

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF SANTA FE ENERGY )  
OPERATING PARTNERS, L.P. FOR )  
COMPULSORY POOLING, EDDY COUNTY,) Case No. 10001  
NEW MEXICO. )  
\_\_\_\_\_)

AFFIDAVIT REGARDING NOTICE

STATE OF NEW MEXICO )  
 ) ss.  
COUNTY OF BERNALILLO )

James Bruce, being duly sworn upon his oath, deposes and states:

1. I am over the age of 18 years and have personal knowledge of the matters stated herein.
2. I am an attorney for Santa Fe Energy Operating Partners, L.P., Applicant in the above-captioned matter.
3. A good faith, diligent effort was made to find the correct addresses of all persons interested in this matter and entitled to receive notice.
4. Notice has been given to all interested persons by certified mail. Copies of the notice letter and certified return receipts are attached hereto as Exhibit A.
5. The provisions of Division Rule 1207 have been complied with.

SANTA FE ENERGY OPERATING PARTNERS, L.P.

By James Bruce  
James Bruce

BEFORE EXAMINER

OIL CONSERVATION DIVISION

EXHIBIT NO. 9

CASE NO. \_\_\_\_\_

Subscribed and sworn to before me this 26<sup>th</sup> day of  
July, 1990 by James Bruce.

Lisa C. Newirth  
Notary Public

My Commission expires:

11/22/91

HINKLE, COX, EATON, COFFIELD & HENSLEY

ATTORNEYS AT LAW

500 MARQUETTE N.W., SUITE 800  
ALBUQUERQUE, NEW MEXICO 87102-2121

(505) 768-1500

FAX (505) 768-1529

OF COUNSEL  
O. M. CALHOUN  
MACK EASLEY  
JOE W. WOOD

CLARENCE E. HINKLE (1904-1985)  
W. E. BONDURANT, JR. (1913-1973)  
ROY C. SNODGRASS, JR. (1914-1987)

July 12, 1990

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

700 UNITED BANK PLAZA  
POST OFFICE BOX 10  
ROSWELL, NEW MEXICO 88202  
(505) 622-6510  
FAX (505) 623-9332

2800 CLAYDESTA NATIONAL BANK BUILDING  
POST OFFICE BOX 3580  
MIDLAND, TEXAS 79702  
(915) 683-4691  
FAX (915) 683-6518

1700 TEAM BANK BUILDING  
POST OFFICE BOX 9238  
AMARILLO, TEXAS 79105  
(806) 372-5569  
FAX (806) 372-9761

218 MONTEZUMA  
POST OFFICE BOX 2068  
SANTA FE, NEW MEXICO 87504  
(505) 962-4554

LEWIS C. COX  
PAUL W. EATON  
CONRAD E. COFFIELD  
HAROLD L. HENSLEY JR.  
STUART D. SHANOR  
ERIC D. LANPHERE  
C. D. MARTIN  
PAUL J. KELLY JR.  
MARSHALL G. MARTIN  
OWEN M. LOPEZ  
DOUGLAS L. LUNSFORD  
JOHN J. KELLY  
T. CALDER EZZELL, JR.  
WILLIAM B. BURFORD\*  
RICHARD E. OLSON  
RICHARD R. WILFONG\*  
THOMAS J. MCBRIDE  
STEVEN D. ARNOLD  
JAMES J. WECHSLER  
NANCY S. CUSACK  
JEFFREY L. FORNACIARI  
JEFFREY D. HEWETT  
JAMES BRUCE  
JERRY F. SHACKELFORD\*  
JEFFREY W. HELLBERG\*  
ALBERT L. PITTS  
THOMAS M. HNASKO  
JOHN C. CHAMBERS\*  
MICHAEL A. GROSS  
THOMAS D. HAINES, JR.  
FRANKLIN H. MCCALLUM\*  
GREGORY J. NIBERT

DAVID T. MARKETTE\*  
MARK C. DOW  
KAREN M. RICHARDSON\*  
FRED W. SCHWENDIMANN  
JAMES M. HUDSON  
RAYMOND HAMILTON  
STANLEY K. KOTOVSKY JR.  
BETTY H. LITTLE\*  
JEFFREY S. BAIRD\*  
RUTH S. MUSGRAVE  
HOWARD R. THOMAS  
PATRICIA A. WATTS  
NANCY AUGUSTUS  
MACDONNELL GORDON  
REBECCA NICHOLS JOHNSON  
PAUL R. NEWTON  
WILLIAM B. JOHNSON  
ELLEN S. CASEY  
S. BARRY PAISNER  
MARGARET CARTER LUDEWIG  
MARTIN MEYERS  
GREGORY S. WHEELER  
ANDREW J. CLOUTIER  
JAMES A. GILLESPIE  
GARY W. LARSON  
STEPHANIE LANDRY  
JERRY D. WORSHAM II  
JOHN R. KULSETH, JR.  
TONY CONNERS\*

\*NOT LICENSED IN NEW MEXICO

Conoco Inc.  
10 Desta Drive West  
Midland, Texas 79705

Attention: Warren Richardson

Marbob Energy Co.  
P. O. Drawer 217  
Artesia, New Mexico 88211

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

Pacific Enterprises Oil  
Company (USA)  
10 Desta Drive, Suite 500 West  
Midland, Texas 79705

W. Peary Pearce  
P. O. Box 2307  
Santa Fe, New Mexico 87504

Re: Oil Conservation Division Case No. 10001, The Application of  
Santa Fe Energy Operating Partners, L.P. for Compulsory  
Pooling, Eddy County, New Mexico

Gentlemen:

Enclosed is a copy of the application in the above matter.  
This case is being re-set for hearing on August 8, 1990 at 8:15  
a.m. at the offices of the Oil Conservation Division, 310 Old Santa  
Fe Trail (second floor), Santa Fe, New Mexico.



Very truly yours,

HINKLE, COX, EATON, COFFIELD &  
HENSLEY

By: *James Bruce*  
James Bruce  
Attorneys for Santa Fe Energy  
Operating Partners, L.P.

JB:le  
Enclosure

P 788 772 132

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED  
NOT FOR INTERNATIONAL MAIL

(See Reverse)

Sent to	Pacific Enterprises Oil Company (USA)
Street and No.	10 Desta Dr., Ste 500
P.O. State and ZIP Code	Midland, TX 79705
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date	

PS Form 3800, June 1985

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

Put your address in "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 with 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 (Extra charge)<sup>1</sup>

3. Article Addressed to:  
Pacific Enterprises Oil Company (USA)  
10 Desta Drive, Suite 500 West  
Midland, Texas 79705

4. Article Number  
P788 772 132

Type of Service:  
 Registered  Insured  
 Certified  COD  
 Express Mail

Always obtain signature of addressee adjacent and DATE DELIVERED.

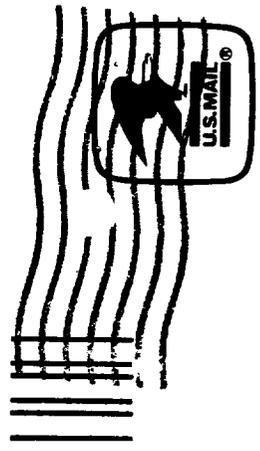
5. Signature - Addressee  
*[Signature]*

6. Signature - Agent  
*[Signature]*

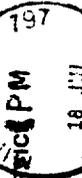
7. Date of Delivery  
JUL 18 1990

8. Addressee's Address (ONLY if requested and fee paid)  
P.O. Box 3083  
Midland TX 79702

PS Form 3811, Mar. 1987 \* U.S.G.P.O. 1987-178-268 DOMESTIC RETURN RECEIPT



PENALTY FOR PRIVATE USE, \$300



UNITED STATES POSTAL SERVICE PM OFFICIAL BUSINESS

- SENDER INSTRUCTIONS**
- Print your name, address, and ZIP Code in the space below.
  - Complete items 1, 2, 3, and 4 on the reverse.
  - Attach to front of article if space permits, otherwise affix to back of article.
  - Endorse article "Return Receipt Requested" adjacent to number.

RETURN TO: HINKLE, COX, EATON, COFFIELD & HENSLEY ATTORNEYS AT LAW

HINKLE, COX, EATON, COFFIELD & HENSLEY  
ATTORNEYS AT LAW  
500 MARQUETTE, NW/SUITE 2000  
ALBUQUERQUE, NEW MEXICO 87102

JUL 20 '90

RECEIVED

JB/ccc #10001

P 788 772 134

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED  
NOT FOR INTERNATIONAL MAIL

(See Reverse)

PS Form 3800, June 1985

Sent to W. Thomas Kellahin	
Street and No. P.O. Box 2265	
P.O. State and ZIP Code Santa Fe, N.M. 87504	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date	

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

Put your address in "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 with a 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 (Extra charge)†

3. Article Addressed to:  
W. Thomas Kellahin  
P.O. Box 2265  
Santa Fe, N.M. 87504

4. Article Number  
P788 772 134

Type of Service:  
 Registered  Insured  
 Certified  COD  
 Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

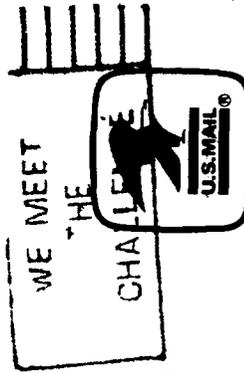
5. Signature - Addressee  
X

6. Signature - Agent  
X D. Montoye

7. Date of Delivery  
JUL 16 1990

8. Addressee's Address ONLY if requested (see reverse)

PS Form 3811, Mar. 1987 \* U.S.G.P.O. 1987-178-288 DOMESTIC RETURN RECEIPT



PENALTY FOR PRIVATE USE, \$300



UNITED STATES POSTAL SERVICE OFFICIAL BUSINESS

SENDER INSTRUCTIONS

- Print your name, address, and ZIP Code in the space below, and ZIP Code in the space below.
- Complete items 1, 2, 3, and 4 on the reverse.
- Attach to front of article if space permits, otherwise affix to back of article.
- Endorse article "Return Receipt Requested" adjacent to number.

RETURN TO Print Sender's name, address, and ZIP Code in the space below.

HINKLE, COX, EATON, COFFIELD & HENSBLEY  
ATTORNEYS AT LAW  
300 MARQUETTE, NW/SUITE 300  
ALBUQUERQUE, NEW MEXICO 87102

Handwritten: 7/3/90 ED # 10001

P 920 619 284

RECEIPT FOR CERTIFIED MAIL

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

PS Form 3800, June 1985

Sent to	Marbob Energy Co.
Street and No.	P.O. Drawer 217
P.O., State and ZIP Code	Artesia, N.M. 88211
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date	

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

Put your address in "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 your 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 (Extra charge)†

3. Article Addressed to:  
Marbob Energy Co.  
P.O. Drawer 217  
Artesia, N.M. 88211

4. Article Number  
P920 619 284

Type of Service:  
 Registered  
 Certified  
 Express Mail  
 Insured  
 COD

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Addressee  
X

6. Signature — Agent  
X [Signature]

7. Date of Delivery  
7-13-90

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

PS Form 3811, Mar. 1987 \* U.S.G.P.O. 1987-176-268 DOMESTIC RETURN RECEIPT



UNITED STATES POSTAL SERVICE  
OFFICIAL BUSINESS

**SENDER INSTRUCTIONS**  
Print your name, address, and ZIP Code in the space below.

- Complete items 1, 2, 3, and 4 on the reverse.
- Attach to front of article if space permits, otherwise affix to back of article.
- Endorse article "Return Receipt Requested" adjacent to number.



PENALTY FOR PRIVATE USE, \$300



Print Sender's name, address, and ZIP Code in the space below.

HINKLE, COX, EATON, COFFIELD & HENSLEY  
ATTORNEYS AT LAW  
800 MARQUETTE, NW/SUITE 300  
ALBUQUERQUE, NEW MEXICO 87102

30/000 # 10001

P 788 772 133

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED  
NOT FOR INTERNATIONAL MAIL

(See Reverse)

PS Form 3800, June 1985

Sent to	
W. Peary Pearce	
Street and No.	
P.O. Box 2307	
P.O., State and ZIP Code	
Santa Fe, N.M. 87504	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date	

● **SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

Put your address in "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 with 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  
↑ (Extra charge) ↑

3. Article Addressed to:  
Article Number: 788 772 133

W. Peary Pearce  
P.O. Box 2307  
Santa Fe, N.M. 87504

Type of Service:  
 Registered     Insured  
 Certified     COD  
 Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee  
X

6. Signature - Agent  
X

7. Date of Delivery

8. Addressee's Address (ONLY if requested by post)

0661  
13  
7/11/85

PS Form 3811, Mar. 1987 \* U.S.G.P.O. 1987-178-268 DOMESTIC RETURN RECEIPT



PENALTY FOR PRIVATE USE, \$300

UNITED STATES POSTAL SERVICE  
OFFICIAL BUSINESS

**SENDER INSTRUCTIONS**

Print your name, address, and ZIP Code in the space below.

- Complete items 1, 2, 3, and 4 on the reverse.
- Attach to front of article if space permits, otherwise affix to back of article.
- Endorse article "Return Receipt Requested" adjacent to number.

RETURN TO Print Sender's name, address, and ZIP Code in the space below.

HINKLE, COX, EATON, COFFIELD & HENSLEY  
ATTORNEYS AT LAW  
500 MARQUETTE, NW/SUITE 200  
ALBUQUERQUE, NEW MEXICO 87102

JB/ocp#10001

P 920 619 283

RECEIPT FOR CERTIFIED MAIL

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

Sent to	Conoco Inc
Street and No.	10 Destar Drive West
P.O. State and ZIP Code	Midland, TX 79705
Postage	Atttn: Warren Richardson
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date	

PS Form 3800, June 1985

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

Put your address in "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 with 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  (Extra charge)  (Extra charge)  (Extra charge)

3. Article Addressed to:  
Conoco Inc.  
10 Destar Drive West  
Midland, Texas 79705  
Attn: Warren Richardson

4. Article Number  
920619283

Type of Service:  
 Registered  Insured  
 Certified  COD  
 Express Mail

Always obtain signature of addressee or agent. **DATE DELIVERED.**

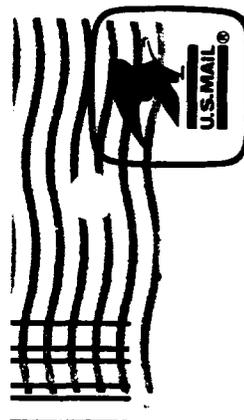
5. Signature - Addressee  
*Warren Richardson*

6. Signature - Agent  
*[Signature]*

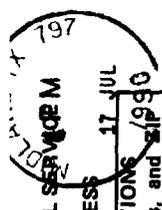
7. Date of Delivery  
7/17

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

PS Form 3811, Mar. 1987 \*U.S.G.P.O. 1987-176-268 DOMESTIC RETURN F



PENALTY FOR PRIVATE USE, \$300



UNITED STATES POSTAL SERVICE OFFICIAL BUSINESS

SENDER INSTRUCTIONS

Print your name, address, and ZIP Code in the space below.

- Complete items 1, 2, 3, and 4 on the reverse.
- Attach to front of article if space permits, otherwise affix to back of article.
- Endorse article "Return Receipt Requested" adjacent to number.

RETURN TO Print Sender's name, address, and ZIP Code in the space below.

HINKLE, COX, EATON, COFFIELD & HENSLEY  
ATTORNEYS AT LAW  
500 MARQUETTE, NWSUITE 200  
ALBUQUERQUE, NEW MEXICO 87102

1000 #10001

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF SANTA FE ENERGY OPERATING  
PARTNERS, L.P. FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

No. \_\_\_\_\_

APPLICATION

Santa Fe Energy Operating Partners, L.P. hereby makes application for an order pooling all interests from 5000 feet below the surface to the base of the Morrow formation underlying the E $\frac{1}{2}$  of Section 20, Township 17 South, Range 29 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

1. Applicant is an interest owner and has the right to drill a well in the E $\frac{1}{2}$  of said Section 20, from 5000 feet below the surface to the base of the Morrow formation.

2. Applicant proposes to drill its Muskegan St. Com. Well No. 1 in the E $\frac{1}{2}$  of Section 20, at an orthodox location 1980 feet from the North line and 660 feet from the East line of the Section, to a depth sufficient to test the Morrow formation (approximately 10,900 feet), and seeks to dedicate to the well the E $\frac{1}{2}$  of Section 20, from 5000 feet below the surface to the base of the Morrow formation, for all pools or formations spaced on 320 acres.

3. Applicant has in good faith sought to join all other mineral or leasehold interest owners in the E $\frac{1}{2}$  of Section 20 for the purposes set forth herein.

4. Although Applicant attempted to obtain voluntary agreements from all mineral or leasehold interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their acreage. Therefore, Applicant

seeks an order pooling all mineral and leasehold interest owners underlying the E½ of Section 20 pursuant to N.M. Stat. Ann. § 70-2-17 (1987 Repl.).

5. Applicant requests the Division to consider the cost of drilling and completing the well, the allocation of the cost thereof, as well as actual operating charges and costs charged for supervision. Applicant requests that it be designated as operator of the well and that the Division set a penalty of 200% for the risk involved in drilling the well.

6. The pooling of all interests underlying the E½ of Section 20, as described above, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

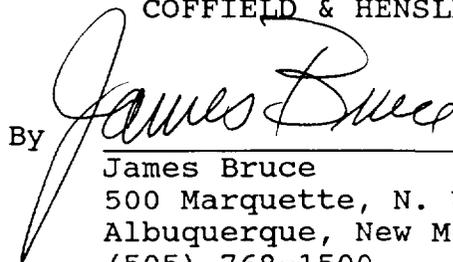
7. Applicant requests that this matter be heard at the June 27, 1990 Examiner hearing.

WHEREFORE, Applicant requests that the Division grant the relief requested above.

Dated: May 30, 1990.

Respectfully submitted,

HINKLE, COX, EATON,  
COFFIELD & HENSLEY

By  \_\_\_\_\_

James Bruce  
500 Marquette, N. W., Suite 800  
Albuquerque, New Mexico 87102  
(505) 768-1500

Attorneys for Applicant

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. 10001  
ORDER NO. R-9257

APPLICATION OF SANTA FE ENERGY  
OPERATING PARTNERS, L.P. FOR  
COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 11 and on August 8, 1990, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 20th day of August, 1990, 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, Santa Fe Energy Operating Partners, L.P., seeks an order pooling all mineral interests from 5000 feet below the surface to the base of the Morrow formation, underlying the E/2 of Section 20, Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent (which presently includes but is not necessarily limited to the Undesignated North Grayburg-Akota Gas Pool, Undesignated Grayburg-Atoka Gas Pool, Undesignated Grayburg-Morrow Gas Pool and Undesignated South Empire-Morrow Gas Pool).

(3) The applicant has the right to drill and proposes to drill a well at a standard gas well location thereon.

Case No. 10001  
Order No. R-9257  
Page No. 2

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

(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 any pool resulting from this order, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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

(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 his 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 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) \$5000.00 per month while drilling and \$500.00 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.

Case No. 10001  
Order No. R-9257  
Page No. 3

(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.

(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 15, 1990, 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.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, from a depth of 5000 feet below the surface to the base of the Morrow formation, underlying the E/2 of Section 20, Township 17 South, Range 29 East, NMPPM, Eddy 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 a standard well location thereon.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 15th day of October, 1990, 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 the 15th day of October, 1990, Decretory Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Decretory Paragraph No. (1) of this order should not be rescinded.

(2) Santa Fe Energy Operating Partners, L.P. is hereby designated the operator of the subject well and unit.

Case No. 10001  
Order No. R-9257  
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(3) After the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

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

(5) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is 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 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; 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

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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) \$5000.00 per month while drilling and \$500.00 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 interests.

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

(14) The operator of the subject 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.

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



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY  
Director