

KELLAHIN, KELLAHIN and AUBREY

Attorneys at Law

W. Thomas Kellahin  
Karen Aubrey

El Patio - 117 North Guadalupe  
Post Office Box 2265

Telephone 982-4285  
Area Code 505

Jason Kellahin  
Of Counsel

Santa Fe, New Mexico 87504-2265  
January 3, 1988

Mr. William J. LeMay  
Director  
Oil Conservation Division  
310 Old Santa Fe Trail, Room 206  
Santa Fe, New Mexico 87503

RECEIVED

JAN 4 1988

Re: Application of Meridian Oil, Inc.  
for Compulsory Pooling  
Well Name: Caperton Com #310  
San Juan County, New Mexico

OIL CONSERVATION DIVISION

Case 9595

Dear Mr. LeMay:

On behalf of Meridian Oil, Inc., please find enclosed our Application for Compulsory Pooling which we would request be set for hearing on the next available Examiner's docket now scheduled for February 1, 1989.

By copy of this letter to all parties to be pooled, we are notifying them by certified mail-return receipt, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the Application. Those parties are directed to contact the Division or the applicant's attorney to determine what additional rights they may have. In addition, they are advised that the entry of a Compulsory Pooling Order will affect their right to share in the production from the subject well.

Very truly yours,



W. Thomas Kellahin

WTK/dm  
Encl.

cc: Mr. Allen Alexander

Certified Mail-Return Receipt  
to all parties listed on Exhibit A  
of the Application, w/encl.

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

RECEIVED

JAN 4 1980

IN THE MATTER OF THE APPLICATION  
OF MERIDIAN OIL, INC. FOR  
COMPULSORY POOLING  
SAN JUAN COUNTY, NEW MEXICO

OIL CONSERVATION DIVISION

CASE: 9595

A P P L I C A T I O N

COMES NOW, MERIDIAN OIL, INC., by and through its attorneys, Kellahin, Kellahin and Aubrey, and in accordance with Section 70-2-17(c) NMSA (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interest in the Basin Fruitland Coal Gas Pool underlying the E/2 of Section 32, T30N, R8W, San Juan County, New Mexico. The above described unit is to be dedicated to its Caperton Com #310 Well to be drilled to a depth of approximately 2830 feet at standard well location in said Section 32, and in support thereof would show:

1. Applicant is a working interest owner in the E/2 of Section 32, T30N R8W.
2. Applicant desires to drill a well at a standard location 790' FNL and 1130' FEL in the NE/4NE/4 of the Section 32.

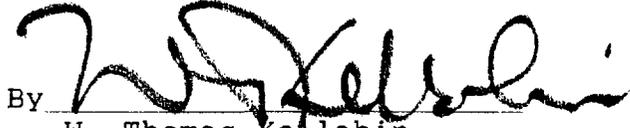
3. Applicant, has sought a voluntary agreement with all those parties shown on Exhibit "A" for the formation of appropriate spacing and proration unit as shown on Exhibit B for the drilling of the subject well but has been unable to obtain a voluntary agreement.

4. Pursuant to the Division notice requirements, applicant has notified all those parties shown on Exhibit "A" of this application for compulsory pooling and the applicant's request for a hearing before the Division to be set on February 1, 1988.

5. In order to obtain its just and equitable share of the potential production underlying the above tract, applicant needs an order pooling the mineral interests involved in order to protect applicant's correlative rights and prevent waste.

WHEREFORE, applicant prays that this application be set for hearing before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described herein. Applicant further prays that it be named operator of the well, and that the order make provisions for applicant to recover out of production its costs of drilling, completing and equipping the subject well, costs of operation, including costs of supervision, and a risk factor in the amount of 200% for the drilling and completing of the well, for such other and further relief as may be proper.

Respectfully submitted,

By 

W. Thomas Kellahin  
Kellahin, Kellahin & Aburey  
P.O. Box 2265  
Santa Fe, New Mexico 87504

(505) 982-4285

<del>Meridian Oil Inc.</del>	Operator
<del>c/o Land Department</del>	
<del>Meridian Oil Production Inc.</del>	
<del>P.O. Box 4289</del>	
<del>Farmington, New Mexico 87499 4289</del>	
El Paso Production Company	50.000000%
c/o Land Department	
Meridian Oil Production Inc.	
P.O. Box 4289	
Farmington, New Mexico 87499 4289	
Tenneco Oil Company	6.250000%
Post Office Box 3249	
Englewood, Colorado 80155	
Conoco Inc.	5.437500%
Post Office Box 460	
Hobbs, New Mexico 88240	
<del>FMP Operating Company</del>	<del>0.812500%</del>
<del>Post Office Box 60004</del>	
<del>New Orleans, Louisiana 70160</del>	
Texaco Producing Inc.	25.000000%
Post Office Box 3109	
Midland, Texas 79702	
Mr. Donald Turrietta	12.500000%
Post Office Box 665	
Albuquerque, New Mexico 87103	

		<p>El Paso Production Co. 160.00 acres</p> <p>790' FNL</p> <p>190' ↙ ● ↘</p> <p>1130' FEL →</p> <p>530' ↙</p> <p>Meridian Oil Inc. Caperton #1 1050' FNL - 900' FEL Spud: 12/10/74 Blanco Refract Cells Completion</p>	
		<p>Meridian Oil Inc. EPN6 Com #1 1650' FNL - 990' FEL Spud: 5/20/53 Blanco Mesquite Completion</p>	<p>Lucky Exploration Company Lucky Com Well No. 15 1690' FNL - 790' FEL Spud: 4/18/73 Blanco Mesquite Completion</p>
	<p>Tenneco Oil Company Conoco Inc. FMP Operating Company</p> <p>40.00 acres</p>		<p>Texaco Producing Inc.</p> <p>80.00 acres</p> <p>Meridian Oil Inc. EPN6 Com #1A 1650' FNL - 1500' FEL Spud: 9/10/85 Blanco Mesquite Completion</p>
	<p>Donald Turrietta</p> <p>40.00 acres</p>		<p>Texaco Inc. Turrietta No. #1 710' FNL - 1480' FEL Spud: 2/27/80 Blanco Refract Cells Completion</p>

- Standard 640 acre Section

CAPERTON COM #310

KELLAHIN, KELLAHIN and AUBREY

Attorneys at Law

El Patio - 117 North Guadalupe  
Post Office Box 2265

Santa Fé, New Mexico 87504-2265  
January 3, 1988

Telephone 982-4285  
Area Code 505

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Mr. William J. LeMay  
Director  
Oil Conservation Division  
310 Old Santa Fe Trail, Room 206  
Santa Fe, New Mexico 87503

Re: Application of Meridian Oil, Inc.  
for Compulsory Pooling  
Well Name: Caperton Com #310  
San Juan County, New Mexico

Dear Mr. LeMay:

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Very truly yours,

Original signed by  
W. THOMAS KELLAHIN

W. Thomas Kellahin

WTK/dm  
Encl.

cc: Mr. Allen Alexander

Certified Mail-Return Receipt  
to all parties listed on Exhibit A  
of the Application, w/encl.

Case 9595

RECEIVED

JAN 4 1988

OIL CONSERVATION DIVISION

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

IN THE MATTER OF THE APPLICATION  
OF MERIDIAN OIL, INC. FOR  
COMPULSORY POOLING  
SAN JUAN COUNTY, NEW MEXICO

OIL CONSERVATION DIVISION

CASE: 9595

A P P L I C A T I O N

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2. Applicant desires to drill a well at a standard location 790' FNL and 1130' FEL in the NE/4NE/4 of the Section 32.

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Respectfully submitted,

By 

W. Thomas Kellahin  
Kellahin, Kellahin & Aburey  
P.O. Box 2265  
Santa Fe, New Mexico 87504

(505) 982-4285

<del>Meridian Oil Inc.</del>	Operator
<del>c/o Land Department</del>	
<del>Meridian Oil Production Inc.</del>	
<del>P.O. Box 4289</del>	
<del>Farmington, New Mexico 87499-4289</del>	
<del>El Paso Production Company</del>	50.000000%
<del>c/o Land Department</del>	
<del>Meridian Oil Production Inc.</del>	
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Texaco Producing Inc.	25.000000%
Post Office Box 3109	
Midland, Texas 79702	
Mr. Donald Turrietta	12.500000%
Post Office Box 665	
Albuquerque, New Mexico 87103	

		<p>El Paso Production Co. 160.00 acres</p>	<p>↑ 790' FNL ● ← 1130' FEL →</p>
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OIL CONSERVATION DIVISION

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W. Thomas Kellahin

WTK/dm  
Encl.

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Certified Mail-Return Receipt  
to all parties listed on Exhibit A  
of the Application, w/encl.

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

RECEIVED

IN THE MATTER OF THE APPLICATION  
OF MERIDIAN OIL, INC. FOR  
COMPULSORY POOLING  
SAN JUAN COUNTY, NEW MEXICO

JAN 4

OIL CONSERVATION DIVISION  
CASE: 9595

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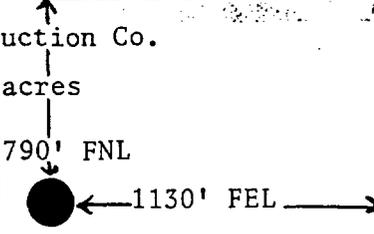
Respectfully submitted,

By 

W. Thomas Kellahin  
Kellahin, Kellahin & Aburey  
P.O. Box 2265  
Santa Fe, New Mexico 87504

(505) 982-4285

<del>Meridian Oil Inc.</del> <del>c/o Land Department</del> <del>Meridian Oil Production Inc.</del> <del>P.O. Box 4289</del> <del>Farmington, New Mexico 87499-4289</del>	Operator
<del>El Paso Production Company</del> <del>c/o Land Department</del> <del>Meridian Oil Production Inc.</del> <del>P.O. Box 4289</del> <del>Farmington, New Mexico 87499-4289</del>	50.000000%
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		<p>El Paso Production Co. 160.00 acres</p>	 <p>790' FNL 1130' FEL</p>
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		<p>Donald Turrietta  40.00 acres</p>	

30-025-21072

NO. OF COPIES RECEIVED	
DISTRIBUTION	
SANTA FE	
FILE	
U.S.G.S.	
LAND OFFICE	
OPERATOR	

NEW MEXICO OIL CONSERVATION COMMISSION

Form C-101  
Revised 1-65

SEP 10 1988

5A. Indicate Type of Lease  
STATE  FEE

5. State Oil & Gas Lease No.  
B-10037-65

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work		7. Unit Agreement Name	
b. Type of Well DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input type="checkbox"/> OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____ SINGLE ZONE <input checked="" type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>		8. Farm or Lease Name Caperton	
2. Name of Operator Meridian Oil Inc.		9. Well No. 310	
3. Address of Operator PO Box 4289, Farmington, NM 87499		10. Field and Pool, or Wildcat Undes. Fruitland Coal	
4. Location of Well UNIT LETTER <u>A</u> LOCATED <u>790</u> FEET FROM THE <u>North</u> LINE AND <u>1130</u> FEET FROM THE <u>East</u> LINE OF SEC. <u>32</u> TWP. <u>30N</u> RGE. <u>8W</u> MPPM		12. County San Juan	
19. Proposed Depth 2804'		19A. Formation Fruitland	20. Rotary or C.T. Rotary
21. Elevations (Show whether DF, RT, etc.) 6125' GL	21A. Kind & Status Plug. Bond statewide	21B. Drilling Contractor	22. Approx. Date Work will start

23. PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
12 1/4"	9 5/8"	32.3#	200'	130 cu.ft.	circ. surface
8 3/4"	7"	20.0#	2664'	291 cu.ft.	cover Ojo Alamo
6 1/4"	5 1/2"	23.0#	2804'	do not cement	

The Fruitland Coal formation will be completed.

A 3000 psi WP and 6000 psi test double gate preventer equipped with blind and pipe rams will be used for blow out prevention on this well.

This gas is dedicated.

The NE/4 of Section 32 is dedicated to this well.

RECEIVED  
SEP 13 1988  
OIL CON. DIV  
DIST 2

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.  
Signed [Signature] Title Regulatory Affairs Date 9-12-88

(This space for State Use)  
APPROVED BY [Signature] TITLE DEPUTY OIL & GAS INSPECTOR DIST #1 DATE SEP 15 1988

CONDITIONS OF APPROVAL, IF ANY:

OIL CONSERVATION DIVISION

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT

P. O. BOX 2088  
SANTA FE, NEW MEXICO 37501

Form C-102  
Revised 10-1-78

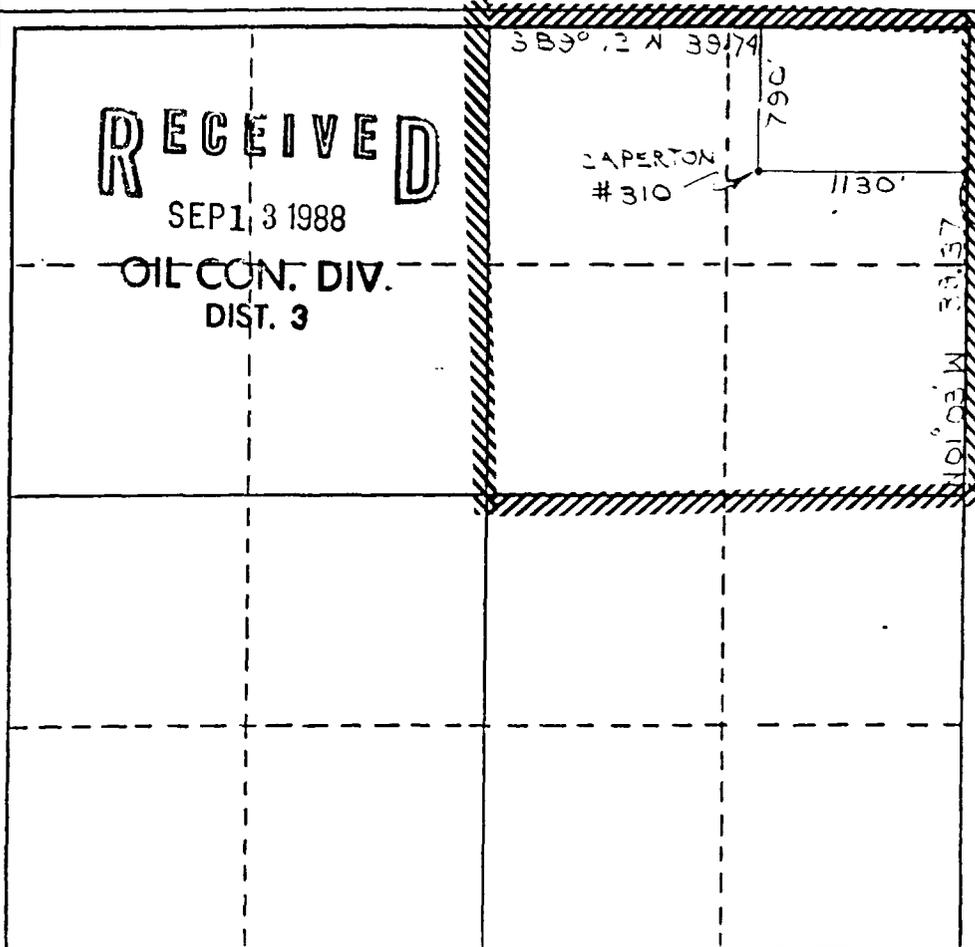
All distances must be from the outer boundaries of the Section.

Operator Meridian Oil Co.		Lease Caperton B-10037-65		Well No. 310
Unit Letter A	Section 32	Township T30N	Range R8W	County San Juan County
Actual Postage Location of Well				
790 feet from the North line and		1130 feet from the East line		
Ground Level Elev. 6125	Producing Formation Fruitland Coal	Pool Undesignated	Dedicated Acreage 160	Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?  
 Yes  No If answer is "yes," type of consolidation \_\_\_\_\_

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) \_\_\_\_\_

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.



**RECEIVED**  
SEPT 13 1988  
OIL CON. DIV.  
DIST. 3

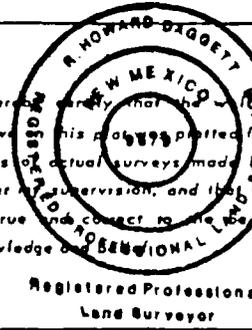
CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

*R. Howard Daggett*

Name	Regulatory Affairs
Position	Meridian Oil Inc.
Company	
Date	9-12-88

I hereby certify that this plat and location shows his plat as plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.



Registered Professional Land Surveyor

Date Surveyed  
July 28, 1988

Registered Land Surveyor  
R. Howard Daggett  
*R. Howard Daggett*  
Certificate No. 9679



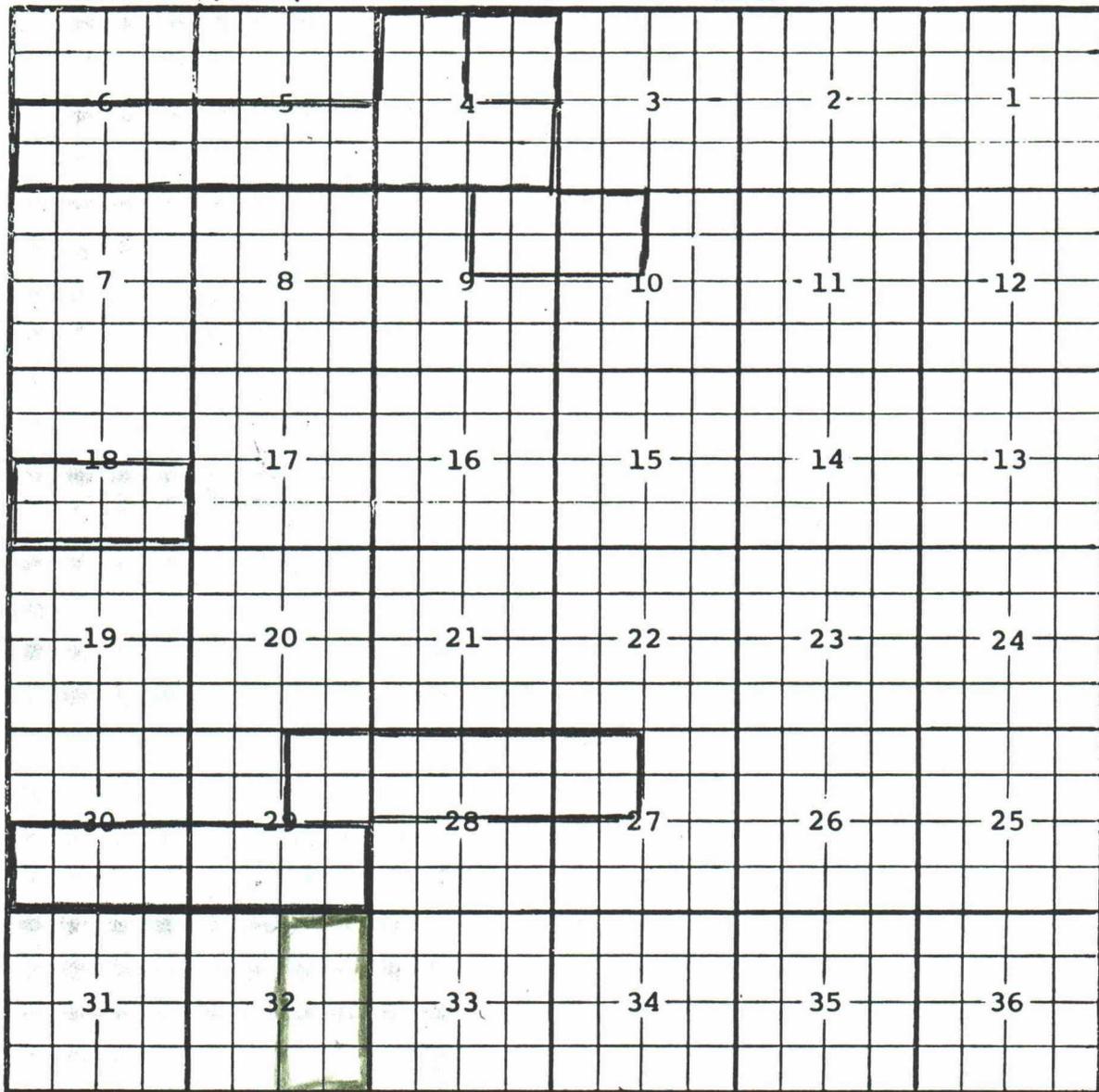
COUNTY *San Juan*

POOL *Blanca - Fruitland SAND*

TOWNSHIP *30 North*

RANGE *8 West*

NMPM



Description:  $\frac{S}{2}$  Sec. 29;  $\frac{S}{2}$  Sec. 30 (R-4311, 6-1-72)

Ext:  $\frac{S}{2}$  and  $\frac{NW}{4}$  Sec. 4,  $\frac{S}{2}$  Sec. 5,  $\frac{S}{2}$  Sec. 6,  $\frac{S}{2}$  Sec. 18 (R-8180, 3-14-86)

Ext:  $\frac{NE}{4}$  Sec. 4,  $\frac{NE}{4}$  Sec. 9,  $\frac{NW}{4}$  Sec. 10,  $\frac{NW}{4}$  Sec. 27,  $\frac{N}{2}$  Sec. 28,  $\frac{NE}{4}$  Sec. 29

(R-8273, 8-6-86) REDESIGNATED (R-8069, 10/17/88)

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

GARREY CARRUTHERS  
GOVERNOR

February 23, 1989

POST OFFICE BOX 1288  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
505/827-1600

Mr. Thomas Kellahin  
Kellahin, Kellahin & Aubrey  
Attorneys at Law  
Post Office Box 2265  
Santa Fe, New Mexico

Re: CASE NO. 9595  
ORDER NO. R-3879

Applicant:

Meridian Oil, Inc.

Dear Sir:

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

Sincerely,

*Florene Davidson*

FLORENE DAVIDSON  
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD     x      
Artesia OCD     x      
Aztec OCD     x    

Other Mr. William F. Carr

STATE OF NEW MEXICO  
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 9595  
Order No. R-8879

APPLICATION OF MERIDIAN OIL,  
INC. FOR COMPULSORY POOLING,  
SAN JUAN COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 1, 1989, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 22nd day of February, 1989, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) Division Case Nos. 9593, 9594, 9595, 9596, 9598, and 9599 were consolidated at the time of the hearing for the purpose of testimony.

CASE NO. 9595  
Order No. R-8879  
Page -2-

(3) The applicant, Meridian Oil, Inc. (Meridian), seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 32, Township 30 North, Range 8 West, NMPM, San Juan County, New Mexico, forming a standard 320-acre gas spacing and proration unit for said pool, to be dedicated to its Caperton Com Well No. 310 to be drilled at a standard coal gas well location 790 feet from the North line and 1130 feet from the East line (Unit A) of said Section 32.

(4) Amoco Production Company (Amoco), an interest owner in the proposed proration unit who has not agreed to pool its interest, appeared at the hearing in opposition to the applicant's proposed 200 percent risk penalty.

(5) The applicant has the right to drill and proposes to drill a well at a standard coal gas well location as described above.

(6) To avoid the drilling of unnecessary wells, to protect correlative rights, to avoid waste, 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 production in any pool completion resulting from this order, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(7) The applicant should be designated the operator of the subject well and unit.

(8) 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.

CASE NO. 9595  
Order No. R-8879  
Page -3-

(9) The applicant has proposed a 200 percent risk penalty be assessed against those interest owners subject to the force-pooling provisions of this order, and in support thereof presented evidence and testimony at the hearing.

(10) At the request of Amoco, Administrative Notice was taken of 13 compulsory pooling cases in the Basin-Fruitland Coal Gas Pool brought before and heard by the Division upon the application of Meridian Oil Inc. on November 21, 1988 and January 15, 1989 (of which Division Orders have subsequently been issued).

(11) The records in these cases indicate that, based upon the evidence and testimony presented, Meridian was granted a risk penalty of 156 percent.

(12) The records further indicate that in each of these previously heard cases, Meridian also requested a 200 percent risk penalty, but that the risk penalty awarded was reduced due to the fact that the presence of coal at each of the wellsites was not deemed by the Division to be in question, and therefore should not be taken into consideration in determining risk.

(13) Meridian, in the immediate cases, has proposed that the risk penalty be based upon geologic, reservoir, economic, and operational parameters and has further testified that the major consideration in determining risk should not be the presence of coal but the characteristics of the coal encountered which in turn has a direct bearing on the producing capability of the wells.

(14) The applicant, which has drilled approximately 200 coal gas wells in the Basin-Fruitland Coal Gas Pool to date, provided no evidence or testimony which would indicate that any of its wells have been plugged and abandoned due to non-productivity.

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(15) The applicant further provided no evidence or testimony which would indicate that any of the wells drilled to date have been plugged and abandoned due to problems encountered while drilling or completing these wells.

(16) The applicant has included certain factors such as market demand, water disposal, gathering facilities and equipment, etc. under its economic and operations risk parameters which do not have a bearing on the producing capability of any given well and should therefore not be considered in assessing risk.

(17) Based upon the evidence and testimony presented in the immediate cases and consideration of the record in the previously heard compulsory pooling cases described in Finding No. (10) above, a risk penalty of 156 percent is fair and reasonable and should be adopted in this case.

(18) 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 156 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

(20) 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.

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(21) \$3500.00 per month while drilling and \$350.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); 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.

(22) 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.

(23) Upon the failure of the operator of said pooled unit to commence the drilling of the well to which said unit is dedicated on or before June 1, 1989, the order pooling said unit should become null and void and of no effect whatsoever.

(24) Should all the parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(25) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

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IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, in the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 32, Township 30 North, Range 8 West, NMPM, San Juan County, New Mexico, are hereby pooled forming a standard 320-acre gas spacing and proration unit for said pool, to be dedicated to the Caperton Com Well No. 310 to be drilled at a standard coal gas well location 790 feet from the North line and 1130 feet from the East line (Unit A) of said Section 32.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 1st day of June, 1989, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Basin-Fruitland Coal Gas Pool.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 1st day of June, 1989, Ordering Paragraph No. (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 Ordering Paragraph No. (1) of this order should not be rescinded.

(2) Meridian Oil, Inc. is hereby designated the operator of the subject well and unit.

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(3) 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) 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 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) 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; 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, if there is objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated well 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.

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(7) 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, and

(B) As a charge for the risk involved in the drilling of the well, 156 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) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) \$3500.00 per month while drilling and \$350.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); 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.

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(10) Any unleased 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) 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) All proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; 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) Should all parties to this forced pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

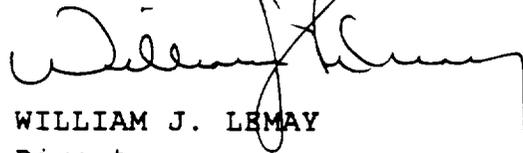
(14) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(15) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read 'William J. Lemay', is written over the typed name. A long vertical line extends downwards from the end of the signature.

WILLIAM J. LEMAY  
Director

S E A L