

CASE 5992: BURLESON & HUFF FOR
COMPULSORY POOLING AND A NON-STANDARD
UNIT, LEA COUNTY, NEW MEXICO

Case Number

5992

Application

Transcripts.

Small Exhibits

ETC.

BURLESON & HUFF

OIL PROPERTIES

BOX 2479 - PHONE 683-4747

MIDLAND, TEXAS 79702

January 20, 1978

Stamets

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Case No. 5992, Order No. R-5517, Burleson & Huff
Cooper # 2, SE/4 NW/4 Sec. 14, T-24-S, R-36-E,
Lea County, New Mexico

Gentlemen:

In accordance with the above Order, enclosed are the well costs for the above well. We will use the Lovington National Bank, Lovington, New Mexico for escrow agent. We are sending a copy of this letter and the costs to all working interest owners who were force pooled.

Yours very truly,

BURLESON & HUFF

Jack Huff
Jack Huff

Stamets

JH/sw

copy: Ray M. Sherman
Helen Ernst
Marie Halbert
Hazel Phillips
Ella Edwards

BURLESON & HUFF

OIL PROPERTIES

BOX 2479 . PHONE 683-4747

MIDLAND, TEXAS 79702

January 20, 1978

ACTUAL WELL COSTS - Burleson & Huff Cooper # 2 - Located
2310' FWL & 1650' FNL of Section 14, T-24-S, R-36-E,
Lea County, New Mexico

Damages	\$ 3810.64
Mud	3173.44
Drilling	33917.49
Line Pits	1081.60
Stake Location	286.00
Build road & pad	5051.38
Water	4805.77
8-5/8" and 5 1/2" casing	19353.39
Completion unit	3166.17
Supervision to run casing	990.50
Packer & cement	5624.81
Tool rental	995.88
Anchors	236.24
4 tanks & heater treater	16375.05
misc. valves, etc.	1651.35
Installation charges	1891.29
*1 Fairbanks-Morse 208 Engine	1948.14
Pumping Unit motor	1800.00
Pumping unit	9000.00
Rods	1600.00
Pump	750.00
Supervision - drilling & completing	1100.00
Electrify lease	3500.00
Electric company	975.00
	<hr/>
	\$123084.14

*the first engine put on this lease was stolen.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
August 17, 1977

EXAMINER HEARING

IN THE MATTER OF:

Application of Burleson & Huff for
compulsory pooling, a non-standard
unit, and an unorthodox location, Lea
County, New Mexico.

CASE
5992

BEFORE: Richard L. Stamets, Examiner.

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil
Conservation Commission:

Lynn Teschendorf, Esq.
Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant:

W. Thomas Kellahin, Esq.
KELLAHIN & FOX
Attorneys at Law
500 Don Gaspar
Santa Fe, New Mexico

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 MR. STAMETS: Call the next case, Case Number 5992.

2 MS. TESCHENDORF: Case 5992, application of Burleson
3 & Huff for compulsory pooling, a non-standard unit, and an
4 unorthodox location, Lea County, New Mexico.

5 MR. STAMETS: Call for appearances in this case?

6 MR. KELLAHIN: Tom Kellahin, Kellahin & Fox, Santa
7 Fe, representing the applicant in this case.

8 MR. STAMETS: This case has been readvertised for
9 the purpose of clarifying the unorthodox location and is there
10 anything further in this case today?

11 MR. KELLAHIN: Nothing further, Mr. Examiner.

12 MR. STAMETS: Then, Case 5992 will be taken under
13 advisement.

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REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,
do hereby certify that the foregoing and attached Transcript
of Hearing before the New Mexico Oil Conservation Commission
was reported by me, and the same is a true and correct record
of the said proceedings to the best of my knowledge, skill
and ability.

Sidney F. Morrish
Sidney F. Morrish, C.S.R.

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 5792
heard by me on 8-17-72 1972.

Richard L. Lamm, Examiner
New Mexico Oil Conservation Commission

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
20 July 1977

EXAMINER HEARING

IN THE MATTER OF:

Application of Burleson & Huff for) CASE
compulsory pooling and a non-standard) 5992
unit, Lea County, New Mexico.)

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil Conservation Commission: Lynn Teschendorf, Esq.
Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant: W. Thomas Kellahin, Esq.
KELLAHIN & FOX
500 Don Gaspar
Santa Fe, New Mexico

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I N D E X

JACK HUFF

Direct Examination by Mr. Kellahin	3
Cross Examination by Mr. Stamets	9

E X H I B I T S

Applicant's Exhibit One, Plat	9
Applicant's Exhibit Two, Plat	9
Applicant's Exhibit Three, Document	9

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1 MR. STAMETS: Call the next case, 5992.

2 MS. TESCHENDORF: Case 5992. Application of
3 Burleson and Huff for compulsory pooling and a non-standard
4 unit, Lea County, New Mexico.

5 MR. KELLAHIN: Tom Kellahin of Kellahin and Fox,
6 Santa Fe, New Mexico, appearing on behalf of Burleson and
7 Huff, and I have one witness.

8 (Witness sworn.)

9
10 JACK HUFF

11 being called as a witness and being duly sworn upon his oath,
12 testified as follows, to-wit:

13
14 DIRECT EXAMINATION

15 BY MR. KELLAHIN:

16 Q. Would you please state your name?

17 A. Jack Huff.

18 Q. And where do you live, Mr. Huff?

19 A. Midland, Texas.

20 Q. And how are you occupied?

21 A. I'm an oil operator in the firm of Burleson and
22 Huff.

23 Q. And you are the applicant in this compulsory
24 pooling case?

25 A. Yes, sir.

1 Q Have you previously testified before the Commission
2 and had your qualifications as an expert witness accepted
3 and made a matter of record?

4 A Yes, I have.

5 MR. KELLAHIN: If the Examiner please, are the
6 witness' qualifications acceptable?

7 MR. STAMETS: They are.

8 Q (Mr. Kellahin continuing.) Mr. Huff, would you
9 identify Exhibit Number One and explain what Burleson and
10 Huff is seeking?

11 A Yes, Exhibit Number One is a land plat of the area
12 where we propose to drill a well to test the Jalmat formation.
13 Our acreage is colored in yellow, it being the southeast
14 quarter of northwest quarter of Section 14 in Township 24
15 South, Range 36 East.

16 We have asked for forced pooling, compulsory pooling
17 of certain unleased non-joining mineral interests and for a
18 non-standard unit for gas comprised of the 40-acre tract
19 that's colored in yellow, and also for a non-standard location
20 for gas, but it would be a regular location for oil.

21 MR. KELLAHIN; If the Examiner please, since
22 filing the application, we've determined that an unorthodox
23 location is going to be necessary. The advertisement nor
24 the original application call -- neither one call for the
25 unorthodox location, and it would be necessary to advertise

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1 the case as to that portion.

2 MR. STAMETS: Will you get us a copy of that --

3 MR. KELLAHIN: Yes, sir, we will file a written
4 application with you.

5 MR. STAMETS: Okay.

6 Q (Mr. Kellahin continuing.) Mr. Huff, will you
7 refer to what has been marked as Exhibit Number Two and
8 identify it, please?

9 A Exhibit Number Two is a location plat which has
10 our acreage outlined in red and shows the proposed location
11 of our well to be 2310 feet from the north and west lines of
12 Section 14.

13 Q I assume Burleson and Huff desires to be desig-
14 nated the operator of the unit?

15 A Yes.

16 Q And the unit to be forced pooled is what acreage,
17 again, Mr. Huff?

18 A The southeast quarter of the northwest quarter of
19 Section 14.

20 Q To what formation do you intend to drill the well?

21 A To the Jalmat Pool formation, which is the Yates-
22 Seven Rivers, at a depth of about 3300 feet.

23 Q Why have you elected to move your location to the
24 non-standard location as set forth in Exhibit Two?

25 A At the time we put our application in, we antici-

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1 pated only obtaining gas in the well, but we very recently
2 recontoured the area and we believe now that we will find oil
3 in the Seven Rivers reef, which appears to run up through
4 there, and the optimum location, in our opinion, to obtain
5 oil would be the proposed location as outlined in our Exhibit
6 Number Two.

7 Q The proposed non-standard location is non-standard
8 only as it would affect the gas production, is that correct?

9 A That's correct.

10 Q And it would be an approved location for oil pro-
11 duction.

12 A For oil it would be approved, yes, sir.

13 Q Would you please refer to Exhibit Number Three and
14 identify that?

15 A Exhibit Number Three is the summary of the esti-
16 mated cost of drilling our Number Two well, showing a total
17 of \$118,910; this would be to a depth of about 3300 feet.
18 We believe, perhaps optimistically, that the well will flow
19 from the reef if we obtain oil production, but in the event
20 it doesn't, why, about \$13,000 to \$14,000 more should be added
21 on for pump jack and rods.

22 Q That figure is not currently included in your
23 estimated well cost?

24 A No, sir, it's not.

25 Q I show you the application in this case and make

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1 reference to the second page of the application wherein are
2 listed a number of names and addresses and percentage of
3 interest ownership.

4 Would you turn to that entry and describe for us
5 why these names appear on the application?

6 A. Each of these individuals was contacted with re-
7 ference to our obtaining a lease from them, and they refused
8 to lease, and then we also contacted them with reference to
9 joining us in the drilling of the well, and we just didn't
10 even hear from them concerning that.

11 Q. What is the entry under "Interest". What does
12 that mean?

13 A. That is their mineral interest under the 40-acre
14 tract.

15 Q. What, if any, of these individuals -- which, if
16 any, of these individuals have since filing the application
17 agreed to join you in the drilling of the well?

18 A. None have agreed to join us in the drilling of
19 the well; however, there are four from whom we have obtained
20 leases since the application was filed, and they are Robert
21 E. Simpson, the first one listed; and Rube Lee Simpson Todd,
22 the second one; and Lucille Guest, who is farther down the
23 list; and Clarence J. Cooper.

24 Q. What has been your method of contacting these
25 individuals?

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- 1 A. By letter and also by telephone.
- 2 Q Can you approximate for us when you mailed corres-
- 3 pondence to each of these individuals?
- 4 A. I started out, I believe it was in February, first
- 5 contacting them, and then contacted them again in March;
- 6 this would be by mail. And most recently it was in May, and
- 7 some, but not all of them, I contacted by telephone, also.
- 8 Q Mr. Huff, do you have a recommendation to the
- 9 Examiner as to a risk factor to be assessed against the non-
- 10 participating parties?
- 11 A. Yes, I would recommend a risk factor of 150 percent.
- 12 Q On what do you base that?
- 13 A. Well, on the normal risk of drilling any well,
- 14 plus if we should encounter water in the Seven Rivers reef,
- 15 it could give us a lot of trouble in getting our pipe cemented,
- 16 and there have been some wells to the south that have had
- 17 problems in that, so there is a little extra risk involved
- 18 in well completion there.
- 19 Q Do you have a recommendation to the Examiner with
- 20 regard to costs of supervision to be charged during drilling
- 21 and after completion of the well?
- 22 A. Yes, I would recommend \$1000 for supervision for
- 23 drilling, and \$175 per month for supervision while operating
- 24 and producing.
- 25 Q When do you anticipate commencing this well, Mr.

1 Huff?

2 A. Well, we would like to commence it as soon as
3 possible and sometime within the next thirty to forty-five
4 days.

5 Q. Were Exhibits One, Two, and Three prepared by you
6 directly or under your direction and supervision?

7 A. Yes, they were.

8 Q. In your opinion, Mr. Huff, would the approval of
9 the application be in the best interests of conservation,
10 prevention of waste, and protection of correlative rights?

11 A. Yes, sir.

12 MR. KELLAHIN: If the Examiner please, we move
13 the introduction of Exhibits One, Two, and Three.

14 MR. STAMETS: These exhibits will be admitted.

15 MR. KELLAHIN: That concludes our direct examina-
16 tion.

17
18 CROSS EXAMINATION

19 BY MR. STAMETS:

20 Q. Mr. Huff, would you run, briefly, over one more
21 time for me the necessity for the unorthodox location?

22 A. Yes. In reviewing the area geologically, we found
23 that this reef, apparently, does come up through our acreage,
24 and we have attempted to move up dip as much as possible,
25 and it's our belief that if we're not permitted to drill 2310

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1 from the north and west lines of Section 14, that is as far
2 toward the southeast corner of our property, that we'll put
3 ourselves in jeopardy in getting water in this reef.

4 MR. KELLAHIN: If the Examiner please, we neglected
5 to bring with us a contour map today, but we would like your
6 permission to submit it by mail.

7 MR. STAMETS: That would be fine. Any other
8 questions of the witness? The witness may be excused.

9 Anything further in this case?

10 MR. KELLAHIN: No, sir.

11 MR. STAMETS: We'll take the case under advisement.

12 (Hearing concluded.)
13
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25

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REPORTER'S CERTIFICATE

I, Sally Walton Boyd, a Certified Shorthand Reporter,
do hereby certify that the foregoing and attached Transcript
of Hearing before the New Mexico Oil Conservation Commission
was reported by me, and the same is a true and correct record
of the said proceedings to the best of my knowledge, skill,
and ability.

Sally Walton Boyd
Sally Walton Boyd, C. S. R.

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 5992
heard by me on 7-28, 19 77.
Richard H. Starnes, Examiner
New Mexico Oil Conservation Commission

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5992
Order No. R-5517

APPLICATION OF BURLESON & HUFF FOR
COMPULSORY POOLING, A NON-STANDARD
UNIT AND AN UNORTHODOX LOCATION,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 17, 1977, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 30th day of August, 1977, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Burleson & Huff, seeks an order pooling all mineral interests underlying the SE/4 NW/4 of Section 14, Township 24 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to form a non-standard 40-acre gas proration unit to be dedicated to applicant's Cooper Well No. 1 at an unorthodox location 2310 feet from the North and West lines of said Section 14, or in the alternative to drill another well at a standard location.
- (3) That the applicant has both the right and proposes to re-enter said Cooper Well No. 1 or to drill a new well at a standard location within the SE/4 NW/4 of said Section 14.
- (4) That there are interest owners in the proposed non-standard proration unit who have not agreed to pool their interests.
- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, 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 pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said non-standard unit.

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

(7) That 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) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 150 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That 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) That following determination of reasonable well costs, any non-consenting working interest owner that 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) That \$1000.00 per month while drilling and \$175.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that 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) That 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) That upon the failure of the operator of said pooled unit to commence re-entry or drilling operations on the well to which said unit is dedicated on or before December 1, 1977, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests whatever they may be, in the Tansill, Yates, and all but the lowermost 100 feet of the Seven Rivers formation underlying the SE/4 NW/4 of Section 14,

-3-

Case No. 5992
Order No. R-5517

Township 24 South, Range 36 East, NMPM, Jalmat Gas Pool, Lea County, New Mexico, are hereby pooled to form a non-standard 40-acre gas spacing and proration unit to be dedicated to applicant's Cooper Well No. 1 to be re-entered at an unorthodox location 2310 feet from the North and West lines of said Section 14, or, in the alternative, to a new well to be drilled by the applicant at a standard location within the SE/4 NW/4 of said Section 14.

PROVIDED HOWEVER, that the operator of said unit shall commence the re-entry or drilling of said proposed well on or before the 1st day of December, 1977, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Tansill, Yates, and Sever Rivers formations;

PROVIDED FURTHER, that in the event said operator does not commence the re-entry or drilling of said proposed well on or before the 1st day of December, 1977, Order (1) of this order shall be null and void and of no effect whatsoever; unless said operator obtains a time extension from the Commission for good cause shown.

PROVIDED FURTHER, that should said proposed well not be carried to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Commission and show cause why Order (1) of this order should not be rescinded.

(2) That Burleson & Huff are hereby designated the operators of the subject well and unit.

(3) That after the effective date of this order and within 30 days prior to commencing said well, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That 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 that 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) That the operator shall furnish the Commission 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 Commission and the Commission has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that 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) That 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, 150 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) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$1000.00 per month while drilling and \$175.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that 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) That any unsevered 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) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

-5-

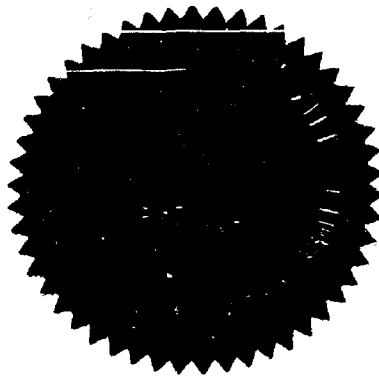
Case No. 5992
Order No. R-5517

(12) That 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; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

(13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



PHIL R. LUCERO, Chairman

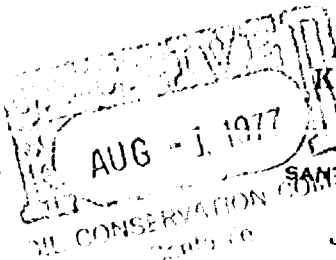
Emery C. Arnold
EMERY C. ARNOLD, Member

Joe D. Ramey
JOE D. RAMEY, Member & Secretary

S E A L

jr/

JASON W. KELLAHIN
ROBERT E. FOX
W. THOMAS KELLAHIN



KELLAHIN and FOX
ATTORNEYS AT LAW
100 DON JUAN AVENUE
P. O. BOX 1769
SANTA FE, NEW MEXICO 87501

TELEPHONE 982-4315
AREA CODE 505

July 29, 1977

Mr. Richard Stamets
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Burleson & Huff
NMOCC Case No. 5992

Dear Dick:

In accordance with Mr. Huff's testimony at the hearing on July 20, 1977 please find enclosed three copies of a contoured plat showing the lease outlined in red.

The contouring demonstrates that the proposed location 2310 feet from the North and West lines of Section 14 will be up-dip from a standard location giving Burleson & Huff a better chance to get oil instead of water.

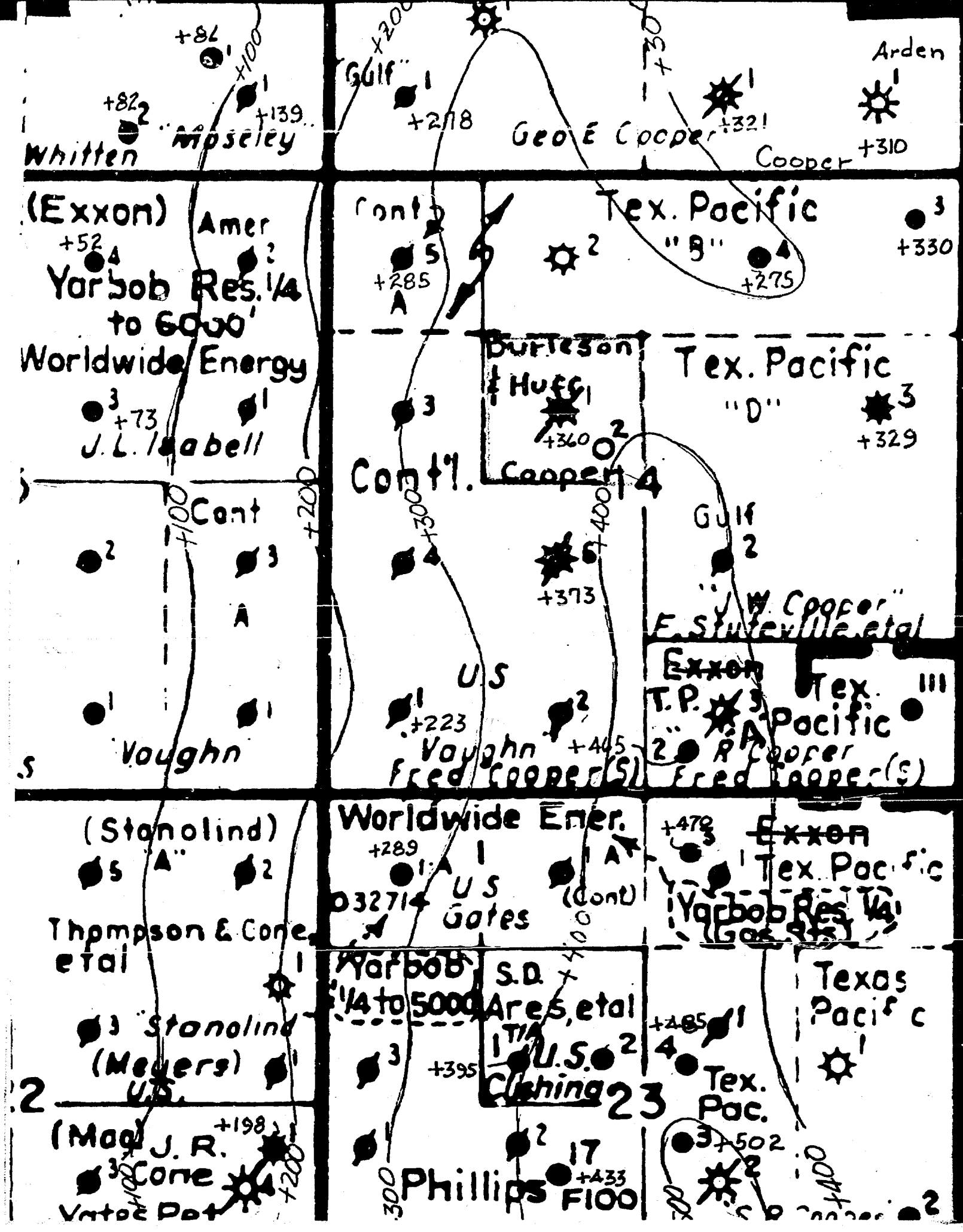
Very truly yours,

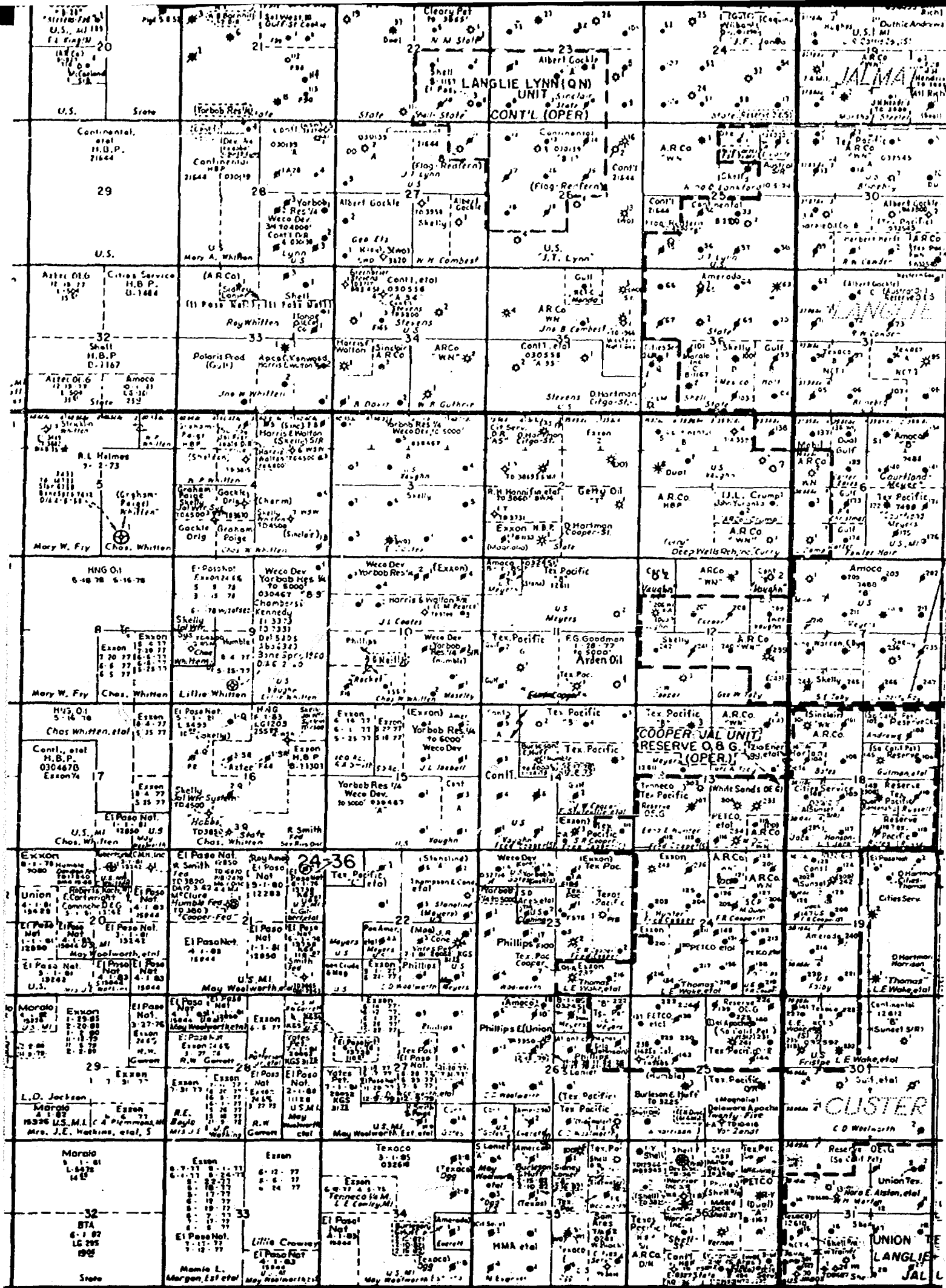
W. Thomas Kellahin
W. Thomas Kellahin

CC: Mr. Jack Huff

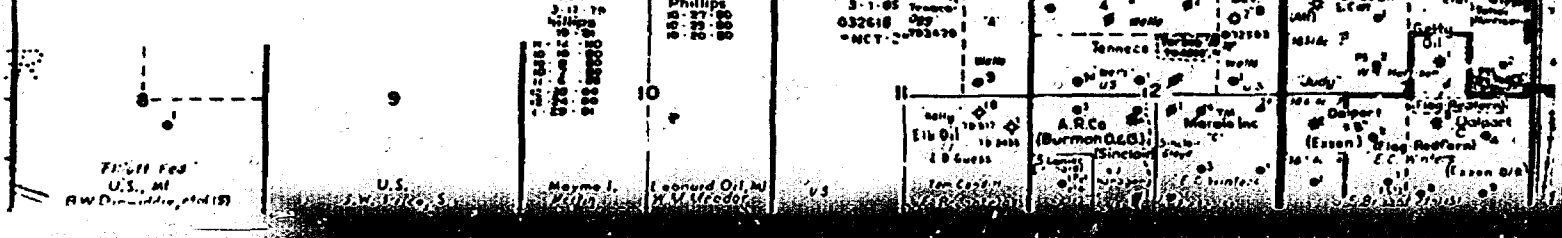
WTK;kfm

Enclosure





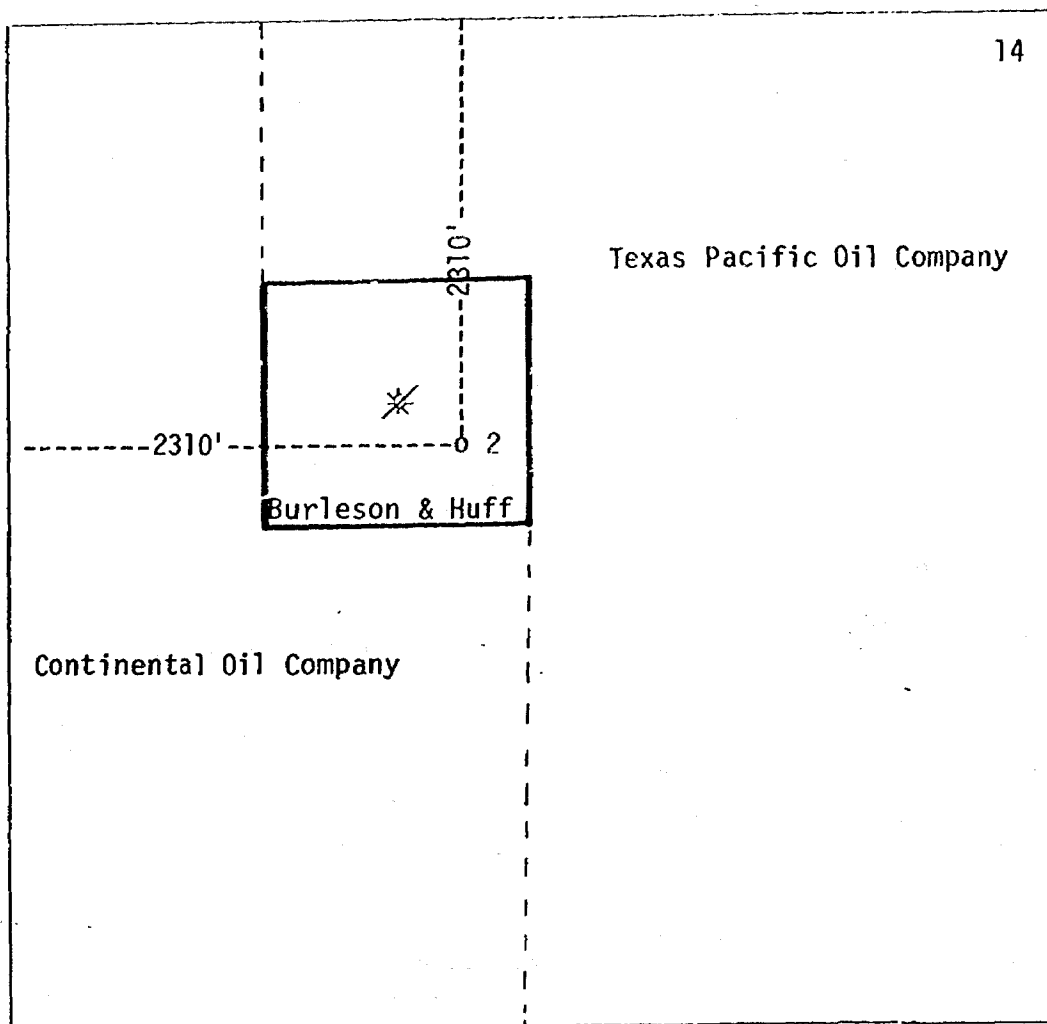
Burleson & Huff Cooper Lease
SE/4 NW/4 Section 14
Township 24 South, Range 36 East
Lea County, New Mexico
Exhibit No.
Case No. 5992



B4H

2

5992



BURLESON & HUFF COOPER LEASE

SE/4 NW/4 Section 14

Township 24 South, Range 36 East

Lea County, New Mexico

EXHIBIT NO. _____

Case No. 5992

BURLESON & HUFF COOPER LEASE
SE/4 NW/4 Section 14
Township 24 South, Range 36 East
Lea County, New Mexico

Estimated cost of drilling Cooper No. 2 Well:

Drilling	\$ 34,000.00
8-7/8" casing	6,000.00
5-1/2" casing	11,500.00
Tubing	5,500.00
Cement	5,000.00
Build pad & location	3,000.00
Line pit	700.00
Water	4,000.00
Mud	4,000.00
Acid	700.00
Perforate	1,500.00
Frac	17,500.00
Completion costs	<u>10,000.00</u>
	\$103,400.00
15% contingency	<u>15,510.00</u>
TOTAL	\$118,910.00

BEFORE EXAMINER STARTS
OIL CONSERVATION COMMISSION
B & H EXHIBIT NO. 3
CASE NO. 5992
Submitted by _____
Hearing Date _____

EXHIBIT NO. _____

Case No. 5992

Case 5992 (readvertised)

Application of Burlington & Huff for compulsory pooling, a non-standard unit, and an unorthodox location, Lea County, New Mexico.

7

Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the SE/4 NW/4 of Section 14, Township 24 South, Range 36 East, Jelm Gas Pool, Lea County, New Mexico, to form a non-standard 40-acre gas production unit to be dedicated to applicant's Cooper Well No. 1 at an unorthodox location 2310 feet from the North and West lines of said Section 14, or in the alternative to drill another well at a standard location. Also to be considered will be the cost of re-completion of drilling and completing the unit well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in re-completing or drilling said well.

(Called in by Tom H 7-26)

Dockets Nos. 27-77 and 28-77 are tentatively set for hearing on August 31 and September 14, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 17, 1977

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Hutter, Alternate Examiner:

ALLOWABLE: (1) Consideration of the allowable production of gas for September, 1977, from fifteen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.

(2) Consideration of the allowable production of gas for September, 1977, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 6001: (Continued from August 3, 1977, Examiner Hearing)

Application of Mesa Petroleum Co. for an exception to Order No. R-5459, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the provisions of Order No. R-5459 to exclude its Primo Well No. 1-A located in Unit D of Section 6, Township 31 North, Range 10 West, San Juan County, New Mexico, from the vertical limits of the Blanco-Mesaverde Pool as defined by said order.

CASE 6007: Application of Gulf Energy and Minerals Company for a non-standard proration unit, simultaneous dedication and unorthodox locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 600-acre non-standard proration unit comprising all of Section 4 except the NE/4, NW/4 thereof, Township 22 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its J. F. Janda Wells Nos. 7 located in Unit K and Nos. 12 and 13, at unorthodox locations in Units O and P, respectively, of said Section 4.

CASE 6008: Application of Texaco Inc. for a pressure maintenance project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pressure maintenance project on its Central Vacuum Unit Area, Vacuum.Grayburg-San Andres Pool, Lea County, New Mexico, by the injection of water into the Grayburg-San Andres formation through 55 wells.

CASE 6009: Application of Morris R. Antweil for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the S/2 of Section 29, Township 18 South, Range 25 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. 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. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5992: (Readvertised)

Application of Burleson & Huff for compulsory pooling, a non-standard unit, and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the SE/4 NW/4 of Section 14, Township 24 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to form a non-standard 40-acre gas proration unit to be dedicated to applicant's Cooper Well No. 1 at an unorthodox location 2310 feet from the North and West lines of said Section 14, or in the alternative to drill another well at a standard location. Also to be considered will be the cost of recompletion or of drilling and completing the unit well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in recompleting or drilling said well.

CASE 6010: Application of Manana Gas Inc. for compulsory pooling and an unorthodox location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the W/2 of Section 13, Township 30 North, Range 12 West, Basin-Dakota Pool, San Juan County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 840 feet from the South line and 1400 feet from the West line of said Section 13. 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. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

- CASE 5989: Application of Continental Oil Company for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Marshall Well No. 8 to be located 2000 feet from the South line and 1230 feet from the West line of Section 19, Township 23 South, Range 33 East, Cruz-Delaware Pool, Lea County, New Mexico.
- CASE 5990: Application of Continental Oil Company for an unorthodox location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its AXI Apache "D" Well No. 5 to be located 2310 feet from the North line and 990 feet from the West line of Section 19, Township 24 North, Range 4 West, Ballard-Pictured Cliffs Pool, Rio Arriba County, New Mexico.
- CASE 5991: Application of Continental Oil Company for capacity allowable, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a capacity allowable for its Pearl "B" Well No. 4 located 330 feet from the South line and 2310 feet from the West line of Section 25, Township 17 South, Range 32 East, Maljamar Grayburg-San Andres Pool, Lea County, New Mexico.
- CASE 5992: Application of Burleson & Huff for compulsory pooling and a non-standard unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the SE/4 NW/4 of Section 14, Township 24 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to form a non-standard 40-acre gas proration unit to be dedicated to applicant's Cooper Well No. 1 located in Unit F of said Section 14, or in the alternative to drill another well at a standard location thereon. Also to be considered will be the cost of recompletion or of drilling and completing the unit well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in recompleting or drilling said well.
- CASE 5993: Application of Lively Exploration Company for an exception to the provisions of Order No. R-5459, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the provisions of Order No. R-5459 to exclude its Chacra Well No. 7Y in Unit E of Section 35, Township 30 North, Range 8 West, San Juan County, New Mexico, from the vertical limits of the Blanco-Mesaverde Pool as defined by said order.
- CASE 5994: Application of Tenneco Oil Company for an exception to the provisions of Order No. R-5459, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the provisions of Order No. R-5459 to exclude its Florance Well No. 29-A in Unit F of Section 25, and its Northeast Blanco Unit Well No. 64 in Unit P of Section 24, both in Township 30 North, Range 8 West, San Juan County, New Mexico, from the vertical limits of the Blanco-Mesaverde Pool.
- CASE 5995: Application of Tenneco Oil Company for dual completions and waterflood expansions, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand its South Hospah-Upper Sand and -Lower Sand Waterflood Projects by dually completing its Hospah Unit Wells Nos. 58 and 59, located in Units F and G, respectively, of Section 12, Township 17 North, Range 9 West, McKinley County, New Mexico, in such a manner as to permit water injection into each of said zones thru parallel strings of tubing.
- CASE 5996: Application of Petroleum Corporation of Texas for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Abo formation through the perforated interval from 6852 feet to 6877 feet in its Dexter Federal Well No. 3 located in Unit I of Section 22, Township 17 South, Range 30 East, Jackson Abo Pool, Eddy County, New Mexico.
- CASE 5997: Application of Atlantic Richfield Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for its East Drinkard Unit Area comprising 3080 acres, more or less, of Federal and fee lands in Sections 11, 12, 13, 14, 23 and 24, Township 21 South, Range 37 East, Lea County, New Mexico.
- CASE 5998: Application of Atlantic Richfield Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project on its East Drinkard Unit Area, Lea County, New Mexico, by the injection of water into the Drinkard formation through 30 wells.
- CASE 5999: Application of Atlantic Richfield Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for its East Blinebry Unit Area comprising 3080 acres, more or less, of Federal and fee lands in Sections 11, 12, 13, 14, 23, and 24, Township 21 South, Range 37 East, Lea County, New Mexico.
- CASE 6000: Application of Atlantic Richfield Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project on its East Blinebry Unit Area, Lea County, New Mexico, by the injection of water into the Blinebry formation through 38 wells.

JASON W. KELLAHIN
ROBERT E. FOX
W. THOMAS KELLAHIN

KELLAHIN and FOX
ATTORNEYS AT LAW
800 DON GASPAR AVENUE
P. O. BOX 1769
SANTA FE, NEW MEXICO 87501

JUL 28 1977
TELEPHONE 882-4316
AREA CODE 505
NEW MEXICO OIL CONSERVATION COM.

July 26, 1977

Mr. Dan Nutter
New Mexico Oil Conservation
Commission
P. O. Box 2038
Santa Fe, New Mexico 87501

Re: Burleson and Huff

Dear Dan:

Please consider this our written application on behalf of Burleson & Huff to amend for readvertisement and republication their application to Case No. 5992 heard on July 20, 1977 to include an unorthodox well location as follows:

A well located 2310 feet from the West line and 2310 feet from the North line in Section 14, T24S, R36E, Lea County, New Mexico.

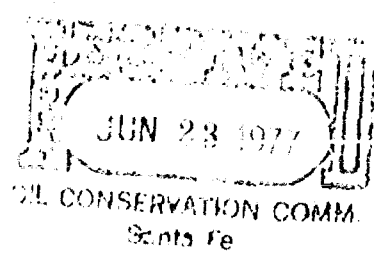
Please reset this matter for hearing on August 17, 1977.

Very truly yours,


W. Thomas Kellahin

WTK:kfm

Case 5792



BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF
BURLESON & HUFF FOR COMPULSORY
POOLING AND A NON-STANDARD UNIT,
LEA COUNTY, NEW MEXICO

A P P L I C A T I O N

Comes now Burleson & Huff and applies to the Oil Conservation Commission of New Mexico for an order pooling all mineral interests, whatever they may be, underlying the SE/4 NW/4 of Section 14, Township 24 South, Range 36 East, N.M.P.M., Lea County, New Mexico, and for approval of a non-standard gas proration unit in the Jalmat Gas Pool, and in support thereof would show the Commission:

Applicant is the owner of the right to drill and develop the 40-acre tract composed of the SE/4 NW/4 of Section 14, Township 24 South, Range 36 East and proposes to, in the alternative, re-enter and recomplete its Burleson & Huff Cooper No. 1 well, formerly the Exxon Cooper No. 1 well, located 1980 feet from the North and West lines of Section 14, or, in the alternative to drill another well on the unit, at an orthodox location, for the production of gas from the Jalmat Gas Pool.

Applicant has sought to obtain the cooperation of all parties.

In order to obtain their just and equitable share of the production underlying the above lands, Burleson and Huff need an order pooling the mineral interest involved.

Those who have not consented to join in the drilling of the well, with their addresses, to the best of applicant's information and belief, are as follows:

Heard

<u>NAME</u>	<u>ADDRESS</u>	<u>INTEREST</u>
✓ Robert E. Simpson	5900 55th Street Sacramento, Calif. 95824	1/4 of 1/72
✓ Rube Lee Simpson Todd	5900 55th street Sacramento, Calif. 95824	1/4 of 1/72
Ray M. Sherman	122 B. Barksdale Big Spring, Texas 79720	1/5 of 3/4 of 1/4 of 1/72
Helen Ernst	Route 2, Box 23 Pampa, Texas 79065	1/11 of 1/72
✓ Lucille Gist	4112 Pershing Drive El Paso, Texas 79902	1/11 of 1/72
Marie Halbert	416 N. Bear St. Pampa, Texas 79065	1/11 of 1/72
Hazel Phillips	819 E. Scott Pampa, Texas 79065	1/11 of 1/72
Ella Edwards	1044 Christi Street Pampa, Texas 79065	1/11 of 1/72
✓ Clarence J. Cooper	1412 W. Irving St. Carlsbad, New Mexico 88220	1/11 of 1/72
O. D. Cooper	Box 484 Danville, Arkansas 72833	1/4 of 3/4 of 1/11 of 1/72
Dorothy Cooper Anderson	Box 484 Danville, Arkansas 72833	1/4 of 1/11 of 1/72
Vernon Cooper	Box 484 Danville, Arkansas 72833	1/4 of 3/4 of 1/11 of 1/72
Noretha Cappell Lopez	Box 484 Danville, Arkansas 72833	1/4 of 3/4 of 1/11 of 1/72
Lonetta Cooper Chrestman	Box 484 Danville, Arkansas 72833	1/4 of 3/4 of 1/11 of 1/72

WHEREFORE applicant prays that this application be set for hearing before the Commission, or the Commission's duly appointed examiner, and that after notice and hearing as required by law the Commission enter its order pooling all of the mineral interests underlying the SE/4 NW/4 of Section 14, Township 24 South, Range 36 East, approving a non-standard drilling and proration unit, and the re-entry of the Cooper No. 1 well, or the drilling of a replacement well at an orthodox location, to be designated as the Burleson and Huff Cooper No. 2. Applicant further prays that it be named operator of the well, and that the order make provision for applicant to recover out of production its costs of recompleting, or drilling, the subject well, completing and equipping it, costs of operation, including costs of supervision, and a risk factor in the amount of 200% for the drilling or recompletion of the well, and for such other and further relief as may be proper.

Respectfully submitted,

BURLESON & HUFF

By Jason Kellahin
Kellahin & Fox
P. O. Box 1769
Santa Fe, New Mexico 87501

Attorneys for Applicant

DRAFT

dr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5992

Order No. R-5517

APPLICATION OF BURLESON & HUFF FOR
COMPULSORY POOLING, AND A NON-STANDARD
UNIT, LEA COUNTY, NEW MEXICO.

And An Unorthodox Location,

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 17, 19⁷⁷
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this July 20 day of July, 19⁷⁷, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That the applicant, Burleson & Huff,

seeks an order pooling
all mineral interests underlying the SE/4 NW/4 of Section 14, Township 24 South, Range 36 East,
Jalmat Gas Pool, Lea County, New Mexico, to form a non-standard 40-acre gas proration unit to be
dedicated to applicant's Cooper Well No. 1 at an unorthodox location 2310 feet from the North
and West lines of said Section 14, or in the alternative to drill another well at a standard
location.

of Section 14, Township 24 South, Range 36 East,

~~in~~, Jalmat Gas Pool, Lea County, New

~~Mexico.~~

(3) That the applicant ^{both} has the right ^{and proposes} to re-enter
said Cooper Well No. 1 or to drill a new well
at a standard location within the SE/4 NW/4
of said Section 14.

(3) That the applicant has the right to drill and proposes to drill a well at a standard location

(4) That there are interest owners in the proposed ^{non-standard} proration unit who have not agreed to pool their interests.

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, 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 pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit. ^{non-standard} ~~and the other property~~

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

(7) That 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) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 150 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That 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) That following determination of reasonable well costs, any non-consenting working interest owner that 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) That ^{\$1000.00 per month while drilling and \$175.00 per month while producing} ~~per month~~ should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge, 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) That 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) That upon the failure of the operator of said pooled ~~or drilling operations~~ or drilling operations on unit to commence ~~drilling of~~ the well to which said unit is dedicated on or before December 1, 1977, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Tonzil, Yates and all but the lower most 100 feet of the ^{Seven Rivers} formation underlying the SE 1/4 NW 1/4 of Section 14, Township 24 South, Range 36 East, NMPM, Jalmat Gas Pool, Lea County, New Mexico, are hereby pooled to form ^{a non-standard} ~~a standard~~ 40 acre gas spacing and proration unit to be dedicated to ~~xxxxxx to be drilled~~

see under Applicant's Cooper Well No. 1 to be re-entered at an unorthodox location 2310 feet from the North and West lines of said Section 14, or, in the alternative, to a new well to be drilled by the applicant at a standard location within the SE 1/4 NW 1/4 of said Section 14.

xxxxxx (1) of this order shall be null and void and of no effect whatsoever; unless said operator obtains a time extension from the Commission for good cause shown.

Case No.
Order No. R-

PROVIDED FURTHER, that should said ^{proposed} well not be ^{carried} ~~drilled~~ to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Commission and show cause why Order (1) of this order should not be rescinded.

(2) That Burleson & Huff are ~~xx~~ hereby designated the operators of the subject well and unit.

(3) That after the effective date of this order and within 30 days prior to commencing said well, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That 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 that 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) That the operator shall furnish the Commission 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 Commission and the Commission has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided

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Case No.
Order No. R-

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) That 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, 150 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) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$1000.00 per month while drilling and \$175.00 per month while producing ~~per month is~~ hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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Case No.

Order No. R-

(10) That any unsevered 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) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That 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; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

(13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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