



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

GARREY CARRUTHERS
 GOVERNOR

July 17, 1989

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 SANTA FE, NEW MEXICO 87504
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Mr. Ernest L. Padilla
 Padilla & Snyder
 Attorneys at Law
 P. O. Box 2523
 Santa Fe, New Mexico

Re: CASE NO. 9667 and 9669
 ORDER NO. R-8959

Applicant:
 Midland Phoenix Corporation
Enron Oil and Gas Company

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

Other William F. Carr, Thomas Kellahin

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 NOS. 9667 and 9669
ORDER NO. R-8959

APPLICATION OF MIDLAND PHOENIX
CORPORATION FOR AN UNORTHODOX
GAS WELL LOCATION AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO
██

APPLICATION OF ENRON OIL AND GAS
COMPANY FOR COMPULSORY POOLING,
UNORTHODOX GAS WELL LOCATION AND
NON-STANDARD GAS PRORATION UNIT,
LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 10, 1989, and on May 24, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 17th day of July, 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) The applicant in Case 9667, Midland Phoenix Corporation, seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the E/2 of Section 34, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico, to form a standard 320-acre gas spacing and proration unit for both pools. Said unit is proposed to be dedicated to a well to be drilled at an unorthodox gas well location 660 feet from the South line and 1980 feet from the East line (Unit O) of said Section 34.

(3) The applicant in Case 9669, Enron Oil & Gas Company, seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the S/2 of Section 34, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico, forming a standard 320-acre gas spacing and proration unit for said pool. The applicant in this matter further seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Atoka Gas Pool underlying the SE/4 of said Section 34 forming a non-standard 160-acre gas spacing and proration unit for said pool. Both aforementioned units are to be dedicated to a single well to be drilled at a location which is standard for the Morrow zone and unorthodox for the Atoka zone, 660 feet from the South line and 1980 feet from the East line (Unit O) of said Section 34.

(4) Each applicant, Midland Phoenix Corporation and Enron Oil and Gas Company, seeks to be named the operator of the unit each seeks to have pooled. Also each applicant has the right to drill and both propose to drill a well upon their respective units, as described above, to a depth sufficient to test the Atoka and Morrow formations.

(5) Case Nos. 9667 and 9669 were consolidated for purpose of hearing and should be consolidated for purpose of issuing an order inasmuch as the cases involve certain common acreage and the granting of one application would necessarily require the concomitant denial of the other.

(6) During the proceedings, Midland Phoenix Corporation requested that its portion of the application requesting an unorthodox gas well location be dismissed inasmuch as they are now proposing to drill at a standard gas well location 1980 feet from the South and East lines (Unit J) of said Section 34.

(7) There are interest owners in both proposed proration units who have not agreed to pool their interests.

(8) Both Robert E. Landreth and Leon Jeffecoat, Trustee, working interest owners underlying the spacing units in each of the cases, appeared through their attorney, at the consolidated hearing of the two applications, but stated no position.

(9) The geological evidence presented at the hearing by both applicants was in conflict as to whether the NE/4 of said Section 34 was potentially productive of hydrocarbons in both the Atoka and Morrow formations.

(10) The geological evidence presented by the Midland Phoenix Corporation indicates that a gas well drilled at a standard location 1980 feet from the South and East lines of said Section 34 and dedicated to a standard 320-acre gas spacing and proration unit comprised of the E/2 of said Section 34 could have a reasonable probability of encountering hydrocarbon production from certain intervals within the Atoka and Morrow formations.

(11) Enron Oil and Gas Company presently owns and operates the Pitchfork 34 Federal Com Well No. 1 located 1980 feet from the South line and 660 feet from the West line (Unit L) of said Section 34 which has produced from the Pitchfork Ranch-Atoka Gas Pool since September 1983 and has dedicated to it the W/2 of said Section 34.

(12) Approval of the Enron application would dedicate the SE/4 of said Section 34 in the Atoka zone whereby the entire section would have two wells with only 480 acres participating in the Atoka zone, whereas the Midland Phoenix application would fully develop the section for the Atoka.

(13) Exclusion of the NE/4 of said Section 34 from participation in the production from the E/2 of said Section 34 would depart from standard 320-acre configuration of proration and spacing units in the area, would violate the correlative rights of mineral interest owners in said NE/4, would result in economic waste because it would not be economical to drill a well for a non-standard spacing and proration unit comprised of the NE/4 of said Section 34, and would result in underground waste in that hydrocarbons underlying the NE/4 of said Section 34 may not be recovered.

(14) The application of Enron Oil and Gas Company is not in the best interests of the prevention of waste or the protection of correlative rights and will impair orderly development of the hydrocarbon reserves underlying the E/2 of said Section 34 in the Atoka and Morrow formations.

(15) The application of Enron Oil and Gas Company in Case No. 9669 should therefore be denied.

(16) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent 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 gas in said pools, the application of Midland Phoenix Corporation in Case No. 9667 should be approved by pooling all mineral interests, whatever they may be, in the Undesignated Pitchfork Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the E/2 of Section 34, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit should be dedicated to a well to be drilled at a standard gas well location 1980 feet from the South and East lines (Unit J) of said Section 34.

(17) Midland Phoenix Corporation should be designated the operator of the subject well and unit as described above.

(18) 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.

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

(20) 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.

(21) 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.

(22) \$5500.00 per month while drilling and \$550.00 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.

(23) 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.

(24) 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 October 1, 1989 the order pooling said unit should become null and void and of no further effect whatsoever.

(25) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order should thereafter be of no further effect.

(26) The operator of the well and unit should notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) The application of Enron Oil and Gas Company in Case No. 9669 for an order pooling all mineral interests in the Undesignated Pitchfork Ranch Morrow Gas Pool underlying the S/2 of Section 34, Township 24 south, Range 34 East, NMPM, Lea County, New Mexico, forming a standard 320-acre gas spacing and proration unit for said pool and the Undesignated Pitchfork Ranch-Atoka Gas Pool underlying the SE/4 of said Section 34, forming a non-standard 160-acre gas spacing and proration unit for said pool, both aforementioned units to be dedicated to a single well to be drilled at a location which is standard for the proposed Morrow unit and unorthodox for the proposed Atoka unit, 660 feet from the South line and 1980 feet from the East line (Unit O) of said Section 34, is hereby denied.

(2) All mineral interests, whatever they may be, in the Undesignated Pitchfork Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the E/2 of Section 34, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit for both pools, to be dedicated to a well to be drilled at a standard gas well location 1980 feet from the South and East lines (Unit J) of said Section 34.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 1st day of October, 1989, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Undesignated Pitchfork Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch-Morrow 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 October, 1989, Ordering Paragraph No. (2) 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. (2) of this order should not be rescinded.

(3) Midland Phoenix Corporation is hereby designated the operator of the subject well and unit.

(4) 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.

(5) 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.

(6) 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 an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(7) 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.

(8) 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, 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.

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

(10) \$5500.00 per month while drilling and \$550.00 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.

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

(12) 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.

(13) All proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Lea 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.

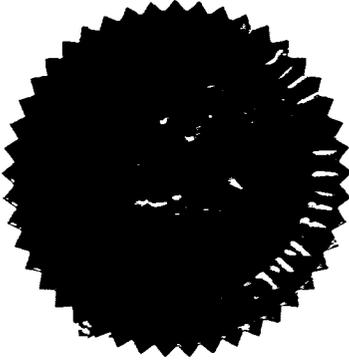
(14) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(15) 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 force-pooling provisions of this order.

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

Case Nos. 9667 and 9669
Order No. R-8959
Page No. 8

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

CASE 9639: (Continued from April 26, 1989, Examiner Hearing.)

Application of Meridian Oil, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the E/2 (equivalent) of Section 23, Township 31 North, Range 10 West, forming a standard 313.78-acre gas spacing and proration unit for said pool, to be dedicated to its Atlantic "D" Com Well No. 205 to be drilled at a standard coal gas well location in the NW/4 of said Section 23. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said location is approximately 9 miles northeast of Aztec, New Mexico.

CASE 9641: (Continued from April 26, 1989, Examiner Hearing.)

Application of Meridian Oil, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the W/2 (equivalent) of Section 23, Township 31 North, Range 10 West, forming a standard 315.75-acre gas spacing and proration unit for said pool, to be dedicated to its Atlantic "B" Com Well No. 205 to be drilled at a standard coal gas well location in the SW/4 of said Section 23. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said location is approximately 9 miles northeast of Aztec, New Mexico.

CASE 9666: Application of Bill Fenn, Inc. for an unorthodox gas well location and dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete a well in the Indian Basin-Upper Pennsylvanian Gas Pool and the Undesignated Indian Basin-Morrow Gas Pool at an unorthodox gas well location 825 feet from the North line and 1650 feet from the East line (Unit B) of Section 7, Township 22 South, Range 24 East, all of said Irregular Section 7 to be dedicated to the well forming a 617.68-acre gas spacing and proration unit for both pools. Said well location is approximately 4.5 miles south-southeast of the Marathon Oil Company Indian Basin Gas Plant.

CASE 9667: Application of ^{De Novo} Midland Phoenix Corporation for unorthodox gas well location and compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the E/2 of Section 34, Township 24 South, Range 34 East, to form a standard 320-acre gas spacing and proration unit for both pools, to be dedicated to a well to be drilled at an unorthodox gas well location 660 feet from the South line and 1980 feet from the East line (Unit O) of said Section 34. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 3 miles west-southwest of the Junction of Old State Highway No. 128 and County Road No. 2.

CASE 9645: (Readvertised) *De Novo pursuant to the provisions of Rule 1220.*

Application of BP Exploration, Inc., for compulsory pooling and directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the top of the Atoka formation underlying the SE/4 SW/4 of Section 30, Township 17 South, Range 38 East, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 40-acre spacing (which presently includes but is not necessarily limited to the Undesignated Hobbs Channel-Bone Spring Pool, Undesignated Hobbs Channel-San Andres Pool, and the Undesignated Hobbs Channel-Wolfcamp Pool). Said unit is to be dedicated to a well to be directionally drilled from a surface location 1138 feet from the South line and 1633 feet from the West line of said Section 30 to a point within 100 feet of a standard bottomhole oil well location 660 feet from the South line and 1817 feet from the West line of said Section 30. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said location is approximately 1.5 miles east of Humble City, New Mexico.

CASE 9668: Application of Nearburg Producing Company for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox oil well location 990 feet from the North line and 1500 feet from the West line (Unit C) of Section 12, Township 17 South, Range 37 East, Undesignated Shipp-Strawn Pool, the N/2 NW/4 of said Section 12 to be dedicated to the well forming a standard 80-acre oil spacing and proration unit. Said location is approximately 4 miles north of Humble City, New Mexico.

CASE 9669: Application of Enron Oil & Gas Company for compulsory pooling, unorthodox gas well location, and non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the S/2 of Section 34, Township 24 South, Range 34 East, forming a standard 320-acre gas spacing and proration unit for said pool. Applicant further seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Atoka Gas Pool underlying the SE/4 of said Section 34, forming a non-standard 160-acre gas spacing and proration unit for said pool. Both aforementioned units are to be dedicated to a single well to be drilled

Dockets Nos. 16-89 and 17-89 are tentatively set for May 24 and June 7, 1989. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 10, 1989

**8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO**

The following cases will be heard before Michael E. Stogner, Examiner, or David R. Catanach, or Victor T. Lyon, Alternate Examiners:

- ALLOWABLE:** (1) Consideration of the allowable production of gas for June, 1989, from fourteen prorated gas pools in Lea, Eddy, and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas for June, 1989, from four prorated gas pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 9653: (Readvertised)

Application of Yates Petroleum Corporation for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Middle Creek State Unit Area comprising 15,680.73 acres, more or less, of State and Fee lands in a portion of Townships 8 and 9 South, Range 23 East. Said unit is located approximately 13 miles north-northwest of Roswell, New Mexico.

CASE 9654: (Readvertised) (This case will be dismissed.)

Application of Yates Petroleum Corporation for a unit agreement, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks approval of the North Todd Unit Area comprising 960 acres, more or less, of State and Federal lands in the E/2 of Section 17 and all of Section 16, Township 7 South, Range 35 East. Said unit is located approximately 5 miles north-northwest of Milnesand, New Mexico.

CASE 9282: (Continued & Readvertised) (This Case will be dismissed.)

Application of Mobil Producing Texas and New Mexico Inc. for the expansion of the West Lindrith Gallup-Dakota Oil Pool, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the expansion of the West Lindrith Gallup-Dakota Oil Pool to include all of Sections 6, 7, 8, and 9, Township 24 North, Range 2 West. Said area is approximately one-half mile north of Lindrith, New Mexico.

CASE 9663: Application of The Petroleum Corporation of Delaware for downhole commingling, the amendment of Division Order No. R-7269, and the amendment of Division Administrative Order NSP-1290, Eddy County, New Mexico. Applicant, in the above-styled cause, and as operator of the Superior Federal Well No. 6 located 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 6, Township 20 South, Range 29 East, seeks to downhole commingle production from the Undesignated East Burton Flat-Atoka Gas Pool and the East Burton Flat-Morrow Gas Pool. Applicant also seeks to permit such commingled production to be produced through tubing and the production of gas from the East Burton Flat-Strawn Gas Pool through the casing-tubing annulus of said well and that Division Order No. R-7269 be amended accordingly. Applicant further seeks to amend Division Administrative Order NSP-1290, dated April 28, 1982; which authorized a 299.84-acre, more or less, gas spacing and proration unit for the East Burton Flat-Strawn Gas Pool comprising Lots 6 and 7, the E/2 SW/4, and the SE/4 of said Section 6 for said well; to include both the Undesignated East Burton Flat-Atoka Gas Pool and the East Burton Flat-Morrow Gas Pool. Applicant also requests that any such order issued in this case be made effective retroactively to May 1987. Said well is located approximately 7.5 miles northwest of the junction of New Mexico Highway No. 31 North and U.S. Highway 62/180.

CASE 9664: Application of Bass Enterprises Production Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Queen formation or to a depth of 4,600 feet, whichever is deeper, underlying the NW/4 SE/4 of Section 21, Township 18 South, Range 35 East, forming a standard statewide 40-acre spacing and proration unit, said unit to be dedicated to its Reeves 21 State Well No. 2 to be drilled at a standard oil well location 1980 feet from the South line and 1980 feet from the East line (Unit J) of said Section 21. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said well location is approximately one quarter mile west of Milepost No. 3 on Old State Highway 8.

CASE 9665: Application of Bass Enterprises Production Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Undesignated Reeves-Queen Pool or to a depth of 4,600 feet, whichever is deeper, underlying the NE/4 SE/4 of Section 21, Township 18 South, Range 35 East, forming a standard statewide 40-acre oil spacing and proration unit, said unit to be dedicated to its Reeves 21 State Well No. 3 to be drilled at a standard oil well location 1980 feet from the South line and 780 feet from the East line (Unit I) of said Section 21. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said well location is approximately 100 feet east of Milepost No. 3 on Old State Highway No. 8.

at a location which is standard for the Morrow zone and unorthodox for the Atoka zone, 660 feet from the South line and 1980 feet from the East line (Unit O) of said Section 34. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said well location is approximately 3 miles west-southwest of the junction of Old State Highway No. 128 and County Road No. 2.

CASE 9670: Application of Stevens Operating Corporation to amend Division Order No. R-8917, directional drilling and an unorthodox oil well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks to amend Division Order No. R-8917 to allow for the re-entry of the currently plugged and abandoned Philtex Honolulu Federal Well No. 1 located 1980 feet from the South and West lines (Unit K) of Section 9, Township 14 South, Range 29 East, NMPM, North King Camp-Devonian Pool, in lieu of drilling a new well at the unorthodox location approved by said order. Applicant further seeks approval to directionally drill said Philtex Honolulu Federal Well No. 1 to a depth of approximately 9894 feet, and to bottom said well at an unorthodox bottomhole location within 500 feet west of a point 1980 feet from the South line and 2475 feet from the West line of said Section 9. A 160-acre non-standard proration unit consisting of the E/2 W/2 of said Section 9 (Approved By Order No. R-8917) is to be dedicated to the above described well. Said location is approximately 17 miles east of Hagerman, New Mexico.

CASE 9671: Application of Benson-Montin-Greer Drilling Corporation to amend Division Order No. R-8344, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an amendment to Order No. R-8344, which order statutorily unitized, for the purpose of continued pressure maintenance operations, all mineral interests in the West Puerto Chiquito-Mancos Oil Pool underlying the Canada Ojitos Unit Area, which encompasses 69,567.235 acres, more or less, of lands located in all or portions of Townships 24, 25, and 26 North, Ranges 1 East and 1 West, to include an additional 320 acres comprising the E/2 of Section 12, Township 25 North, Range 2 West, Gavilan-Mancos Oil Pool. Among the matters to be considered at the hearing will be the necessity of expansion of unit operations; the determination of a fair, reasonable and equitable allocation of production and costs of production to each of the various tracts in the expanded unit area; the determination of credits and charges to be made among the various owners in the expanded unit area for their investment in wells and equipment; and such other matters as may be necessary and appropriate for carrying on efficient unit operations. Said expansion area is located approximately 16 miles north by west of Regina, New Mexico.

Docket 15-89

DOCKET: COMMISSION HEARING - THURSDAY - MAY 18, 1989

**9:00 A.M. - MORGAN HALL, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO**

CASE 9672: Application of the Oil Conservation Division to consider amendments to Division Rules 8, 312, 313, and 711 to require appropriate measures be taken to prevent loss of migratory waterfowl resulting from contact with oily waste in oil field operations.

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:

CASES NOS. 9667 and 9669

~~ORDER NO. 9667~~
ORDER NO. R- _____

APPLICATION OF MIDLAND PHOENIX
CORPORATION FOR AN UNORTHODOX
GAS WELL LOCATION AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO

APPLICATION OF ENRON OIL AND GAS
COMPANY FOR COMPULSORY POOLING,
UNORTHODOX GAS WELL LOCATION AND
NON-STANDARD GAS PRORATION UNIT,
LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

and on May 24, 1989,

This cause came on for hearing at 8:15 a.m. on May 10, 1989,
at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this June day of ~~May~~, 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.

in Case No. 9667
(2) The applicant, Midland Phoenix Corporation, seeks an
order pooling all mineral interests in the Undesignated Pitchfork
Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch-Morrow
Gas Pool underlying the E/2 of Section 34, Township 24 South, Range
34 East, NMPM, Lea County, New Mexico, to form a standard 320-acre gas spacing
and proration for both pools. Said unit to be dedicated to a well to be drilled
~~(3) The applicant has the right to drift and proposes to
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South line and 1980 feet from the East line (Unit 0) of said
Section 34, forming a standard 320-acre gas spacing and proration~~

in Case No. 9669 *in the*
(2) The applicant, Enron Oil & Gas Corporation, seeks an
order pooling all mineral interests in the Undesignated Pitchfork Ranch-
Morrow Gas Pool underlying the S/2 of Section 34, Township 24
South, Range 34 East, NMPM, Lea County, New Mexico, forming a
standard 320-acre gas spacing and proration unit for said pool.

in this matter further
The applicant also seeks an order pooling all mineral
interests in the Undesignated Pitchfork Ranch-Atoka Gas Pool
underlying the SE/4 of said Section 34 forming a non-standard 160-
acre gas spacing and proration unit for said pool.

Both aforementioned units are to be dedicated to a single
well to be drilled at a location which is standard for the Morrow
zone and unorthodox for the Atoka zone, 660 feet from the South
line and 1980 feet from the East line (Unit 0) of said Section 34.

(g) The Quail Ridge-Morrow Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM
Section 33: W/2

(h) The Querecho Plains-Upper Bone Spring Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM
Section 4: SW/4

() Each applicant, Midland Phoenix Corporation and Enron Oil and Gas Company, seek to be named the operator of the unit each seeks to have pooled. Also each applicant has the

(6) ~~6590~~ Cases Nos. ⁹⁶⁶⁷ ~~6590~~ and ⁹⁶⁶⁹ ~~6591~~ were consolidated for purpose of hearing and should be consolidated for purpose of issuing an order inasmuch as the cases involve certain common acreage and the granting of one application would necessarily require the concomitant denial of the other.

() During the proceedings, Midland Phoenix Corporation requested that their portion of the application requesting an unorthodox gas well location be dismissed in as much as they are now proposing to drill at a standard gas well location 1980 feet from the South ~~line~~ and East lines (Unit J) of said Section 34.

right to drill and both proposes to drill a well upon their respective units, as described above, to a depth sufficient to test the Morrow formation.

(10) That there are interest owners in both proposed production units who have not agreed to pool their interests.

(6) Robert E. Landreth and Leon Jeffcoat, Trustee, appeared by their attorney, at the consolidated hearing of the two applications but took no stand on either of the applications.

FAX NUMBER: (505) 827-5791

IF YOU HAVE ANY PROBLEMS WITH THE TRANSMISSION, PLEASE CALL (505) 827-5806.

NUMBER OF PAGES (INCLUDING TRANSMITTAL SHEET): 2

PHONE NUMBER: 827-5811

FROM: Michael E. Stegner

TO: John Corbett, Horizon Development Co.

DATE: June 23, 1989

TELECOPIER TRANSMITTAL SHEET

OIL CONSERVATION DIVISION
SANTA FE, NEW MEXICO

South, Range 34 East, N.M.D.M., Lea County, New Mexico forming a non-standard and 160-acre gas spacing and proration unit for said pool.

(c) an unorthodox gas well location for the Undesignated Pitchfork Ranch-Atoka Pool proposed spacing and proration unit at a location 1980 FSL and 660 FSL of said Section 34.

6. Robert E. Landreth and Leon Jeffcoat, Trustee, appeared by their attorney, at the consolidated hearing of the two applications but took no stand on either of the applications.

7. The geological evidence presented at the hearing ^{by both applicants} ~~by Midland Phoenix Corporation and Enron~~ was in conflict as to whether the NE/4 of said Section ³⁴ was potentially productive of hydrocarbons in the Atoka and Morrow formations.

Indicates 8. ^{The geological} ~~Substantial~~ evidence ~~was~~ presented ^{by Midland Phoenix Corporation} ~~at the hearing~~ ^{1980 feet from the South and East lines.} that a gas well drilled at a standard location ~~1980 FSL and~~ ^{standard 320-acre gas} ~~1980 FSL~~ of said Section 34 and dedicated to a proration and

spacing unit comprised of the E/2 of said Section 34 could have a reasonable probability of encountering hydrocarbon production from ^{certain intervals within the Atoka and Morrow Formations.} ~~the Morrow "E" Sands, the Morrow Sinatra Sands, the Morrow Warren Sands, the Morrow "A" Sands, the Atoka Sand, and the Atoka Bank.~~

9. Exclusion of the NE/4 of said Section 34 from participation in the production from the E/2 of said Section

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OIL CONSERVATION DIV.
SANTA FE

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. 9597
Order No. R-8902

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 March 29,
1989, at Santa Fe, New Mexico, before Examiner David R.
Catanach.

NOW, on this 3rd day of April, 1989, the Division
Director, having considered the record and the recommenda-
tions of the Examiner, and being fully advised in the
premises,

FINDS THAT:

The applicant's request for dismissal should be
granted.

IT IS THEREFORE ORDERED THAT:

Case No. 9597 is hereby dismissed.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Walter J. Lema

WILLIAM J. LEMAY
Director

34 would depart from existing 320-acre configuration of proration and spacing units in the ^{area} ~~Pitchfork-Ranch Field~~, would violate the correlative rights of mineral interest owners in said NE/4; would result in economic waste because it would not be economical to drill a well for a nonstandard proration and spacing unit comprised of the NE/4 of said Section 34; and would result in underground waste in that hydrocarbons underlying the NE/4 of said Section 34 may not be recovered.

10. Without imposition of a penalty based on acreage or deliverability, or both, a well drilled ^{feet from the south line} ~~660 FSL~~ of ^{as proposed by Enron,} Section 34, ^{to} would ~~impair~~ the correlative rights of mineral interest owners in Section 3, Township 25 South, Range 24 East, N.M.P.M., Lea County, New Mexico. ^{immediately offsetting to the south}

11. The application of Enron ^{Oil and Gas Company} is not in the best interests of ^{the} prevention of waste or the protection of correlative rights ^{and will impair in} the orderly development of the hydrocarbon reserves underlying the E/2 of said Section 34 in the Atoka and Morrow formations.

12. The application of Enron ^{Oil and Gas Company in Case No. 9668} should ^{therefore} be denied.

13. 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

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OIL CONSERVATION DIV.
SANTA FE

(WEST OF EDEN UNIT - Cont'd.)

(3) No interested party appeared and objected to the proposed unit agreement.

(4) All plans of development and operation and creation, expansions, or contractions of participating areas or expansions or contractions of the unit area, should be submitted to the Director of the Division for approval.

(5) Approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED:

(1) The West of Eden Unit Agreement is hereby approved for all oil and gas in any and all formations underlying the following described 8320.72 acres, more or less, of State, Federal and Fee lands in Chavez County, New Mexico:

- TOWNSHIP 7 SOUTH, RANGE 23 EAST, NMPM
- Sections 1 and 2, All
- Section 11: NW/4 and E/2
- Sections 12 and 13: All
- Section 14: SW/4 and E/2
- Sections 23 through 26: All
- Sections 35 and 36: All

- TOWNSHIP 8 SOUTH, RANGE 23 EAST, NMPM
- Section 1: Lots 1, 2, 3, and 4 and S/2 N/2
- Section 2: All

(2) The plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Division to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; in the event of subsequent jointer by any party or expansion or contraction of the unit area, the unit operator shall file with the Division within 30 days thereafter counterpart of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All plans of development and operation, all unit participating areas and expansions and contractions thereof, and all expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

(5) This order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the appropriate agency of the United States Department of the Interior; this order shall terminate upon the termination of said unit agreement; the last unit operator shall notify the Division immediately in writing of such termination.

(6) 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.

(5) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent 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 gas in said pools, the ~~subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.~~

of Midland Phoenix Corporation in Case No. 9667 should be approved by pooling all mineral interests, whatever they may be, in the Undesignated Pitchfork Ranch - Morrow Gas Pool and the Undesignated Pitchfork Ranch - Morrow Gas Pool underlying the E/2 of said Section 34, Township 24 South, Range 34 East, N.M.P.M., Lea ~~County~~ ^{Okla} County, New Mexico, said unit to be dedicated to a well to be drilled at a standard gas well location 1980 feet from the South and East line (Unit J) of said Section 34.

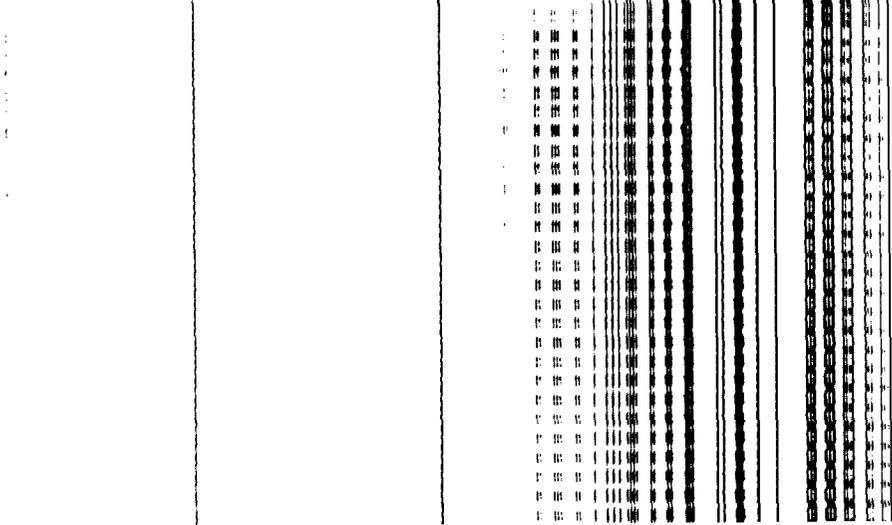
Midland Phoenix Corporation
(6) ~~The unit~~ ^{as} should be designated the operator of the subject well and unit described above.

(7) 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 this share of reasonable well costs out of production.

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

(9) 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) 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



(5) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent 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 gas in said pools, the ~~subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.~~

of Midland Phoenix Corporation in Case No. 9667 should be approved by pooling all mineral interests, whatever they may be, in the Undesignated Pitchfork Ranch - Morrow Gas Pool and the Undesignated Pitchfork Ranch - Morrow Gas Pool underlying the E/2 of said Section 34, Township 24 South, Range 34 East, N.M.P.M., Lea ~~County~~ ^{Atoka} County, New Mexico, said unit to be dedicated to a well to be drilled at a standard gas well location 1980 feet from the South and East lines (Unit J) of said Section 34.

Midland Phoenix Corporation
(6) ~~The applicant~~ should be designated the operator of the subject well and unit ^{as} described above.

(7) 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 this share of reasonable well costs out of production.

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

(9) 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) 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) \$ 5500⁰⁰ per month while drilling and \$ 550.⁰⁰ 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.

(12) 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.

SECTION VII

Zarsky, South (8300' Frio Net Ratio) 1350
 Zim-Ricaby (2600' Gas Sand) 729
 Zimet (Yegua "F") 1813
 Zimet (Yegua "G") 1418
 Zion Hill (Austin Chalk Rules Rescinded) 3454
 Zone 21-B Trend and Zone 21-B Trend (Oil) (Formerly Seeligson (Zone 21-B), Tierra-Canales, Blucher (Zone 21-B), Borregos (R-5), (R-5-S), and (R-7)) 2314
 Zone 21-B Trend and Zone 21-B Trend (Oil) (Formerly Seeligson (Zone 21-B), (Gas Cycling) 1417
 Zone 21-B Trend (Oil) (Formerly Seeligson (Zone 21-B)) 1603
 Seeligson (Zone 21-B) (Zone 21-B Unitization) 1414

Yoward (8275) 3034
 Yoward, Southwest (Shick) 1003
 Yurtia 399
 Yurtia (Gas Injection) 286
 Yurtia (Chapotal Sand Net Ratio) 1049
 Yurtia (4900' Rincon) 1656
 Yurtia (Kincon 4900' Net Ratio) 2305
 Yzaguirre (5100' Sand Net Ratio) 1885
 Yzaguirre (8200) 3092
 Yzaguirre (9400) 3360
 Yzaguirre (800) 3241
 Zaragosa (800) 1782
 Zarsky (6300-B Net Ratio) 1453
 Zarsky (8300' Frio Net Ratio) 1594

Yoward (Edwards Rules Rescinded) 2511
 Yoward (Wilcox 8500) 3015
 Yoward (3rd 8250 Upper) 2923
 Yward (Serpentine Reservoir) 1680
 Yurtia (Keseiling) 2924
 Yurtia (Korth Sand) 3269
 Yurtia (Roeder 9164) 3269
 Yurtia, North (Edwards 13,850') 1813
 Yurtia, N.E. (Edwards) 2925
 Yurtia, South (Wilcox) 3163
 Yurtia, S. (Wilcox 11,100) 2752
 Yurtia 313
 Yurtia (Net Ratio) 1453
 Yurtia, S. (3550) 2845
 Yoward 1594

(13) 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 October 1, 1989, the order pooling said unit should become null and void and of no further effect whatsoever.

(14) Should all the parties to this force pooling reach voluntary agreement subsequent to entry of this order, this order should thereafter be of no further effect.

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

(1) The application of Enron Oil and Gas Company in Case No. 9668 for an order pooling all mineral interests in the Undesignated Pitchfork Ranch Morrow Gas Pool underlying the S/2 of Section 34, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico, ~~and the SE/4 of said~~ forming a standard 320-acre gas spacing and proration unit for said pool and ~~the SE/4 of said~~ ~~unit~~ ~~within~~ the Undesignated Pitchfork Ranch Atoka Gas Pool underlying the SE/4 of said Section 34, forming ~~standard~~ non-standard 160-acre gas spacing and proration unit for said pool; ^{designated} Both units to be dedicated to a single well to be drilled at a ~~standard gas well~~ location which is standard for the Morrow zone and ~~unorthodox~~ for the Atoka zone, 660 feet from the South line and 1980 feet from the East line (Unit 0) of said Section 34, is hereby denied.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, in the Undesignated Pitchfork Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the E/2 of Section 34, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at an ~~unorthodox~~ ^{standard} gas well location ~~660 feet from the South line and~~ 1980 feet from the ~~South and~~ East lines (Unit 0) of said Section 34.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the first day of October, 1989, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the ~~Undesignated Pitchfork Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch Morrow Gas Pool.~~ ^{Morrow formation.}

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the first day of October, 1989, ordering Paragraph No. (2) 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. (2) of this order should not be rescinded.

(2) Midland Phoenix Corporation is hereby designated the operator of the subject well and unit.

for hook
poole,

(MEAGAN WILCOX (9000) FIELD - Contd.)

FERRY FIELD
(Carrizo Sd. Rules Rescinded)
Atascosa County, Texas

RULE 1. No gas well shall hereafter be drilled nearer than one thousand three hundred twenty (1320) feet to any well completed in or drilling to the same reservoir on the same lease, unitized tract, or farm; and no well shall be drilled nearer than four hundred sixty-seven (467) feet to any property line, lease line, or subdivision line; provided, however, that the Commission will, in order to prevent waste or to prevent the commission of property, grant exceptions to permit drilling within shorter distances than herein prescribed, whenever the Commission shall have determined that such exceptions are necessary either to prevent waste or to prevent the commission of property. When exception to this rule is desired, application therefor shall be filed and will be acted upon in accordance with the provisions of Commission Statewide Rules 37 and 38, which are applicable provisions of said rules are incorporated herein by reference.

The aforementioned distances in the above rule are minimum distances to allow an operator flexibility in locating a well, and the above spacing rule and the other rules to follow are for the purpose of permitting only one well to each proration unit.

In applying this rule the general order of the Commission with relation to the subdivision of property shall be observed.

RULE 2. The acreage assigned an individual non-associated gas well for the purpose of allocating allowable gas production thereon shall be known as a gas proration unit, and such acreage may be claimed for each non-associated gas reservoir independently of any other reservoir. No gas proration unit shall contain more than one hundred sixty (160) acres except as hereinafter provided; and no acreage shall be included in any proration unit formed or created subsequent to the effective date of this order and allocated to the well hereon, unless the two farthestmost points of the unit created by the inclusion of such acreage be not greater than four thousand five hundred (4500) feet from each other, provided that no acreage exceed ten (10) percent shall be allowed for each unit so that an amount not to exceed a maximum of one hundred seventy-six (176) acres may be assigned; and each unit containing less than one hundred sixty (160) acres shall be a fractional proration unit. All such proration units shall consist of continuous and contiguous acreage which can reasonably be considered to be productive of gas.

Operators shall file with the Commission certified plats of their properties in said field, which plats shall set out distinctly all of those things pertinent to the determination of the acreage credit claimed for each well; provided that if the acreage assigned to any proration unit has been pooled, the operator shall furnish the Commission with such proof as it may require as evidence that interests in and under such proration unit have been so pooled.

RULE 3. The daily allowable production of gas from individual wells completed in a non-associated gas reservoir of the subject field shall be determined by allocating the allowable production, after deductions have been made for wells which are incapable of producing their gas allowances, among the individual wells in the proportion that the acreage assigned such well for proration purposes bears to the summation of the acreage with respect to all prorable wells producing from the same reservoir.

It is further ordered that the rules adopted herein are temporary, to remain effective until June 12, 1990, and so long thereafter as it may take to process data adduced at a hearing reviewing this matter, to be called during the month of May, 1990; or, if within the discretion of the Commission staff it is deemed appropriate, at an earlier time; provided, however, that should the evidence adduced at such hearing be insufficient to sustain spacing or proration unit rules, then these temporary rules, on the Commission's own motion, will be terminated and the field will revert to being subject to the Statewide spacing and density rules.

Done this 12th day of December, 1988.

The Commission finds that after statutory notice in the above-numbered docket heard on April 14, 1989, the technical examiner made and filed a report and recommendation containing findings of fact and conclusions of law, for which service was not required; and that this proceeding was duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas.

The Commission, after review and due consideration of the examiner's report and recommendation, the findings of fact and conclusions of law contained therein, hereby adopts as its own the findings of fact and conclusions of law contained therein, and incorporates said findings of fact and conclusions of law as if fully set out and separately stated herein.

1. That the temporary field rules adopted in Final Order No. 1-90,995 are rescinded.

2. That Statewide Rules are effective until further ordered.

Done this 8th day of May, 1989.

Order No. 1-93,000, Rescinding the Temporary Operating Rules for the Ferry (Carrizo Sd.) Field, Atascosa County, Texas, Effective May 8, 1989.

(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 of 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; 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, 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) 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 the to 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) 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.

Case No. 9667

Order No. R- _____

Page No. 5

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

(9) \$ 5500⁰⁰ per month while drilling and \$ 550⁰⁰ 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.

(10) Any unleased mineral interest shall be considered 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 be placed in escrow in Lea 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 the parties to this force pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

Case No. 9667
Order No. R- _____
Page No. 6

(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 force 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.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director

S E A L

PADILLA & SNYDER

ATTORNEYS AT LAW

200 W. MARCY, SUITE 216

P.O. BOX 2523

SANTA FE, NEW MEXICO 87504-2523

(505) 988-7577

ERNEST L. PADILLA
MARY JO SNYDER

FAX 988-7592
AREA CODE 505

June 2, 1989

HAND-DELVIERY

Michael E. Stogner
Hearing Examiner
Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico 87501

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JUN - 2 1989

OIL CONSERVATION DIV.
SANTA FE

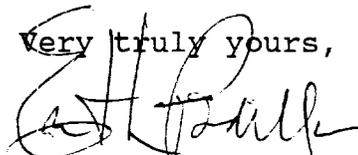
Re: Case Nos. 9667 and 9669

Dear Mr. Stogner:

Enclosed please find the Midland Phoenix Corporation draft of a proposed order pursuant to your request following the hearing of the above cases, which were consolidated for hearing.

Should you need anything further or require additional information, please let me know.

Very truly yours,



Ernest L. Padilla

ELP:njp

Enclosure as stated

cc: William F. Carr, Esquire (w/encl.)
W. Thomas Kellahin, Esquire (w/encl.)
Midland Phoenix Corp. (w/encl.)

552.1

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

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

JUN - 2 1989

OIL CONSERVATION DIV.
SANTA FE

CASE NO. 9667

ORDER NO. R- _____

APPLICATION OF MIDLAND PHOENIX
CORPORATION FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 24, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this ___ day of _____, 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. The applicant, Midland Phoenix Corporation seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E/2 of Section 34, Township 24 South, Range 34, N.M.P.M., Lea

County, New Mexico, forming a standard 320-acre, more or less, gas spacing and proration unit for any and all formations and/or pools within said vertical limits developed on 320-acre gas well spacing, said unit to be dedicated to a well to be drilled at a standard gas well location thereon.

3. The applicant has the right to drill the proposed well.

4. There are interest owners in the proposed proration unit who have not agreed to pool their interests.

5. Enron Oil & Gas Company (Enron), an interest owner in the proposed spacing and proration unit which has not agreed to pool its interests, appeared in opposition to the application.

6. The application of Enron in Case No. 9669 was consolidated with the instant case for hearing purposes. The Enron application sought:

(a) an order pooling all mineral interests in the undesignated Pitchfork Ranch-Morrow Gas Pool underlying the S/2 of Section 34, Township 24 South, Range 34 East, N.M.P.M., Lea County, New Mexico, forming a standard 320-acre gas spacing and proration unit for said pool:

(b) an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Atoka Gas Pool underlying the SE/4 of Section 34, Township 24

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OIL CONSERVATION DIV.
SANTA FE

South, Range 34 East, N.M.D.M., Lea County, New Mexico forming a non-standard and 160-acre gas spacing and proration unit for said pool.

(c) an unorthodox gas well location for the Undesignated Pitchfork Ranch-Atoka Pool proposed spacing and proration unit at a location 1980 FEL and 660 FSL of said Section 34.

6. Robert E. Landreth and Leon Jeffcoat, Trustee, appeared by their attorney, at the consolidated hearing of the two applications but took no stand on either of the applications.

7. The geological evidence presented at the hearing by Midland Phoenix Corporation and Enron was in conflict as to whether the NE/4 of said Section was potentially productive of hydrocarbons in the Atoka and Morrow formations.

8. Substantial evidence was presented at the hearing that a gas well drilled at a standard location 1980 FEL and 1980 FSL of said Section 34 and dedicated to a proration and spacing unit comprised of the E/2 of said Section 34 could have a reasonable probability of encountering hydrocarbon production from the Morrow "C" Sands, the Morrow Sinatra Sands; the Morrow Warren Sands; the Morrow "A" Sands; the Atoka Sand; and the Atoka Bank.

9. Exclusion of the NE/4 of said Section 34 from participation in the production from the E/2 of said Section

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SANTA FE

34 would depart from existing 320-acre configuration of proration and spacing units in the Pitchfork-Ranch Field; would violate the correlative rights of mineral interest owners in said NE/4; would result in economic waste because it would not be economical to drill a well for a nonstandard proration and spacing unit comprised of the NE/4 of said Section 34; and would result in underground waste in that hydrocarbons underlying the NE/4 of said Section 34 may not be recovered.

10. Without imposition of a penalty based on acreage or deliverability, or both, a well drilled 660 FSL of Section 34 would impair the correlative rights of mineral interest owners in Section 3, Township 25 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

11. The application of Enron is not in the best interests of prevention of waste or the protection of correlative rights in the orderly development of the hydrocarbon reserves underlying the E/2 of said Section 34 in the Atoka and Morrow formations.

12. The application of Enron should be denied.

13. 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

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OIL CONSERVATION DIV.
SANTA FE

approved by pooling all mineral interests, whatever they may be, within said unit.

14. The applicant should be designated the operator of the subject well and unit.

15. 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.

16. Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from producing 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.

17. 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.

18. 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.

19. \$5,500.00 per month while drilling and \$550.00 per month while producing should be fixed as reasonable charges for supervisions (combined fixed rates); the operator should

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OIL CONSERVATION DIV.
SANTA FE

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.

20. 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.

21. 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 _____, 1989, the Order pooling said unit should become null and void and of no effect whatsoever.

22. 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.

23. 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 provision of this order.

24. Approval of the subject application will afford the applicant the opportunity to produce its just and

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SANTA FE

equitable share of the gas in the affected pools, will prevent the economic loss caused by the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

1. Mineral interests, whatever they may be, from the surface to the base of the Morrow formation underlying the E/2 of Section 34, Township 24 South, Range 34 East, N.M.P.M., Lea County, New Mexico, are hereby pooled to form a standard 320-acre, more or less, gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical limits, said proration unit to be dedicated to a well to be drilled at a standard gas well location 1980 feet from the South line and 1980 feet from the East line (Unit J) of said Section 34.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before _____, 1989, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Morrow formation.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before _____ 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.

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SANTA FE

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 by ordering Paragraph No. 1 of this Order should not be rescinded.

2. Midland Phoenix Corporation is hereby designated the operator of the subject well and unit.

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 prprcosts.

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

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OIL CONSERVATION DIV.
SANTA FE

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.

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.
- (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

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OIL CONSERVATION DIV.
SANTA FE

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. \$5,500.00 per month while drilling and \$550.00 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.

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 interest.

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OIL CONSERVATION DIV.
SANTA FE

12. All proceeds from production from the subject well which are not disbursed for any reasons 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; 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 Director 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.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director

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OIL CONSERVATION DIV.
SANTA FE

complete set

BEFORE EXAMINER STOGNER

Oil Conservation Division

MIP Exhibit No. 1

Case No. 9667

BEFORE THE OIL CONSERVATION DIVISION
STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF MIDLAND PHOENIX CORPORATION FOR
UNORTHODOX LOCATION AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.

NO. _____

APPLICATION FOR UNORTHODOX LOCATION
AND COMPULSORY POOLING

Applicant states:

1. Applicant is a working interest owner in the E/2 of Section 34, Township 24 South, Range 34 East, Lea County, New Mexico.
2. Applicant proposes to drill a well in an unorthodox location 660 FSL and 1980 FEL of said Section 34 to test the Atoka and Morrow Formations.
3. The proposed well is subject to the General Rules and Regulations of the Oil Conservation Division which provide for 320-acre spacing and proration units and for well locations not closer than 660 feet from the side boundary and 1980 feet from the end boundary of a spacing and proration unit.
4. The approval of the unorthodox location would be in the best interest of conservation of oil and gas and would not impair the correlative rights of offsetting operators and owners.
5. There are working interest owners in the E/2 of Section 34, the proposed proration unit, who have not consented

COPY

BEFORE EXAMINER STOGNER

BEFORE THE OIL CONSERVATION DIVISION
STATE OF NEW MEXICO

Oil Conservation Division

Exhibit No. 1

Case No. _____

IN THE MATTER OF THE APPLICATION
OF MIDLAND PHOENIX CORPORATION FOR
UNORTHODOX LOCATION AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.

NO. _____

APPLICATION FOR UNORTHODOX LOCATION
AND COMPULSORY POOLING

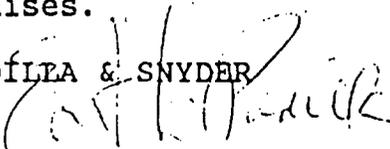
Applicant states:

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2. Applicant proposes to drill a well in an unorthodox location 660 FSL and 1980 FEL of said Section 34 to test the Atoka and Morrow Formations.
3. The proposed well is subject to the General Rules and Regulations of the Oil Conservation Division which provide for 320-acre spacing and proration units and for well locations not closer than 660 feet from the side boundary and 1980 feet from the end boundary of a spacing and proration unit.
4. The approval of the unorthodox location would be in the best interest of conservation of oil and gas and would not impair the correlative rights of offsetting operators and owners.
5. There are working interest owners in the E/2 of Section 34, the proposed proration unit, who have not consented

COPY

2. That upon hearing, the Division enter its order pooling all oil and gas mineral interests from the surface of the earth to the base of the Morrow formation;
3. And for such other relief as the Division may deem appropriate in the premises.

PADILLA & SNYDER

By: 

Ernest L. Padilla
Post Office Box 2523
Santa Fe, New Mexico 87504-2523
(505) 988-7577
Attorneys for Applicant

PADILLA & SNYDER

ATTORNEYS AT LAW

200 W. MARCY, SUITE 212

P.O. BOX 2523

SANTA FE, NEW MEXICO 87504-2523

(505) 988-7577

ERNEST L. PADILLA
MARY JO SNYDER

FAX 988-7592
AREA CODE 505

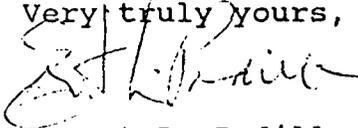
April 11, 1989

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: ALL OFFSETTING OPERATORS (See attached list)
NON-CONSENTING WORKING INTEREST OWNERS

RE: Notice of Application of Midland Phoenix
Corporation For Unorthodox Location and
Compulsory Pooling.

Purusant to the Rules and Regulations of the General Rules of the Oil Conservation Division of New Mexico, notice is hereby given of the above-referenced application. You may protest the enclosed application by appearing at the hearing of this application which will be heard on May 10, 1989, beginning at the hour of 8:15 A. M., at the offices of the Oil Conservation Division, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico.

Very truly yours,

Ernest L. Padilla

ELP:njp

Enclosures: Copy of Application
List of Offsetting Operators
List of Non-Consenting Working Interest Owners

COPY

EXHIBIT "A"

OFFSET OPERATORS

Yates Petroleum Corporation
105 S. Fourth Street
Artesia, New Mexico 88210

Enron Oil & Gas Company
P. O. Box 2267
Midland, Texas 79702
Attention: Frank Estep

Meridian Oil Company
21 Destra Drive
Midland, Texas 79705

BTA Oil Producers
104 S. Pecos
Midland, Texas 79701

Samedan Oil Corporation
10 Desta Drive, Suite #240 East
Midland, Texas 79705
Attention: Jack E. Anderson

Robert E. Landreth
505 N. Big Spring
Suite #507
Midland, Texas 79701

NON-CONSENTING WORKING INTEREST OWNERS

Enron Oil & Gas Company
P. O. Box 2267
Midland, Texas 79702
Attention: Frank Estep

Samedan Oil Corporation
10 Destra Drive, Suite #240 East
Midland, Texas 79705
Attention: Jack E. Anderson

Enserch Exploration, Inc.
4849 Greenville Avenue
Dallas, Texas 75206
Attention: Dave Leaverton

Leon Jeffcoat, Trustee
310 W. Wall Street
Midland, Texas 79701

Robert E. Landreth
505 N. Big Spring
Suite #507
Midland, Texas 79701

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery.

3. Article Addressed to: BTA Oil Producers
104 E. Pecos
Midland, TX 79701

4. Article Number: P-484 032 758
Type of Service: Registered Insured
Certified COD
Express Mail

5. Signature of Addressee: *[Signature]*
6. Signature of Agent: *[Signature]*
7. Date of Delivery: 13 APR 89

8. Addressee's Address (ONLY if requested and fee paid)
Always obtain signature of addressee or agent and DATE DELIVERED.

9. Agent: *[Signature]*
10. Delivery: *[Signature]*
11. Date: 31, Feb. 1986

DOMESTIC RETURN RECEIPT

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery.

3. Article Addressed to: Enserch Exploration, Inc.
Attn: Dave Leaverton
4849 Greenville Avenue
Dallas, TX 75206

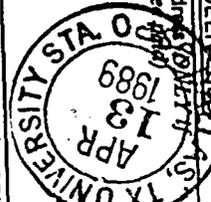
4. Article Number: P-484 032 760
Type of Service: Registered Insured
Certified COD
Express Mail

5. Signature of Addressee: *[Signature]*
6. Signature of Agent: *[Signature]*
7. Date of Delivery: 4-13-89

8. Addressee's Address (ONLY if requested and fee paid)
Always obtain signature of addressee or agent and DATE DELIVERED.

9. Agent: *[Signature]*
10. Delivery: *[Signature]*
11. Date: 3811, Feb. 1986

DOMESTIC RETURN RECEIPT



SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person card from being returned to you. The return receipt fee will provide you the name of the person card from being returned to you. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery.

3. Article Addressed to: Iron Oil & Gas Company
 Attention: Frank Estep
 O. Box 2267
 Midland, TX 79702

4. Article Number: P-484 032 761

Type of Service:
 Registered
 Certified
 Express Mail
 Insured
 COD

Always obtain signature of addressee or agent and DATE DELIVERED.

8. Addressee's Address (ONLY if requested and fee paid)

Signature - Agent: *[Signature]*
 Date of Delivery: 13 Apr 89

PS Form 3811, Feb. 1986

DOMESTIC RETURN RECEIPT

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person card from being returned to you. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery.

3. Article Addressed to: Robert E. Landreth
 505 N. Big Spring
 Suite #507
 Midland, TX 79701

4. Article Number: P-484 032 756

Type of Service:
 Registered
 Certified
 Express Mail
 Insured
 COD

Always obtain signature of addressee or agent and DATE DELIVERED.

8. Addressee's Address (ONLY if requested and fee paid)

Signature - Agent: *[Signature]*
 Date of Delivery: 13 Apr 89

PS Form 3811, Feb. 1986

DOMESTIC RETURN RECEIPT

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person card from being returned to you. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery.

3. Article Addressed to: Son Jeffcoat, Trustee
 10 W. Wall Street
 Midland, TX 79701

4. Article Number: P-484-032-754

Type of Service:
 Registered
 Certified
 Express Mail
 Insured
 COD

Always obtain signature of addressee or agent and DATE DELIVERED.

8. Addressee's Address (ONLY if requested and fee paid)

Signature - Agent: *[Signature]*
 Date of Delivery: 13 Apr 89

PS Form 3811, Feb. 1986

DOMESTIC RETURN RECEIPT

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person card from being returned to you. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery.

3. Article Addressed to: Meridian Oil Company
 21 Destra Drive
 Midland, TX 79705

4. Article Number: P-484 032 759

Type of Service:
 Registered
 Certified
 Express Mail
 Insured
 COD

Always obtain signature of addressee or agent and DATE DELIVERED.

8. Addressee's Address (ONLY if requested and fee paid)

Signature - Agent: *[Signature]*
 Date of Delivery: 13 Apr 89

PS Form 3811, Feb. 1986

DOMESTIC RETURN RECEIPT

P-484 032 758

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

U.S.G.P.O. 153-506

PS Form 3800, June 1985

Sent to BTA Oil Producers	
Street and No. 104 E. Pecos	
P.O. State and ZIP Code Midland, TX 79701	
Postage	\$.45
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 2.20
Postmark or Date	

P-484 032 760

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

U.S.G.P.O. 153-506

PS Form 3800, June 1985

Sent to Yates Petroleum Co.	
Street and No. 105 S. Fourth St.	
P.O. State and ZIP Code Artesia, NM 88210	
Postage	\$.45
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 2.20
Postmark or Date	

P-484 032 759

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

U.S.G.P.O. 153-506

PS Form 3800, June 1985

Sent to Meridian Oil Company	
Street and No. 21 Destra Drive	
P.O. State and ZIP Code Midland, TX 79705	
Postage	\$.45
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 2.20
Postmark or Date	

P-484 032 754

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

U.S.G.P.O. 153-506

PS Form 3800, June 1985

Sent to Leon Jeffcoat, Trustee	
Street and No. 310 W. Wall St.	
P.O. State and ZIP Code Midland, TX 79701	
Postage	\$.45
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 2.20
Postmark or Date	

P-484 032 761

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

U.S.G.P.O. 153-506

PS Form 3800, June 1985

Sent to Enron Oil & Gas Co.	
Street and No. P.O. Box 2267	
P.O. State and ZIP Code Midland, TX 79702	
Postage	\$.45
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 2.20
Postmark or Date	

P-484 032 755

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

U.S.G.P.O. 153-506

PS Form 3800, June 1985

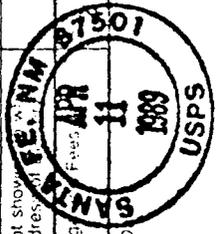
Sent to Enserch Exploration	
Street and No. 4849 Greenville Ave.	
P.O. State and ZIP Code Dallas, TX 75206	
Postage	\$.45
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 2.20
Postmark or Date	

P-484 032 756

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

Sent to Robert E. Landreth	
Street and No. 505 N. Big Spring	
Suite #507	
City, State, ZIP, TX Midland, TX 79701	
Postage	\$.45
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage	20
Postmark or Date	

PS Form 3800, June 1985

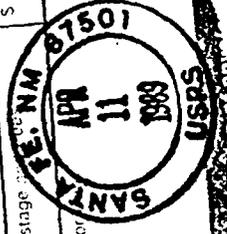


P-484 032 757

RECEIPT FOR CERTIFIED MAIL
NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

Sent to Samedan Oil Corp.	
Street and No. 10 Desta Dr. Suite 240	
City, State, ZIP, TX Midland, TX 79705	
Postage	\$.45
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage	2.20
Postmark or Date	

PS Form 3800, June 1985



F

PITCHFORK RANCH

LEA COUNTY, NEW MEXICO.

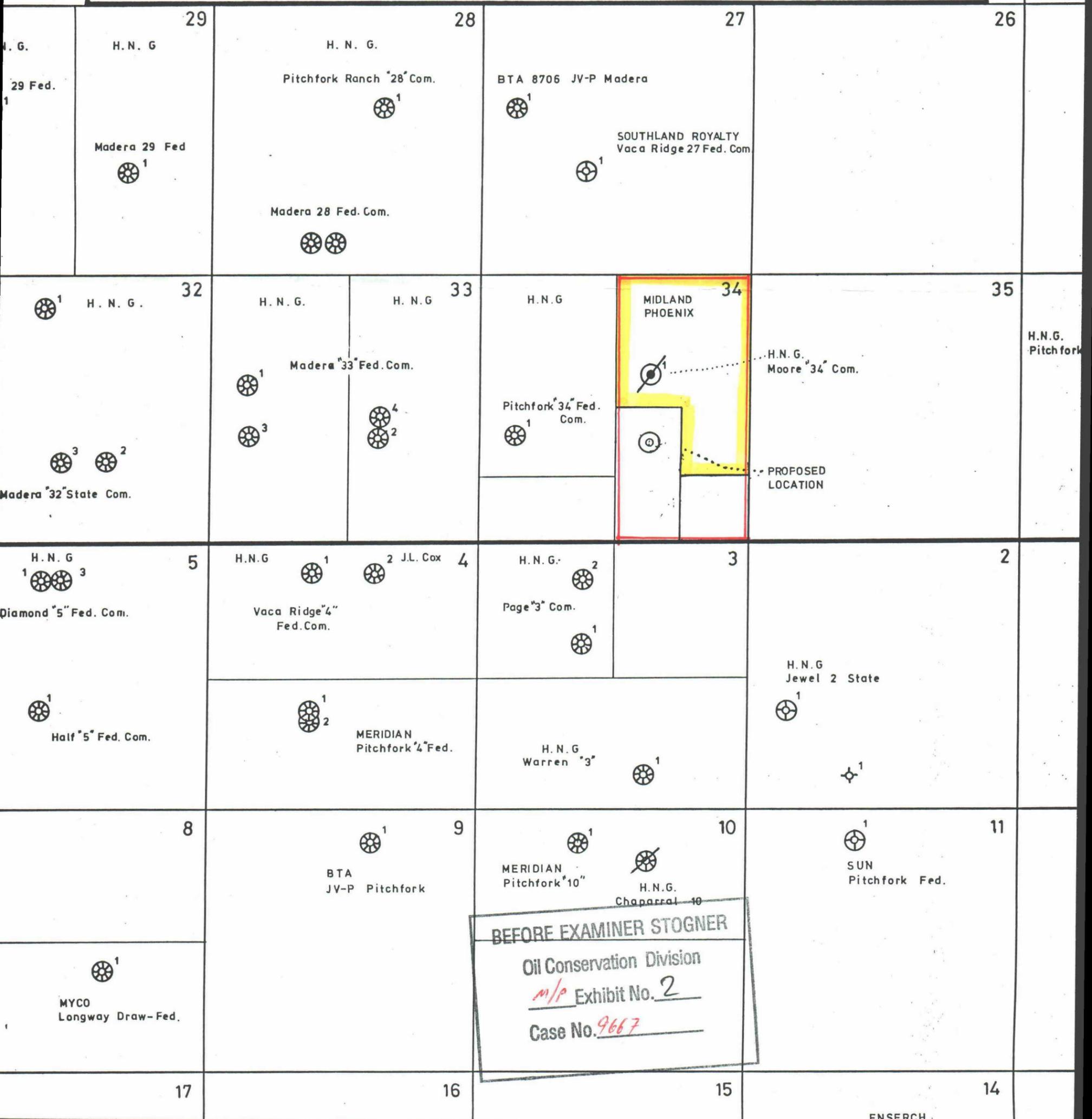
LAND

E/2 PRORATION UNIT
SECTION 34, T-24-S, R-34-E

WORKING INTEREST OWNERS

PERCENTAGES (%)

MIDLAND PHOENIX CORPORATION	41.14714
J. HIRAM MOORE, LTD.	10.41526
ENRON OIL & GAS COMPANY	25.80722
ENSERCH EXPLORATION, INC.	3.28125
SAMEDAN OIL CORPORATION	1.56250
ROBERT E. LANDRETH / LEON JEFFCOAT, TRUSTEE	6.84877
ROBERT E. LANDRETH (unleased minerals)	<u>10.93750</u>
	100.00000



MIDLAND PHOENIX CORPORATION

HIGHTOWER BUILDING
600 W. ILLINOIS, SUITE 1002
MIDLAND, TEXAS 79701
(915) 687-0457

March 22, 1989

BEFORE E	NER
Oil Cons	
well Ex	3
Case No.	9667

Enron Oil & Gas Company
P. O. Box 2267
Midland, Texas 79702
Attention: Frank Estep

Samedan Oil Corporation
10 Desta Dr., Suite #240 East
Midland, Texas 79705
Attention: Jack E. Anderson

Enserch Exploration, Inc.
4849 Greenville Ave.
Dallas, Texas 75206
Attention: Dave Leaverton

Leon Jeffcoat, Trustee
310 W. Wall St.
Midland, Texas 79701

In Re: Well Proposal
660' FSL & 1980' FEL
Section 34, T-24-S,R-34-E
Lea County, New Mexico

Informed to include per A zone

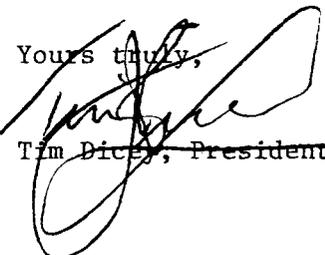
Gentlemen:

Midland Phoenix Corporation proposes the drilling of a 15,800' Morrow test at the above captioned location, thus being an unorthodox location in an east-half proration unit. We invite you to participate in this joint-venture with your interest as would be calculated for an E/2 proration unit. The estimated dry-hole costs for this test would be \$1,360,000.00 and the estimated completed well costs would be \$1,760,000.00

In lieu of your participating in this joint venture with us, Midland Phoenix would be willing to accept a farmout of your interest with you delivering a 75% net revenue interest with the option to convert your retained override to a 25% working interest after payout, proportionately reduced to your ownership in the E/2 of section 34. A well capable of producing oil and/or gas in commercial quantities would earn 100% of your working interest until payout.

We respectfully request a response to this proposal at your earliest convenience since we would like to spud this well in the very near future. Upon our hearing from you as to your decision, we will forward a formal AFE and a 1982 AAPL Form Operating Agreement for your approval. We understand that your acreage may already be subject to an operating agreement, and if so, we will work with you in any way to expedite this matter, whether it is to cancel your acreage in the E/2 Section 34 subject to the existing agreement and execute a new operating agreement covering the E/2 only or to keep your existing agreement intact and have an overlapping in the E/2 of section 34 with a new agreement.

If you should have any questions regarding this proposal please do not hesitate to contact us. I look forward to hearing from you.

Yours truly,

Tim Dicey, President

MIDLAND PHOENIX CORPORATION
HIGHTOWER BUILDING
600 W. ILLINOIS, SUITE 1002
MIDLAND, TEXAS 79701
(915) 687-0457

March 22, 1989

Robert E. Landreth
505 N. Big Spring
Suite #507
Midland, Texas 79701

→ Contractual Unit
Mineral Unit
Unleased Minerals

In Re: Well Proposal
660' FSL & 1980' FEL
Section 34, T-24-S,R-34-E
Lea County, New Mexico

Dear Mr. Landreth,

Midland Phoenix Corporation proposes the drilling of a 15,800' Morrow test at the above captioned location, thus being an unorthodox location in an east-half proration unit. Midland Phoenix recognizes your various interests in the E/2 of section 34 and invites you to participate in this joint venture with those interests. The estimated dry-hole costs for this test would be \$1,360,000.00 and the estimated completed well costs would be \$1,760,000.00.

In lieu of your participating in this joint venture with us, Midland Phoenix would be willing to accept a farmout on your interests with you delivering a 75% net revenue interest with the option to convert your retained override to a 25% working interest after payout, proportionately reduced to your ownership in the E/2 of section 34. A well capable of producing oil and/or gas in commercial quantities would earn 100% of your interest until payout.

However, on your unleased minerals in the NE/4 & NE/4SE/4 of section 34, Midland Phoenix would be willing to accept a farmout on the same terms as stated above, except that if you decided to exercise your back-in option, you would convert 1/16 royalty to a 25% working interest, proportionately reduced, thus retaining a 3/16 royalty on the leasehold.

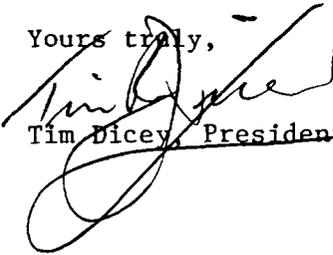
In lieu of farming-out or participating with your unleased minerals, Midland Phoenix would be willing to accept an oil & gas lease from you on the following terms:

- 1.) \$225.00 per net mineral acre
- 2.) 1/4 royalty on production, if established
- 3.) 2 year primary term

Since you are familiar with this area, we respectfully request a response to this proposal at your earliest convenience. Upon hearing from you as to your decision, we will forward a formal AFE and a 1982 AAPL Form Operating Agreement for your approval.

If you should have any questions regarding this proposal, please do not hesitate to contact us. We look forward to hearing from you.

Yours truly,


Tim Dicey, President

MIDLAND PHOENIX CORPORATION

HIGHTOWER BUILDING
600 W. ILLINOIS, SUITE 1002
MIDLAND, TEXAS 79701
(915) 687-0457

May 11, 1989

Enron Oil & Gas Company
P. O. Box 2267
Midland, Texas 79702

Attn: Mr. Robert M. McCommon, Jr.

Re: Madera 34 Fed. Com. #1
1980' FSL & 1980' FEL
Section 34, T-24-S, R-34-E
Lea County, New Mexico

Gentlemen:

Midland Phoenix Corporation respectfully declines your offer of May 2, 1989 to participate in the drilling of the Pitchfork 34 Federal Com. #2 well, located at a standard location for a S/2 proration unit, and at an unorthodox location for a non-standard SE/4 proration unit, in Section 34, T-24-S, R-34-E, Lea County, New Mexico.

Midland Phoenix Corporation proposes the drilling of a 15,800' Morrow test at the above captioned location, thus being a standard legal location in an east-half proration unit. We invite you to participate in this joint-venture with your interest as would be calculated for an E/2 proration unit. Enclosed for your review and approval is a copy of Midland Phoenix Corporation's drilling AFE for the proposed operation.

In lieu of your participating in this joint venture with us, Midland Phoenix would be willing to accept a farmout of your interest with you delivering a 75% net revenue interest with the option to convert your retained override to a 25% working interest after payout, proportionately reduced to your ownership in E/2 of Section 34. A well capable of producing oil and/or gas in commercial quantities would earn 100% of your working interest until payout.

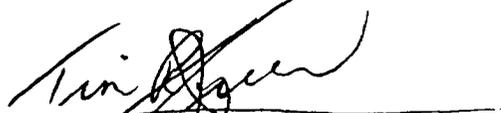
We respectfully request a response to this proposal at your earliest convenience. Upon our hearing from you as to your decision, we will forward a 1982 AAPL Form Operating Agreement for your approval. We understand that your acreage may already

be subject to an operating agreement, and if so, we will work with you in any way to expedite this matter, whether it is to cancel your acreage in the E/2 Section 34 subject to the existing agreement and execute a new operating agreement covering the E/2 only or to keep your existing agreement intact and have an overlapping in the E/2 of Section 34 with a new agreement.

If you should have any questions regarding this proposal please do not hesitate to contact us.

Very truly yours,

MIDLAND PHOENIX CORPORATION



Tim Dicey, President

cc: Enserch Exploration, Inc.
Attn: Dave Leaverton

Robert E. Landreth

Samedan Oil Corporation
Attn: Jack E. Anderson

Leon Jeffcoat, Trustee

MIDLAND PHOENIX CORPORATION

HIGHTOWER BUILDING
600 W. ILLINOIS, SUITE 1002
MIDLAND, TEXAS 79701
(915) 687-0457

May 11, 1989

Enserch Exploration, Inc.
4849 Greenville Avenue
Dallas, Texas 75206

Attn: Dave Leaverton

Samedan Oil Corporation
10 Desta Drive #240 East
Midland, Texas 79705

Attn: Jack E. Anderson

Leon Jeffcoat, Trustee
310 W. Wall Street
Midland, Texas 79701

Re: Madera 34 Fed. Com. #1
1980' FSL & 1980' FEL
Section 34, T-24-S, R-34-E
Lea County, New Mexico

Gentlemen:

Midland Phoenix Corporation proposes the drilling of a 15,800' Morrow test at the above captioned location, thus being a standard legal location in an east-half proration unit. We invite you to participate in this joint-venture with your interest as would be calculated for an E/2 proration unit. Enclosed for your review and approval is a copy of Midland Phoenix Corporation's drilling AFE for the proposed operation.

In lieu of your participating in this joint venture with us, Midland Phoenix would be willing to accept a farmout of your interest with you delivering a 75% net revenue interest with the option to convert your retained override to a 25% working interest after payout, proportionately reduced to your ownership in E/2 of section 34. A well capable of producing oil and/or gas in commercial quantities would earn 100% of your working interest until payout.

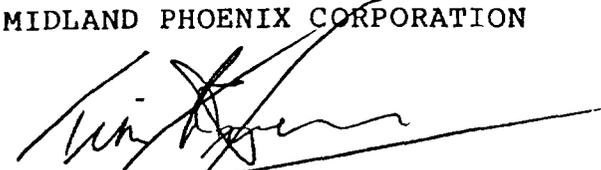
We respectfully request a response to this proposal at your earliest convenience. Upon our hearing from you as to your decision, we will forward a 1982 AAPL Form Operating Agreement for your approval. We understand that your acreage may already be subject to an operating agreement, and if so, we will work with you in any way to expedite this matter, whether it is to

cancel your acreage in the E/2 Section 34 subject to the existing agreement and execute a new operating agreement covering the E/2 only or to keep your existing agreement intact and have an overlapping in the E/2 of section 34 with a new agreement.

If you should have any questions regarding this proposal please do not hesitate to contact us.

Very truly yours,

MIDLAND PHOENIX CORPORATION

A handwritten signature in black ink, appearing to read "Tim Dicey", is written over a horizontal line. The signature is stylized and somewhat cursive.

Tim Dicey, President

cc: Enron Oil & Gas Company
Attn: Robert M. McCommon, Jr.

Robert E. Landreth

MIDLAND PHOENIX CORPORATION

HIGHTOWER BUILDING
600 W. ILLINOIS, SUITE 1002
MIDLAND, TEXAS 79701
(915) 687-0457

May 11, 1989

Robert E. Landreth
505 N. Big Spring
Suite #507
Midland, Texas 79701

Re: Madera 34 Fed. Com. #1
1980' FSL & 1980' FEL
Section 34, T-24-S, R-34-E
Lea County, New Mexico

Dear Mr. Landreth,

Midland Phoenix Corporation proposes the drilling of a 15,800' Morrow test at the above captioned location, thus being a standard, legal location in an east-half proration unit. Midland Phoenix recognizes your various interests in the E/2 of Section 34 and invites you to participate in this joint venture with those interests. Enclosed for your review and approval is a copy of Midland Phoenix Corporation's Drilling AFE for the proposed operation.

In lieu of your participating in this joint venture with us, Midland Phoenix would be willing to accept a farmout on your interests with you delivering a 75% net revenue interest with the option to convert your retained override to a 25% working interest after payout, proportionately reduced to your ownership in the E/2 of Section 34. A well capable of producing oil and/or gas in commercial quantities would earn 100% of your interest until payout.

However, on your unleased minerals in the NE/4 & NE/4SE/4 of Section 34, Midland Phoenix would be willing to accept a farmout on the same terms as stated above, except that if you decided to exercise your back-in option, you would convert 1/16 royalty to a 25% working interest, proportionately reduced, thus retaining a 3/16 royalty on the leasehold.

In lieu of farming-out or participating with your unleased minerals, Midland Phoenix would be willing to accept an oil & gas lease from you on the following terms:

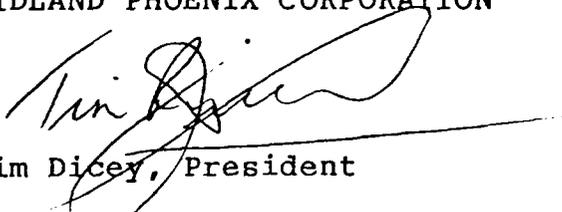
- 1.) \$250.00 per net mineral acre
- 2.) 1/4 royalty on production, if established
- 3.) 2 year primary term

Since you are familiar with this area, we respectfully request a response to this proposal at your earliest convenience. Upon hearing from you as to your decision, we will forward a 1982 AAPL Form Operating Agreement for your approval.

If you should have any questions regarding this proposal, please do not hesitate to contact us.

Very truly yours,

MIDLAND PHOENIX CORPORATION



Tim Dicey, President

cc: Enron Oil & Gas company
Attn: Robert M. McCommon, Jr.

Enserch Exploration, Inc.
Attn: Dave Leaverton

Samedan Oil Corporation

Leon Jeffcoat, Trustee

MIDLAND PHOENIX CORPORATION

HIGHTOWER BUILDING
600 W. ILLINOIS, SUITE 1002
MIDLAND, TEXAS 79701
(915) 687-0457

May 17, 1989

Enron Oil & Gas Company
P. O. Box 2267
Midland, TX 79702

Attn: Robert M. McCommon, Jr.

Re: Madera 34 Fed. Com. #1
1980' FSL & 1980' FEL
Section 34, T-24-S, R-34-E
Lea County, New Mexico

Gentlemen:

Midland Phoenix Corporation is the owner of certain leasehold interests, farmouts and other commitments totaling 51.5625% W.I. in the E/2 of Section 34, T-24-S, R-34-E, Lea County, New Mexico. As you are well aware of, Midland Phoenix has proposed the drilling of the Madera 34 Fed. Com. #1 in the E/2 of said Section 34. As of this date, Enron Oil & Gas has shown no interest in participating in this joint venture. Likewise, Midland Phoenix has no interest in participating in the Pitchfork 34 Fed. Com. #2 well, proposed by Enron in the S/2 and SE/4 of said Section 34.

In order to settle the obvious ensuing dispute between Enron and Midland Phoenix, pursuant to this matter, Midland Phoenix Corporation proposes to sell their 51.5625% W.I. in the E/2 of Section 34 under the following terms and conditions:

1. A cash consideration of \$200,000.00.
2. Midland Phoenix will be carried for 25% W.I. to casing point, proportionately reduced by 51.5625% in a well drilled at a location mutually agreed upon in the E/2 of Section 34, T-24-S, R-34-E, Lea County, New Mexico. It is the intention herein, that a well must be drilled in the E/2 of Section 34, to a depth of 15,800', on or before 12-31-89.
3. Midland Phoenix Corporation will be designated the operator of said well, through the completion of said well. At which time, if the well is completed as a producer of oil and/or gas, Midland Phoenix will turn over operations to Enron Oil & Gas Company.

Enron Oil & Gas Company
May 16, 1989
Page Two

As we are both aware, the rescheduled hearing on this matter before the Oil Conservation Division of the State of New Mexico is May 24, 1989. This offer to sell by Midland Phoenix Corporation will be valid until 5:00 p.m. CDT, Monday, May 22, 1989.

By this offer to sell, it is the intention of Midland Phoenix Corporation to settle this dispute in a manner that is beneficial to all parties involved. We look forward to hearing from you.

Very truly yours,

MIDLAND PHOENIX CORPORATION



Robert O. Canon

ROC:dlw

CONFIDENTIAL

P. O. Box 2267 Midland, Texas 79702 (915) 686-3600

May 17, 1989

Midland Phoenix Corporation
Hightower Building
600 W. Illinois, Suite 1002
Midland, Texas 79701

Attn: Robert O. Canon

RE: Proposal dated May 17, 1989
Section 34-24S-34E, Lea County, New Mexico

Gentlemen:

Enron Oil & Gas Company has reviewed your proposal dated May 17, 1989 wherein you offered to sell your interest in the E/2 of Section 34 for a cash consideration of \$200,000.00 and be carried for a 25% working interest to casing point proportionately reduced to your interest in the E/2 of the Section in a 15,800' Morrow test to be located on an E/2 proration unit.

Enron Oil & Gas Company respectfully declines your offer. A legal location in the E/2 for a Morrow test is in the opinion of Enron not geologically feasible. As you are aware any Morrow test has a great deal of risk and because of this risk our economics will not justify a carried interest to casing point and paying in excess of \$1000 an acre for your interest.

Enron is still very interested in discussing with you either a buy-out of your interest in the NE/4 of the SE/4 or a farmout of your interest under the NE/4 of the SE/4 of Section 34. Of course, any agreement that we are able to work out would be conditioned upon Midland Phoenix agreeing not to oppose us at the May 24th 1989 hearing.

Sincerely,

ENRON OIL & GAS COMPANY


Frank C. Estep
Division Landman

FCE/cl

May 16, 1989

Mr. Tim Dicey
Midland Phoenix Corporation
Hightower Building
606 W. Illinois, Suite 1002
Midland, Texas 79701

RE: Your Proposed Madera 34 Fed Com #1
1980' FSL and 1980' FEL
Section 34, T-24-S, R-34-E,
Lea County, New Mexico

Dear Mr. Dicey:

Receipt of your letter of May 11, 1989, captioned subject, is acknowledged.

I am currently involved in discussions with Enron regarding problems which appear to arise under the existing operating agreement covering Section 34 with respect to the two drilling proposals which have been made. Until this matter is resolved, which I hope will be within the next few days, I am not in a position to make a decision on Midland Phoenix's proposal. However, I will make every effort to respond as soon as possible prior to the time this comes to hearing before the New Mexico Oil Conservation Division.

Sincerely,



Robert E. Landreth

REL:bk

PADILLA



Communication Log.

Thurs 5/11

Conv. w/ Bob Lanoith. - Discussed Forthcoming letter and NFE, discussed Lanoith's concerns about MPC - Financial viability, Operating agreement - corporate structure. Lanoith said he would be in touch as soon as he digested the material.

Thurs 5/11

Howard Hodges / Jim Baten - met w/ Robert McComan - dit McComan said a dialog was needed and asked who to contact w/ MPC. Hodges/Baten forwarded w/ Roc.

Monday 5/16

Roc called Enron / Robert McComan - discussed letters and NFE which were delivered Friday 5/12. McComan said he would look over material and be back in touch this afternoon.

Monday 5/15

Robert McComan called @ 3:07p. Roc in meeting.
Roc returned call @ 4:35p.

Monday 5/15

McComan called @ 4:50p. said Gary Thomas (MCA) will be back on Wednesday and would get in touch w/ Roc then. about a meeting. mentioned Frank Enty would like to sit down and see if a deal could be made.

Wed. 5/17

9:00am
Roc calls Robert McComan, told him I was delivering another proposal on Enron to Consors. He asked that the 2 of us get together today and talk about the matter. I said remove proposal - depend if all bits get together this afternoon.

Wed 5/17

2:15 - met w/ McComan. good meeting, discussed settlement of dispute.

Thurs 5/18

9:00am met w/ McComan - another good meeting - discussed alternative ways to settle.

Thurs 5/18

3:30p. McComan came over - MPC reviewed SEC Form Data.

Fri. 5/19

2:00p. Called McComan - made 2 additional offers to sell and all terms.

Fri 5/19

4:20p. McComan called back - Enron replying our offer of 5/17/18 (Enron received only.) Still reviewing numbers on verbal offers made earlier.

Fri 5/19

5:15p. Received letter from Enron - rejected offer of 5/17/18.

Mon. 5/22

11:00p. McComan called - Enron sending #'s on verbal offers - Houston making decision.

Mon 5/22

2:30p. McComan called - still waiting on Houston.

PADILLA & SNYDER
MAY 2004 34 - CONFIDENTIAL

MIDLAND PHOENIX CORPORATION

- WILDCAT
- DEVELOPMENT
- INJECTION

- DRILLING
- COMPLETION
- RE-ENTRY

AFE No. _____
Midland Phoenix WI _____
AFE Amount _____
AFE Date _____

Lease & Well No. Madera 34 Fed. Com. # 1	Depth & Formation 15,800' Morrow
Location 1980 FEL and 1980 FSL Section 34, T-24-S, R-34-E	
County & State Lea County, New Mexico	Field Pitchfork Ranch
Operator Midland Phoenix Corporation	Anticipated Spud Date June 1, 1989
Description of Work	

INTANGIBLE WELL COST

CODE	DESCRIPTION	DRILLING	COMPLETION	TOTAL
1001	Access, Location & Roads	30,000	5,000	35,000
1002	Rig Move	30,000		30,000
1003	Footage Cost \$/Ft			
1004	Day Work Cost 70 days @ \$4,300 /day	301,000		301,000
1005	Bits, Reamers & Stabilizers	70,000		70,000
1006	Fuel			
1007	Water	10,000	2,500	12,500
1008	Mud & Chemicals	70,000	3,000	73,000
1009	Cementing & Service	40,000	15,000	55,000
1010	Coring			
1011	OH Logging & Testing	35,000	10,000	45,000
1012	Mud Logging	15,500		15,500
1013	Perforating		10,000	10,000
1014	Stimulation		20,000	20,000
1015	Transportation	25,000	10,000	35,000
1016	Drilling Overhead			
1017	Equipment Rental	35,000	15,000	50,000
1018	Completion Rig 4 days @ \$4,300 /day		17,200	17,200
1019	Other Drilling Expenses			
1020	Directional Drilling			
1021	Equipment Usage			
1022	Supervision	25,000	1,600	26,200
1023	Contingencies	71,650	11,230	82,880
	Total Intangibles	788,150	123,530	911,680

TANGIBLE WELL COST

CODE	DESCRIPTION	DRILLING	COMPLETION	TOTAL
2001	40' of 20" Conductor Casing	1,000		1,000
2002	600' of 13 3/8" Surface Casing	12,500		12,500
2003	5200' of 9 5/8" Intermediate Casing	78,000		78,000
2004	13300' of 7 5/8" Intermediate Casing	395,000		395,000
2005	1000' of 5 1/2" Liner	15,500		15,500
2006	1800' of 3 1/2" Production Casing		18,600	18,600
2007	' of " Tie-Back Casing			
2008	13000' of 2 7/8" Tubing		124,000	124,000
2009	' of " Tubing			
2010	Well Head Equipment and Tree	26,000	25,000	51,000
2011	Tanks		6,000	6,000
	(Continued on back of AFE)			

MIDLAND PHOENIX APPROVAL			
BEFORE EXAMINER STOGNER			
By:	Date:	Oil Conservation Division	
By:	Date:	<i>ML</i> Exhibit No. 3A	
JOINT OPERATOR APPROVAL			
Company:	By:	Case No. 9667	Date:

TANGIBLE WELL COST (Cont.)

CODE	DESCRIPTION	DRILLING	COMPLETION	TOTAL
2012	Flow Lines		3,000	3,000
2013	Valves & Fittings		6,000	6,000
2014	Rods			
2015	Pumping Equipment - Surface			
2016	Production Equipment - Subsurface		10,000	10,000
2017	Engines & Motors			
2018	Heater Treater & Separators		25,000	25,000
2019	Other Equipment			
2020	Buildings			
2021	Metering Equipment		1,000	1,000
2022	Non - Controlable Equipment		1,000	1,000
2023	Liner Equipment	10,000	15,000	25,000
2024	Mudline Suspension Equipment			
2025	Construction		20,000	20,000
2026	Drive Pipe			
2027	Contingencies	53,800	25,460	79,260
	Total Tangibles	591,800	280,060	871,860
	Total Well Cost	1,379,950	403,590	1,783,540

**ENSERCH
EXPLORATION** INC

4849 Greenville Avenue
Suite 1200
Dallas, Texas 75206
214/369-7893

Land Operations Department
David N. Leaverton
District Land Manager

April 14, 1989

Midland Phoenix Corporation
Hightower Building
600 W. Illinois, Suite 1002
Midland, TX 79701

Attn: Mr. Craig Duke

BEFORE EXAMINER STAMP

Oil Conservation Division

N/P Exhibit No. 4

Case No. 9667

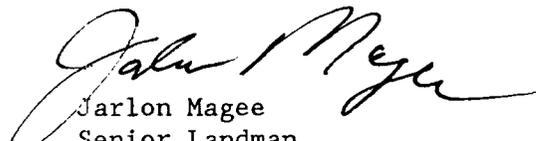
Re: Well Proposal
660' FSL & 1980' FEL
Sec. 34, T24S, R34E
Lea County, New Mexico

Gentlemen:

Reference is made to Mr. Tim Dicey's letter dated March 22, 1989 wherein he proposed a 15,800' Morrow test at the captioned location, being an unorthodox location in the E/2 of Section 34. Please be advised that EPOC (Enserch) does not intend to join said well and does not intend to grant a farmout of EPOC's interest in the captioned land.

Further, we intend to contest said unorthodox location. Please let me know should you have any questions or comments in regard to this matter.

Very truly yours,


Jarlon Magee
Senior Landman

JM:sm