as such harmful practices are continued. If an order is issued by the Engineer to shut in a well, the Engineer shall serve a written notice upon the operator by delivering a copy thereof to the person in charge of the wells for the operator and by mailing a copy thereof to the office of the operator as shown by the books of the Association. Such notice shall state the well to be shut in and the practices which are objectionable in the opinion of the Engineer and the steps required to correct such practices. The operator may appeal any such order to the Executive Committee and/or to the Board of Directors.

EXHIBIT 7

- B U D G E T - -

<u>DISBURSEMENTS</u>			<u>RECEIPTS</u>
Operating Expense	\$ 5,000.00	8¢ per bbl. (for bank)	\$7,200.00
Bank Note & Interest	7,200.00 *	7¢ per bbl. (for input wells)	6,300.00
Input wells	8,100.00	Sale Gas & Butane	10,500.00
Wells shut in	1,800.00		
	<hr/>		<hr/>
	\$ 22,100.00		\$ 24,000.00

* Repayment of loan to bank - approximately four years.