

BEFORE THE  
OIL CONSERVATION DIVISION  
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

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

NOV 15 1969  
OIL CONSERVATION DIVISION  
CASE NO. 9546

WITHDRAWAL OF COUNSEL

COMES NOW CAMPBELL & BLACK, P.A., and hereby withdraws as  
counsel for Meridian Oil Inc., in the above-referenced case.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By: 

WILLIAM F. GARR  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
Telephone: (505) 988-4421

ATTORNEYS FOR  
MERIDIAN OIL INC.

cc: W. Thomas Kellahin, Esq.

Tom Owen, Esq.  
Meridian Oil Inc.



David L. Wacker  
Division Manager  
Production Department  
Hobbs Division  
North American Production

Conoco Inc.  
726 East Michigan  
P.O. Box 460  
Hobbs, NM 88241  
(505) 397-5800

November 15, 1988

New Mexico Oil Conservation Division  
310 Old Santa Fe Trail  
Santa Fe, New Mexico 87503

Attention William J. LeMay

Gentlemen:

Examiner Hearing November 22, 1988  
Meridian Oil Inc. Compulsory Pooling  
Cases No. 9535, 9536, 9538, 9540, 9541,  
9542, 9545, 9546, and 9547

Conoco Inc. has been notified of the subject compulsory pooling cases for wells in which we have a working interest. Please enter Conoco Inc's appearance in each of the cases numbered above.

Yours very truly,

A handwritten signature in cursive script, appearing to read "David L. Wacker".

David L. Wacker  
Division Manager

HAI/tm

cc:

Tom Kellahin

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

GAFREY CARPENTERS  
GOVERNOR

January 5, 1939

POST OFFICE BOX 2086  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
(505) 827-5300

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

Re: CASE NO. 9546  
ORDER NO. R-8324

Applicant:

Meridian Oil, Inc.

Dear Sir:

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

Sincerely,

*Florene Davidson*

FLORENE DAVIDSON  
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x  
Artesia OCD x  
Aztec OCD x

Other \_\_\_\_\_  
\_\_\_\_\_

# MERIDIAN OIL

February 13, 1989

FEDERAL EXPRESS

Conoco, Inc.  
Attention: Mr. Charles Taylor  
726 East Michigan  
Hobbs, NM 88240

Tenneco Oil Company  
c/o Amoco Production Company  
Attention: Mr. Michael Cuba  
1670 Broadway  
Denver, CO 80202

Re: Sunray G #251  
W/2 Section 21, T31N, R9W  
San Juan County, New Mexico

Gentlemen:

Enclosed please find a copy of New Mexico Oil Conservation Division Case No. 9546; Order No. R-8824, covering the compulsory pooling of the subject well. Meridian Oil Inc. has now received voluntary joinder from all working interest owners in the well. All parties have executed an Operating Agreement which will cover future operations on the well (signature pages to be furnished by separate cover letter). Copies of the executed Authorities for Expenditure are enclosed for your reference.

By copy of this letter and pursuant to the terms of the above mentioned Compulsory Pooling Order, Meridian is hereby notifying the New Mexico Oil Conservation Division of full voluntary joinder by the pooled working interest owners.

If you require further information, please advise.

Yours very truly,



Tom F. Hawkins  
Senior Landman

TFH:RJH:tlm  
Enclosures  
NM-820  
Doc. 196+

xc: New Mexico Oil Conservation Division  
Attention: Mr. W. LeMay

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. 9546  
ORDER NO. R-8824

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 November 22, 1988, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 28th day of December, 1988, 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) At the time of the hearing this case was consolidated with Case Nos. 9535, 9536, 9537, 9538, 9539, 9540, 9541, 9542, 9545 and 9547 for purposes of testimony.

(3) By Division Order No. R-8768, issued in Case No. 9420 and made effective November 1, 1988, the Basin-Fruitland Coal (Gas) Pool was created and special rules and regulations were promulgated including a provision for 320-acre spacing and proration units.

Case No. 9546  
Order No. R-8824  
Page No. 2

(4) The applicant, Meridian Oil, Inc., seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying Lots 3, 4, 5, 6, 11 and 12 and the W/2 SW/4 of Section 21, Township 31 North, Range 9 West, NMPM, San Juan County, New Mexico, forming a standard 317.01-acre gas spacing and proration unit for said pool, to be dedicated to its Sunray G Well No. 251 to be drilled at a previously authorized non-standard coal gas well location (pursuant to Decretory Paragraph No. (4) of said Order No. R-8768) 830 feet from the North line and 1165 feet from the West line (Unit D) of said Section 21.

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

(6) In anticipation of 320-acre spacing in the Basin-Fruitland Coal (Gas) Pool the applicant proposed to said mineral interests the establishment of the subject unit prior to the issuance of said Order No. R-8768.

(7) On November 1, 1988, the applicant filed this application for hearing with the Oil Conservation Division.

(8) Although there appears to have been insufficient time (between the date 320-acre spacing was established and when the applicant proposed compulsory pooling) for all parties involved to reach a decision on voluntary agreement no interested party appeared and/or objected to this or any other issue in this matter.

(9) 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 coal gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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

(11) 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.

(12) At the time of the hearing the applicant requested a 200 percent risk penalty be imposed on the cost of drilling said well.

Case No. 9546  
Order No. R-8824  
Page No. 3

(13) Based on the geological evidence presented at the hearing in this matter and on the record in said Case No. 9420 (of which administrative notice was taken at the hearing), the proposed 200 percent risk penalty is somewhat excessive and should therefore be reduced to 156 percent.

(14) 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 156 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(15) 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.

(16) 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.

(17) \$3500.00 per month while drilling and \$300.00 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.

(18) 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.

(19) Upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before March 15, 1989, the order pooling said unit should become null and void and of no further effect whatsoever.

(20) 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.

Case No. 9546  
Order No. R-8824  
Page No. 4

(21) 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, are hereby pooled in the Basin-Fruitland Coal (Gas) Pool underlying Lots 3, 4, 5, 6, 11 and 12 and the W/2 SW/4 of Section 21, Township 31 North, Range 9 West, NMPM, San Juan County, New Mexico, forming a standard 317.01-acre gas spacing and proration unit for said pool, to be dedicated to its Sunray G Well No. 251 to be drilled at a previously authorized non-standard coal gas well location (pursuant to Decretory Paragraph No. (4) of said Order No. R-8768) 830 feet from the North line and 1165 feet from the West line (Unit D) of said Section 21.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 15th day of March, 1989, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Basin-Fruitland Coal (Gas) Pool.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 15th day of March, 1989, Ordering Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

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

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

(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.



Case No. 9546  
Order No. R-8824  
Page No. 5

(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, 156 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

Case No. 9546  
Order No. R-8824  
Page No. 6

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

(9) \$3500.00 per month while drilling and \$300.00 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 San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) Should all 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 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.

Case No. 9546  
Order No. R-8824  
Page No. 7

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

MERIDIAN OIL INC.  
Farmington Region  
Post Office Box 4289  
Farmington, New Mexico 87499  
(505) 326-9700

AUTHORITY FOR EXPENDITURE

AFE No.: \_\_\_\_\_ Date: 04-07-88  
Lease/Well Name: Sunray G #251 Lease No.: \_\_\_\_\_  
Field/Prospect: Undesignated Fruitland Region: Farmington  
Location: SW/NW Section 21, T31N, R9W County: San Juan State: NM  
AFE Type: 01 Development Original X Supplement Addendum \_\_\_\_\_ API Well Type F  
Operator Meridian Oil Inc.  
Objective Formation: Fruitland Coal Authorized Total Depth (Feet) 3250  
Project Description: Drill and complete the Fruitland Coal Formation. Tie-  
in to handle produced gas.

Est. Start Date: 10-01-88 Prepared By: T.C. Joseph  
Est. Completion Date: 11-01-88

GROSS WELL COST DATA

	<u>Drilling</u>	<u>Workover,</u>	<u>Construction</u>	
	<u>Dry Hole</u>	<u>Suspended</u>	<u>Completion</u>	<u>or Facility</u>
				<u>Total</u>
Days: _____		<u>20</u>		<u>10</u>
This AFE: _____		<u>395,900</u>		<u>152,624</u>
Prior AFE'S: _____				<u>548,524</u>
Total Costs: \$ _____	\$ _____	\$ <u>395,900</u>	\$ _____	\$ <u>152,624</u>
				\$ <u>548,524</u>

JOINT INTEREST OWNERS

<u>Company</u>	<u>Working Interest</u>	<u>Net \$ Expenditures</u>	
	<u>Percent</u>	<u>Dry Hole \$</u>	<u>Completed \$</u>
_____	_____	_____	_____
_____	_____	_____	_____
OTHERS	<u>25.23580%</u>	_____	<u>138,424</u>
MERIDIAN OIL INC.	<u>74.76420%</u>	_____	<u>410,100</u>
AFE TOTAL:	<u>100.00000%</u>	\$ _____	\$ <u>548,524</u>

MERIDIAN OIL APPROVAL

Recommended: \_\_\_\_\_ /Date: \_\_\_\_\_ Approved: Donald R. Reed Date: 4-11-88  
Title: Regional Operations Manager  
Recommended: James C. Lippert Date: 4/11/88 Approved: \_\_\_\_\_ /Date: \_\_\_\_\_  
Title: \_\_\_\_\_

PARTNER APPROVAL

Company Name: MERIDIAN OIL CO.  
Authorized By: [Signature] Date: 6/7/88  
Title: Div. Prod. Manager

REVISED  
MERIDIAN OIL INC.  
Farmington Region  
Post Office Box 4289  
Farmington, New Mexico 87499  
(505) 326-9700

AUTHORITY FOR EXPENDITURE

AFE No.: \_\_\_\_\_ Date: 8-4-88  
Lease/Well Name: Sunray G #251 Lease No.: \_\_\_\_\_  
Field/Prospect: Undesignated Fruitland Region: Farmington  
Location: SW/NW Section 21, T31N, R9W County: San Juan State: NM  
AFE Type: 01 Development Original X Supplement Addendum API Well Type F  
Operator Meridian Oil Inc.  
Objective Formation: Fruitland Coal Authorized Total Depth (Feet) 3250  
Project Description: Drill and complete the Fruitland Coal formation.  
Tie-in to handle produced gas.

Est. Start Date: 10-01-88 Prepared By: J. A. Smith  
Est. Completion Date: 11-01-88

	GROSS WELL COST DATA				
	Drilling		Workover,	Construction	
	Dry Hole	Suspended	Completion	or Facility	Total
Days:		<u>11</u>		<u>10</u>	<u>21</u>
This AFE:		<u>251,500</u>		<u>152,624</u>	<u>404,124</u>
Prior AFE'S:					
Total Costs:	\$	<u>\$ 251,500</u>	\$	<u>\$ 152,624</u>	<u>\$ 404,124</u>

Company	JOINT INTEREST OWNERS		Net \$ Expenditures	
	Working Interest Percent		Dry Hole \$	Completed \$
_____	_____		_____	_____
_____	_____		_____	_____
OTHERS	<u>25.23580%</u>			<u>101,984</u>
MERIDIAN OIL INC.	<u>74.76420%</u>			<u>302,140</u>
AFE TOTAL:	<u>100.00000%</u>		\$	<u>\$ 404,124</u>

Recommended: [Signature] / Date: 8/5/88 MERIDIAN OIL APPROVAL  
Recommended: [Signature] / Date: 8/5/88 Recommended: [Signature] / Date: 8/5/88  
Recommended: [Signature] / Date: 8/5/88 Approved: [Signature] / Date: 8/5/88  
Title: Regional Operations Manager

Company Name: CONOCO INC. PARTNER APPROVAL  
Authorized By: David L. Wacker Date: 12/20/88  
Title: Division Manager



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS  
GOVERNOR

March 10, 1989

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87504  
(505) 827-5800

Mr. W. Thomas Kellahin  
Kellahin, Kellahin & Aubrey  
Attorneys at Law  
Post Office Box 2265  
Santa Fe, New Mexico 87504-2265

Dear Mr. Kellahin:

Based upon your letter of March 7, 1989, and in accordance with the provisions of Division Order No. R-8824, Meridian Oil Inc. is hereby granted an extension of time in which to begin the well on the unit pooled by said order until April 15, 1989.

Sincerely,

A handwritten signature in dark ink, appearing to read "William J. Lemay", with a long, sweeping horizontal line extending to the right.

WILLIAM J. LEMAY  
Director

WJL/fd

cc: Case 9546  
Frank Chavez

KELLAHIN, KELLAHIN AND AUBREY

*Attorneys at Law*

W. Thomas Kellahin  
Karen Aubrey

El Patio - 117 North Guadalupe

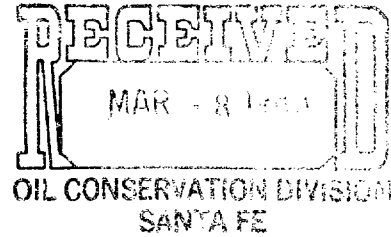
Post Office Box 2265

Santa Fe, New Mexico 87504-2265

Telephone 982-4285  
Area Code 505

Jason Kellahin  
Of Counsel

March 7, 1989



Mr. William J. LeMay  
Oil Conservation Division  
P.O. Box 2088  
Santa Fe, New Mexico 87501

HAND DELIVERED

Re: Request of Meridian Oil Inc.  
for an Extension of the  
Drilling Date of its  
Sunray G #251 Well Pursuant  
to Division Order R-8824

Dear Mr. LeMay:

Our firm represents Meridian Oil Inc. and assisted them in obtaining Division Compulsory Pooling Order R-8824 which was entered effective on December 28, 1988. (Copy enclosed)

Provision 19 of that order requires Meridian Oil Inc. to commence the well on or before March 15, 1989.

As a result of weather delays and rig scheduling problems, Meridian requests a 30-day extension of the commencement date of the order until April 15, 1989.

I have enclosed a copy of the plat showing the area in question. Please call me if you have any questions.

Very Truly Yours,

A handwritten signature in dark ink, appearing to read "W. Thomas Kellahin".

W. Thomas Kellahin

WTH:as  
Eadl  
cc: Alan Alexander

All parties named to Pooling Application.

KELLAHIN, KELLAHIN and AUBREY

Mr. William F. LeMay  
March 7, 1985  
Page 1

Amoco Production Company  
Attn: Mr. Michael E. Cuba  
P.O. Box 800  
Denver, Colorado 80201

ARCO Oil & Gas Company  
Attn: Mr. S.C. Rose  
P.O. Box 5540  
Denver, Colorado 80202

Conoco, Inc.  
Attn: Mr. Kevin Pewitt  
P.O. Box 460  
Hobbs, New Mexico 88240

Mesa Petroleum Company  
Attn: Mr. Mark W. Seale  
P.O. Box 2009  
Amarillo, Texas 79189





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. 9546  
ORDER NO. R-8824

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 November 22, 1988, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 28th day of December, 1988, 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) At the time of the hearing this case was consolidated with Case Nos. 9535, 9536, 9537, 9538, 9539, 9540, 9541, 9542, 9545 and 9547 for purposes of testimony.

(3) By Division Order No. R-8768, issued in Case No. 9420 and made effective November 1, 1988, the Basin-Fruitland Coal (Gas) Pool was created and special rules and regulations were promulgated including a provision for 320-acre spacing and proration units.

(4) The applicant, Meridian Oil, Inc., seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying Lots 3, 4, 5, 6, 11 and 12 and the W/2 SW/4 of Section 21, Township 31 North, Range 9 West, NMPM, San Juan County, New Mexico, forming a standard 317.01-acre gas spacing and proration unit for said pool, to be dedicated to its Sunray G Well No. 251 to be drilled at a previously authorized non-standard coal gas well location (pursuant to Decretory Paragraph No. (4) of said Order No. R-8768) 830 feet from the North line and 1165 feet from the West line (Unit D) of said Section 21.

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

(6) In anticipation of 320-acre spacing in the Basin-Fruitland Coal (Gas) Pool the applicant proposed to said mineral interests the establishment of the subject unit prior to the issuance of said Order No. R-8768.

(7) On November 1, 1988, the applicant filed this application for hearing with the Oil Conservation Division.

(8) Although there appears to have been insufficient time (between the date 320-acre spacing was established and when the applicant proposed compulsory pooling) for all parties involved to reach a decision on voluntary agreement no interested party appeared and/or objected to this or any other issue in this matter.

(9) 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 coal gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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

(11) 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.

(12) At the time of the hearing the applicant requested a 200 percent risk penalty be imposed on the cost of drilling said well.

(13) Based on the geological evidence presented at the hearing in this matter and on the record in said Case No. 9420 (of which administrative notice was taken at the hearing), the proposed 200 percent risk penalty is somewhat excessive and should therefore be reduced to 156 percent.

(14) 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 156 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(15) 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.

(16) 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.

(17) \$3500.00 per month while drilling and \$300.00 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.

(18) 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.

(19) Upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before March 15, 1989, the order pooling said unit should become null and void and of no further effect whatsoever.

(20) 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.

Case No. 9546  
Order No. R-8824  
Page No. 4

(21) 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, are hereby pooled in the Basin-Fruitland Coal (Gas) Pool underlying Lots 3, 4, 5, 6, 11 and 12 and the W/2 SW/4 of Section 21, Township 31 North, Range 9 West, NMPM, San Juan County, New Mexico, forming a standard 317.01-acre gas spacing and proration unit for said pool, to be dedicated to its Sunray G Well No. 251 to be drilled at a previously authorized non-standard coal gas well location (pursuant to Decretory Paragraph No. (4) of said Order No. R-8768) 830 feet from the North line and 1165 feet from the West line (Unit D) of said Section 21.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 15th day of March, 1989, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Basin-Fruitland Coal (Gas) Pool.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 15th day of March, 1989, Ordering Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

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

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

(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, 156 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) \$3500.00 per month while drilling and \$300.00 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 San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

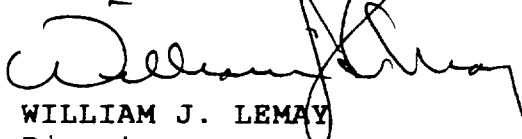
(14) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

(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

S E A L