

CASE 6133: DOYLE HARTMAN FOR
COMPULSORY POOLING AND A NON-STANDARD
PRORATION UNIT, LEA COUNTY, NEW MEXICO

Continued to February 8

Case Number

6133

Application

Transcripts.

Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
February 8, 1978

EXAMINER HEARING

IN THE MATTER OF:

Application of Doyle Hartman for compulsory) CASE
pooling and a non-standard proration unit,) 6133
Lea County, New Mexico.)

BEFORE: Daniel S. Nutter, 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: Jason W. Kellahin, Esq.
KELLAHIN & FOX
Attorneys at Law
500 Don Gaspar
Santa Fe, New Mexico

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

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1 MR. NUTTER: We will now call Case Number 6133.

2 MS. TESCHENDORF: Case 6133, application of Doyle
3 Hartman for compulsory pooling and a non-standard proration
4 unit, Lea County, New Mexico.

5 MR. KELLAHIN: If the Examiner please, Jason Kellahin,
6 Kellahin and Fox, appearing for the applicant and we have two
7 witnesses to be sworn.

8 (THEREUPON, the witnesses were duly sworn.)

9
10 JAMES A. DAVIDSON

11 called as a witness, having been first duly sworn, was
12 examined and testified as follows:

13 DIRECT EXAMINATION

14 BY MR. KELLAHIN:

15 Q Would you state your name, please?

16 A James A. Davidson.

17 Q What business are you engaged in?

18 A I'm an independent petroleum landman, Midland,
19 Texas.

20 Q In connection with your work as an independent
21 petroleum landman have you testified before the Oil Commission
22 before?

23 A Yes, sir.

24 MR. KELLAHIN: Are the witness' qualifications as
25 a landman acceptable?

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1 MR. NUTTER: Yes, they are.

2 Q (Mr. Kellahin continuing.) Mr. Davidson, as an
3 independent landman have you done any work for Doyle Hartman
4 in connection with Case 6133?

5 A Yes, I have purchased approximately fifteen or
6 sixteen leases for his account.

7 Q Are you familiar with the lease ownership under-
8 lying the particular well that is proposed here?

9 A Yes, sir.

10 Q Does Mr. Hartman have control of the working interest
11 of the entire unit?

12 A Yes, he has effective control.

13 Q Effective control, what do you mean by that?

14 A We have about three and a half acres of minerals
15 that we do not have leases or agreements from.

16 Q Who owns that acreage?

17 A We have a Mr. Barry Clingsmith in Texarkana with a
18 one one eightieth interest in the east half of the southeast
19 quarter of 8 and he has not agreed to lease to us or to partici-
20 pate in the drilling of the well.

21 Q Who else do you have?

22 A We have a Mrs. Catherine R. Edson in Clearwater,
23 Florida and we have had extensive talks with her and her
24 lawyer. She has one and a quarter acres unleased in the east
25 half of the southeast quarter and we have not reached an agree-

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1 ment with her.

2 MR. NUTTER: How do you spell her name?

3 A Her name is C-a-t-h-e-r-i-n-e R. E-d-s-o-n.

4 MR. NUTTER: I think we had E-d-w-o-n in our
 5 records. We have a Pacifica, California address for her.

6 A Yes, sir, here is her proper address now. It is
 7 1525 East Oakadia Drive, Clearwater, Florida.

8 MR. NUTTER: Is Clearwater one word?

9 A Yes, sir, Clearwater, Florida 33516.

10 MR. NUTTER: That's Catherine R. Edson?

11 A Yes, sir. She has an unleased one and a quarter
 12 acre mineral interest in the east half of the southeast
 13 quarter.

14 MR. NUTTER: Okay, now, there is a note here in my
 15 file that lists Mary Duffield Clingsmith and you mentioned a
 16 man Clingsmith.

17 A Well, the man who we have not reached an agreement
 18 with is Barry, B-a-r-r-y D. Clingsmith.

19 MR. NUTTER: Is this some relation to Mary Duffield?

20 A I think that is just an error, it's not Mary but
 21 it's Barry Duffield Clingsmith.

22 MR. NUTTER: Okay, Barry had been written here and
 23 scratched out and Mary substituted.

24 A Well, Barry is our problem on this.

25 MR. NUTTER: Barry?

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1 A Yes, sir.

2 MR. NUTTER: Is that B-a-r-r-y?

3 A It's B-a-r-r-y.

4 MR. NUTTER: And I have an address here, No. 14

5 Lamesa in Texarkana, Texas 75501.

6 A Yes, sir.

7 MR. NUTTER: Okay, what's his interest now?

8 A He has a one one eightieth unleased mineral interest

9 in the east half of the--

10 MR. NUTTER: One eightieth of an acre?

11 A It would be one net acre, one over one eighty in

12 this eighty acre tract in the east half of the southeast

13 quarter. His ownership is different in those two eighties.

14 MR. NUTTER: Okay, so he has got--

15 A He's got one acre. One eightieth interest in that

16 eighty acre tract, the east half of the southeast quarter.

17 MR. NUTTER: Okay, one eightieth of the east half

18 of the southeast quarter?

19 A Yes, sir.

20 MR. NUTTER: So he has got one one sixtieth of the

21 entire unit?

22 A Right.

23 MR. NUTTER: Okay, and do you have somemore?

24 A We have one more lady that we have not been able to

25 locate after a very extensive search. Her name is Catherine

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1 W. Bleaker.

2 MR. NUTTER: And she's not there at 934 Yale Court
3 in Sarasota?

4 A No, sir. We traced her from there up and down
5 Florida and back to Albuquerque and then Mr. McCormick over
6 in Albuquerque spent about three or four days going around
7 town looking for her for us. He found a couple of old addresses
8 but she just disappeared again. We have been looking for her
9 very hard.

10 MR. NUTTER: Okay, are those all the people that are
11 not consenting?

12 A Yes, sir. We have two mineral owners that are
13 unleased, Jerry L. Hooper and Max Coll the second and they
14 have agreed to participate in the drilling of the wells. They
15 are not an issue here.

16 MR. NUTTER: Okay, then we have when the application
17 was filed, two other ladies that at that time weren't consent-
18 ing, Isabel Heller?

19 A We have a lease from her.

20 MR. NUTTER: You now have lease?

21 A Yes, sir.

22 MR. NUTTER: And Ann Hesta?

23 A Yes, we have a lease from her.

24 MR. NUTTER: Mrs. Bleaker you can't find Max Coll
25 is unleased but he will participate?

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1 A Right, he is going to participate.

2 MR. NUTTER: Okay, Mr. Kellahin, proceed.

3 Q (Mr. Kellahin continuing.) Referring to Exhibit
4 Number One, is the unit shown on that exhibit and the lease
5 ownership?

6 A Yes, sir.

7 Q And the offsetting ownership?

8 A Yes, sir.

9 Q Now what effort did you make to contact these
10 people?

11 A Well, we have made a very, very concerted effort.
12 It was quite difficult finding Mrs. Edson but we did find her,
13 going through the public library and a few other things up and
14 down the coast. We have looked awfully hard for Mrs. Bleaker.
15 With help from others we have traced her down to her last
16 address in Florida and we've got a long letter from the
17 present owner of that home and he says he constantly gets mail
18 for her but he doesn't know why because she never did live
19 there so it has been one of those very hard things to find
20 somebody with an acre and a quarter that started out in Florida
21 but we did trace her to Albuquerque.

22 Q Now those people that you did contact were sent an
23 AFE, were they not?

24 A Yes, all of these people have received an operating
25 agreement and an AFE.

1 Q Now Mr. Hartman will testify to that, is that
2 correct?

3 A Yes, he will.

4 Q Do you have anything else to add to that?

5 A No, sir.

6 MR. KELLAHIN: That's all I have of Mr. Davidson.

7 MR. NUTTER: Now I have one question, Mr. Davidson.

8 These people that have an acre or one point two five acres
9 and so forth, is this an undivided interest in there?

10 A It is undivided in that one eighty which we are
11 asking to pool the two eighties but it is an undivided mineral
12 interest in that east half of the southeast quarter.

13 MR. NUTTER: Okay, so we can't carve out an acre
14 anywhere and say this belongs to somebody?

15 A No, sir, it is undivided.

16 MR. NUTTER: If there are no further questions of
17 Mr. Davidson he may be excused.

18 (THEREUPON, the witness was excused.)
19

20 DOYLE HARTMAN

21 called as a witness, having been first duly sworn, was
22 examined and testified as follows:

23 DIRECT EXAMINATION

24 BY MR. KELLAHIN:

25 Q Would you state your name, please?

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1 A Doyle Hartman.

2 Q Are you the applicant in the case before the Com-
3 mission at the present time?

4 A That is correct.

5 Q Are you an engineer, Mr. Hartman?

6 A Yes, I am.

7 Q Have you ever testified before the Oil Conservation
8 Commission or one of its examiners?

9 A Yes, I have.

10 MR. KELLAHIN: Are the witness' qualifications
11 acceptable?

12 MR. NUTTER: Yes, they are.

13 Q (Mr. Kellahin continuing.) Mr. Hartman, what are
14 you seeking in Case Number 6133?

15 A We want approval to combine or force pool these
16 parties and combine the east half of the southeast of Section
17 8, 19, 37 with the west half of the southeast of 8, 19, 37 to
18 form a hundred and sixty acre proration unit, Eumont Gas Pool.

19 Q Now do you propose to drill a well on this unit?

20 A Yes, sir, we propose to drill one in the southwest
21 of the southeast of 8.

22 Q And that will be at a standard location?

23 A Yes, sir.

24 Q Now referring to what has been marked as Exhibit
25 Number Two would you identify that exhibit, please?

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1 A Well, Exhibit Number Two, I don't have it before
 2 me but it is a letter that was sent to all of the unleased
 3 mineral interest as of February 3 enclosing an AFE which is
 4 also a cost estimate of the cost of drilling the proposed
 5 Eumont gas well and an operating agreement covering the
 6 described acreage.

7 Q Now we will offer the AFE in a later exhibit, is
 8 that correct?

9 A Yes, sir.

10 Q The one that was sent to these people?

11 A Yes, sir.

12 Q Now referring you to what has been marked as Exhibit
 13 Number Three would you identify that exhibit, please?

14 A Exhibit Number Three is a model form operating
 15 agreement covering the southeast quarter of Section 8, 19, 37.

16 Q Was that operating agreement also submitted to the
 17 people?

18 A Yes, sir, it was submitted with this letter.

19 Q And you heard Mr. Davidson's testimony in regard
 20 to the response without repeating it, did he correctly state
 21 the situation?

22 A Yes, sir. We have been looking for these people,
 23 some of them since August.

24 Q And as to those who have agreed that is correct?

25 A Yes, that is correct.

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1 Q Now referring to what has been marked as Exhibit
2 Number Four, would you identify that exhibit, please?

3 A Okay, Exhibit Number Four is just a simple schematic
4 showing we propose to drill our well to the total depth of
5 forty-one hundred feet and complete the well as a Eumont
6 gas well from the Penrose formation between thirty-six fifty
7 and thirty-eight fifty.

8 Q Now is that a conventional completion similar to the
9 others made in this area?

10 A Yes, sir.

11 Q Now referring to what has been marked as Exhibit
12 Number Five, would you identify that exhibit, please?

13 A Okay, Exhibit Number Five is a combination AFE and
14 detailed well estimate for the proposed well.

15 Q What is your total well cost?

16 A We estimate one hundred and eighty-one thousand
17 five hundred dollars.

18 Q Is that comparable to the cost of other wells drilled
19 in this area?

20 A Well, it is comparable to the cost of wells that we
21 have been drilling.

22 Q You have drilled other wells here?

23 A Yes, well, we have drilled other wells in southeast
24 Lea, similar depth wells and these costs are based on, you
25 know, our experience and escalating them for anticipated

1 future, you know, costs in drilling.

2 Q Now referring to what has been marked as Exhibit
3 Number Six, would you identify that exhibit, please?

4 A Okay, Exhibit Number Six is a decline curve on the
5 Eumont gas well that was originally located in the southeast
6 quarter of Section 8. It was called the Kelly Houston Gas
7 Unit No. 1 operated by Continental Oil Company. It was plugged,
8 I believe, in April of 1977 and it was located in the south-
9 east of the southeast of 8 and this performance history shows
10 the production performance since 1965 on that particular well.
11 We have cumulative production plotted, average producing rate
12 and MCF per day on a yearly basis, average over the year and
13 a plot of the annual shut-in pressures since 1965.

14 Q Now in your opinion has this unit been depleted?

15 A No, it is not depleted but we do have one problem.
16 When you are encountering this low pressure it drives the
17 risk up, you know, making a good completion. Basically what
18 we have specialized in drilling, you know, low pressure gas
19 wells, you know, low pressure oil wells in southeast Lea
20 County.

21 Q Let's talk a moment about the risk factor in this
22 particular well. You say this compounds the risk, in what
23 way?

24 A Well, these wells require large stimulations in
25 order to make them produce commercially and the only way you

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1 can do that is with a sand-water frac and we also used CO₂
2 quite often when we were running a sand-water frac but the
3 water tends to load the wells up and you do with this low
4 bottom hole pressure if, say, you lose the energy from your CO₂
5 you may have the situation you just can't get the water out,
6 you've got a water block and there is no way of getting it
7 removed.

8 Q That will lose the well then?

9 A That means you ruin the well, plus the fact you
10 have spent the entire bundle to get to that point to find
11 out.

12 Q On that basis what risk factor would you ask the
13 Commission to assign to this?

14 A We are asking for a two hundred percent penalty.

15 Q Do you ask to be designated as operator?

16 A Yes, sir.

17 Q What cost of supervision do you normally charge?

18 A In our operating agreement we are charging fifteen
19 hundred dollars per month on a drilling well basis which is
20 based on the number of days you have a rig on location and
21 fifteen hundred a month and two hundred dollars per month on
22 a producing well basis.

23 Q Do you ask for provision to recover the non-consenting
24 owners' proportionate share of that cost out of the production?

25 A Yes.

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1 Q Now on the well cost which you have estimated on
2 your AFE do you ask for a provision to recover the cost of
3 drilling, completing and equipping the well out of production?

4 A Yes.

5 Q As to the non-consenting owners?

6 A Yes.

7 Q Were Exhibits One through Six prepared by you or
8 under your supervision?

9 A Yes, they were.

10 MR. KELLAHIN: At this time we offer Exhibits One
11 through Six.

12 MR. NUTTER: Applicant's Exhibits One through Six
13 will be admitted.

14 (THEREUPON, Applicant Exhibits One through
15 Six were admitted into evidence.)

16 MR. KELLAHIN: That's all we have, Mr. Nutter.

17 CROSS EXAMINATION

18 BY MR. NUTTER:

19 Q Mr. Hartman, the operating agreements that you have
20 submitted here, being Exhibit Number Three?

21 A Yes, sir.

22 Q It provides for non-consenting parties to share the
23 costs, to be three hundred percent for the drilling operations
24 and three hundred percent of the equipment in the well, a
25 hundred and fifty percent of the surface equipment?

1 A Okay, that would be assuming on an additional well,
2 you know, that would be drilled by the parties who had signed
3 the operating agreement.

4 Q What you are seeking here would the the Commission's
5 maximum?

6 A Yes.

7 Q The two hundred percent?

8 MR. KELLAHIN: The two hundred percent plus the
9 costs.

10 MR. NUTTER: Right.

11 Q (Mr. Nutter continuing.) The operating agreement
12 also provided for combined fixed rates or overhead to be
13 fifteen hundred dollars per drilling well? I believe it was
14 a hundred and fifty or two hundred?

15 A I believe it was two hundred.

16 Q Two hundred. What page is that on?

17 A It's in Exhibit C and that is page three of it.

18 Q Fifteen hundred and two hundred.

19 A Yes, sir.

20 Q That is what you are requesting the Commission to
21 provide here in this order?

22 A Yes, sir.

23 Q Now this Exhibit Six indicates that the old Continental
24 Kelly Houston well had a cumulative production of a little
25 over two billion cubic feet, is that correct?

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1 A That is correct.

2 Q Was it plugged?

3 A Yes, it has been plugged and I believe it was April
4 of this year. It had not produce though since January of
5 1976.

6 Q And it looks like its average producing rate prior
7 to the time it was abandoned was somewhere in the neighborhood
8 of fifty MCF per day?

9 A That is correct. If we are successful we anticipate
10 a higher rate than that based on the surrounding production
11 but that is what that particular well was doing.

12 Q Now I don't think anyone made any reference to the
13 numbers that are on Exhibit Number One here. Those are the
14 producing rates of the wells in the neighborhood, is that it?

15 A That is correct. Those rates are based on, those
16 are averages for 1976, the last full year and there is a key
17 in the box here showing our nomenclature but the ones we have
18 got plotted are Eumont gas wells.

19 MR. NUTTER: Are there any further questions of
20 Mr. Hartman? He may be excused.

21 (THEREUPON, the witness was excused.)

22 MR. NUTTER: Do you have anything further, Mr.
23 Kellahin?

24 MR. KELLAHIN: That's all, Mr. Nutter.

25 MR. NUTTER: Does anyone have anything they wish to

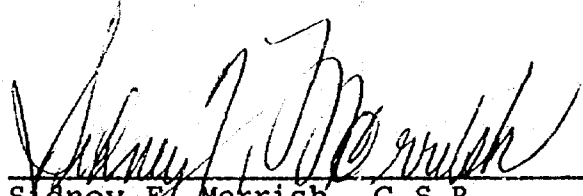
1 offer in Case Number 6133? We will take the case under advise-
2 ment.

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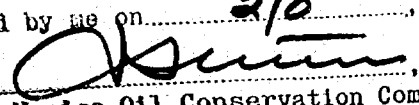
REPORTER'S CERTIFICATE

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, 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. 6133 heard by me on 2/8, 19 78.


Examiner
New Mexico Oil Conservation Commission

1 offer in Case Number 6133? We will take the case under advise-
2 ment.
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DOYLE HARTMAN

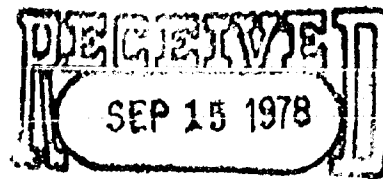
Oil Operator

SUITE 508

C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701

(915) 684-4011

September 13, 1978



Oil CONSERVATION COMM.
Santa Fe

State of New Mexico
Oil Conservation Commission
P. O. Box 1148
Santa Fe, New Mexico 87501

Subject: Case No. 6133
Order No. R-5642
Well Costs
R. H. Huston, Jr. #1
SW/4 SE/4 Section 8, T-19-S, R-37-E
Lea County, New Mexico

Gentlemen:

Enclosed are copies of our Joint Interest Billings
and a summary of all billings to date on the above
captioned property.

All Working Interest and Unleased Mineral Interest
Owners have previously been furnished copies of these
billings.

Very truly yours,

DOYLE HARTMAN

Leigh M. Cerboskas
Office Manager

LMC/mv

Enclosure as above

DOYLE HARTMAN*Oil Operator*

SUITE 508

C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701

(915) 684-4011

<u>BILLING DATE</u>	<u>TANGIBLE</u>	<u>INTANGIBLE</u>	<u>LOE</u>	<u>TOTAL</u>
April 18, 1978	\$ 3,276.44		\$ 6,361.13	\$ 9,637.57
May 18, 1978	35,022.12	\$ 53,797.11	16,387.36	105,206.59
August 30, 1978			18,641.93	18,641.93
	\$38,298.56	\$ 53,797.11	\$ 41,390.42	\$ 133,486.09

DOYLE HARTMAN
Suite 508
C & K Petroleum Bldg.
Midland, Texas 79701

TO: _____

DATE: April 18, 1978

REGARDING: R. H. Huston, Jr. # 1

TYPE WORK: To Logging Point

DATE	VENDOR	INV. NO.	TANGIBLE	INTANGIBLE	LOE
4-13-78	<u>FALCON SALES & SERVICE CO., INC.</u> Line Reserve Pit	537			\$ 929.76
4-13-78	<u>JOHNSTON CONSTRUCTION, INC.</u> Build location	78E-996			4,420.00
3-20-78	<u>KELLAHIN AND FOX ATTORNEYS AT LAW</u> Attorneys fees				244.29
3-31-78	<u>JONES & LAUGHLIN SUPPLY DIVISION</u> Flange Rental	421998-13			160.24
4-10-78	<u>MONAHANS IRON & METAL COMPANY</u> 8 5/8 csg & 8 5/8 X 4 1/2 head	1618	\$ 3,276.44		
4-12-78	<u>ROWLAND TRUCKING COMPANY</u> Drilling water	C 478/093			606.84
			<u>\$ 3,276.44</u>		<u>\$ 6,361.13</u>
				TOTAL	<u>\$ 9,637.57</u>

YOUR PROPORTIONATE SHARE AT A _____ % W. I. IS _____

DOYLE HARTMAN
Suite 508
C & K Petroleum Bldg.
Midland, Texas 79701

TO: _____

DATE: May 18, 1978

REGARDING: R. H. Huston No. 1

TYPE WORK: To Logging Point

DATE	VENDOR	INV. NO.	TANGIBLE	INTANGIBLE	LOE
4-28-78	<u>DRILLING MUD, INC.</u> Drilling mud	3905		\$ 3,465.75	
4-21-78	<u>CAPITAN DRILLING COMPANY, INC.</u> Footage drilling	4798 20		39,658.11	
4-28-78	Truck drilling rig	4829 20		5,128.75	
4-28-78	Daywork	4800 20		1,491.86	
4-24-78	<u>PHYLLIS F. GILBERTSON</u> Sample analysis				250.00
4 -78	<u>HALLIBURTON</u> Cement surface casing	319969	2,618.47		
4-19-78	<u>USS OILWELL</u> Miscellaneous connections	417002233	148.34		
4-18-78	<u>ROWLAND TRUCKING CO.</u> Drilling water	478212		3,259.10	
3-21-78	<u>JOHN WEST ENGINEERING COMPANY</u> Stake location	378-4			145.60
4-20-78	<u>WELEX</u> Open hole logs	024988			4,676.36

DATE	VENDOR	INV. NO.	TANGIBLE	INTANGIBLE	LOE
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\$ 2,766.81	\$ 53,003.57	\$ 5,071.96
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TOTAL \$ 60,842.34

YOUR PROPORTIONATE SHARE AT A _____ % W. I. IS _____

DOYLE HARTMAN
Suite 508
C & K Petroleum Bldg.
Midland, Texas 79701

TO: _____

DATE: May 18, 1978

REGARDING: R. H. Huston No. 1

TYPE WORK: _____

DATE	VENDOR	INV. NO.	TANGIBLE	INTANGIBLE	LOE
5-1-78	<u>APACHE SERVICES, INC.</u> GRN-CCL log and select fire perforating	1213			1,885.08
4-28-78	<u>ABC RENTAL TOOL CO.</u> Frac Tank rental	4-595			104.00
4-24-78	<u>BADGER BIT & SPECIALTY COMPANY</u> Cut off 4 1/2 csg.	78 1856			53.04
4-28-78	<u>CAPITAN DRILLING COMPANY, INC.</u> Daywork	4800 20		793.54	
4-30-78	<u>CLARKE OIL WELL SERVICING, INC.</u> Well service unit	2738			3,406.00
5-10-78	<u>EUNICE RENTAL TOOL CO., INC.</u> BOP Rental	478 114			215.28
4-21-78	<u>HALLIBURTON</u> Cement long string	319888	7,113.78		
4-27-78	Kill truck	185125			498.37
4-25-78	Acid treatment	319387			4,274.71
4-26-78	<u>HOBBS ANCHOR & ROAD BORING SERVICE</u> Bull-dog anchors	4-56			294.02

DATE	VENDOR	INV. NO.	TANGIBLE	INTANGIBLE	LOE
	<u>MONAHANS IRON & METAL CO.</u>				
4-24-78	2 3/8 tbg.	1639	8,875.45		
4-20-78	4 1/2 csg.	1633	16,214.97		
	<u>USS OILWELL</u>				
4-25-78	4 1/2 csg. collar and csg. nipple	417002431	51.11		
	<u>ROWLAND TRUCKING CO.</u>				
5-02-78	Completion water	478548			208.00
7-02-78	Completion water	478517			376.90

\$ 32,255.31	\$ 793.54	\$ 11,315.40
--------------	-----------	--------------

TOTAL\$ 44,364.25

YOUR PROPORTIONATE SHARE AT A _____ % W. I. IS \$ _____

DOYLE HARTMAN
Suite 508
C & K Petroleum Building
Midland, Texas 79701

TO: _____

DATE: August 30, 1978

REGARDING: R. H. Huston, Jr. # 1

TYPE WORK: To Logging Point

DATE	VENDOR	INV. NO.	TANGIBLE	INTANGIBLE	LOC
------	--------	----------	----------	------------	-----

DOYLE HARTMAN

9 days field supervision

\$ 2,149.11

Drilling - Completion rate overhead for period

450.00

4-11-78 thru 4-19-78

\$ 2,599.11

YOUR PROPORTIONATE SHARE AT A _____ % W. I. IS _____

DOYLE HARTMAN
Suite 508
C & K Petroleum Building
Midland, Texas 79701

TO: _____

DATE: August 30, 1978
REGARDING: R. H. Huston, Jr. # 1
TYPE WORK: After Logging Point

DATE	VENDOR	INV. NO.	TANGIBLE	INTANGIBLE	LOC
6-19-78	<u>COUNTY CLERK, LEA COUNTY, NEW MEXICO</u>				
	Recording fee			\$	8.00
6-29-78	Recording fee				6.00
5-2-78	<u>J. FLETCHER</u>				
	Field Supervision	78-4			3,820.64
6-2-78	Field Supervision	78-5			238.92
	<u>FLOYDS PUMPING & ROUSTABOUT SERVICE</u>				
5-31-78	Roustabout labor	78281			135.20
5-31-78	Roustabout labor	78283			95.68
	<u>DOYLE HARTMAN</u>				
	Field supervision for 4-11-78 thru 4-28-78				1,671.53
	Field Supervision 5-11-78				238.92
	Drilling - Completion rate overhead for period 4-20-78 thru 4-29-78				500.00
7-10-78	<u>HINKLE, COX, EATON, COFFIELD & HENSLEY</u>				
	Prepare DOTO and other related legal services				3,691.51
7-31-78	<u>JONES & LAUGHLIN SUPPLY DIVISION</u>				
	Wellhead Equipment	57330131			3,226.64

DATE	VENDOR	INV. NO.	TANGIBLE	INTANGIBLE	IOE
	<u>I. S. & S. INCORPORATED</u>				
5-19-78	Taylor plugs	22743		\$	30.66
5-19-78	Wellhead material	22714			109.36
	<u>LOPPS WELDING SERVICE</u>				
6-23-78	Welder				58.03
	<u>LOVINGTON ABSTRACT COMPANY</u>				
6-23-78	DOTO Abstracts				42.64
5-23-78	DOTO Abstracts				243.36
	<u>ROWLAND TRUCKING CO.</u>				
5-22-78	Completion water	578308			242.94
5-22-78	Completion water	578304			535.50
					<u>\$ 14,895.53</u>

YOUR PROPORTIONATE SHARE AT A _____ % W. I. IS _____

DOYLE HARTMAN
Suite 508
C & K Petroleum Building
Midland, Texas 79701

TO: _____

DATE: August 30, 1978

REGARDING: R. H. Huston # 1

TYPE WORK: Lease Operating Expense

DATE	VENDOR	INV. NO.	TANGIBLE	INTANGIBLE	LOE
7-19-78	COUNTY CLERK, LEA COUNTY, NEW MEXICO Recording fee			\$	6.00
7-25-78	HINKLE, COX, EATON, COFFIELD & HENSLEY Legal fees				4.90
5-10-78	JOHNSTON CONSTRUCTION, INC. Road repair	78E1249			72.80
6-3-78	JOHN WEST ENGINEERING CO. Stake location for second well	67815			203.84
	OVERHEAD MAY, 1978				200.00
	DIRECT CHARGES MAY, 1978				
	Pumpers salary				51.04
	Payroll Burden				4.72
	Life/Hospitalization				1.53
	Liability				1.37
	Workmens Comp				1.27
	Pickup Burden				35.70
	Gas, Oil and Supplies				72.33
	Telephone				11.66
	Relief Pumper				2.82

DATE	VENDOR	INV. NO.	TANGIBLE	INTANGIBLE	IDE
------	--------	----------	----------	------------	-----

OVERHEAD
JUNE, 1978

\$ 200.00

DIRECT CHARGES
JUNE, 1978

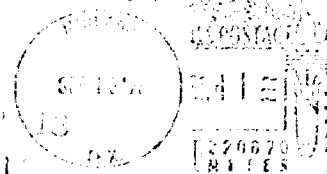
Pumpers salary
Payroll Burden
Life/Hospitalization
Liability
Workmens Comp
Pickup Burden
Gas, Oil and Supplies
Telephone
Relief Pumper

92.71
8.58
3.05
2.73
2.54
71.40
79.68
10.98
5.64

\$ 1,147.29

YOUR PROPORTIONATE SHARE AT A _____ % W. I. IS _____

SEP 13



DOYLE HARTMAN

Oil Operator

SUITE-242 508

C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701

TO: State of New Mexico
Oil Conservation Commission
P. O. Box 1148
Santa Fe, New Mexico 87501

DOYLE HARTMAN

Oil Operator
SUITE 508
C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701

(915) 684-4011

July 12, 1978

JUL 17 1978

Neutron
[Signature]

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

Subject: Case No. 6133
Order No. R-5642
SE/4 Section 8, T-19-S, R-37-E, NMPM
Escrow Agent for Catherine W. Bleeker

Gentlemen:

In accordance with the Order of the Commission as concerns the interest of Catherine W. Bleeker, whose whereabouts is unknown, we are advising that any funds attributable to the interest of Catherine W. Bleeker will be placed in Escrow with the New Mexico Bank and Trust Company, P. O. Box 1477, Lovington, New Mexico 88260.

Yours very truly,

DOYLE HARTMAN

Leigh M. Cerboskas

Leigh M. Cerboskas
Office Manager

LMC/mv

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 18, 1978

EXAMINER HEARING

IN THE MATTER OF:

Application of Doyle Hartman for compulsory pooling and a non-standard proration unit, Lea County, New Mexico.

CASE
6133

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

sid morish reporting service
General Court Reporting Service
825 Calle Meja, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 MR. STAMETS: We will call next Case 6133, applica-
2 tion of Doyle Hartman for compulsory pooling and a non-
3 standard proration unit, Lea County, New Mexico.

4 MR. KELLAHIN: If the Examiner please, Jason
5 Kellahin, Kellahin and Fox. I would ask that this case be
6 continued until the next regular examiner hearing.

7 MR. STAMETS: I believe that is February 8th and
8 Case 6133 will be continued until February 8th.

9 MR. KELLAHIN: Thank you.

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

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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.

sid morrish reporting service

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

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 6133
heard by me on 1-18, 1978.
Richard L. Hunt, 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. 6133
Order No. R-5642

APPLICATION OF DOYLE HARTMAN FOR
COMPULSORY POOLING AND A NON-STANDARD
PRORATION UNIT, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 8, 1978,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 14th day of February, 1978, 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, Doyle Hartman, seeks an order pooling
all mineral interests in the Eumont Gas Pool underlying the SE/4
of Section 8, Township 19 South, Range 37 East, NMPM, Lea County,
New Mexico, to form a 160-acre non-standard gas proration unit for
said pool.

(3) That the applicant has the right to drill and proposes
to drill a well at a standard location on said non-standard prora-
tion unit.

(4) That there are interest owners in the proposed 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 with-
out unnecessary expense his just and fair share of the gas in
said pool, the aforesaid non-standard proration unit should be
approved and the subject application should be further approved by
pooling all mineral interests, whatever they may be, within said
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 200 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 \$1500.00 per month while drilling and \$200.00 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 drilling of the well to which said unit is dedicated on or before May 1, 1978, 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 Eumont Gas Pool underlying the SE/4 of Section 8, Township 19 South, Range 37 East, NMPM, Eumont Gas Pool, Lea County, New Mexico, are hereby pooled to form a 160-acre non-standard gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

Case No. 6133
Order No. R-5642

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of May, 1978, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Eumont Gas Pool;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of May, 1978, 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 well not be 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 Doyle Hartman is hereby designated the operator 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.

-4-

Case No. 6133
Order No. R-5642

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

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

(9) That \$1500.00 per month while drilling and \$200.00 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 interest 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.

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Case No. 6133
Order No. R-5642

(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
PHIL R. LUCERO, Chairman

EMERY C. ARNOLD, Member

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

S E A L

jr/

DOYLE HARTMAN

Oil Operator

SUITE XXX 508

C & K PETROLEUM BUILDING

MIDLAND, TEXAS 79701

(915) 684-4011 — 684-7592

February 3, 1978

Re: R. H. Huston, Jr. Unit
SE/4 Section 8
T-19-S, R-37-E, NMPM
Lea County, New Mexico

TO: All Working Interest Owners

Gentlemen:

Please find enclosed the following:

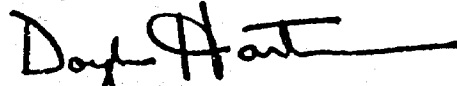
- (1) Two copies of AFE for the above captioned well.
- (2) Two copies of Operating Agreement covering the above described well and acreage.

These instruments pertain to the drilling of a 4100 foot Grayburg well on the above described acreage.

Please sign one copy of each instrument and return to this office by February 17, 1978.

You will be billed as per the Operating Agreement for your share of the costs of drilling and completing this well within two weeks from this date.

Very truly yours,


Doyle Hartman

DH/bw
Enclosures

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
<u>Hartman</u>	EXHIBIT NO. <u>2</u>
CASE NO. <u>6133</u>	

No. 988399

RECEIPT FOR CERTIFIED MAIL

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

SENT TO		Catherine W. Bleeker
STREET AND NO.		909 Tijeras, NW
P.O., STATE AND ZIP CODE		Albuquerque, New Mexico
POSTAGE		\$1.22
CONSULT POSTMASTER FOR FEES	CERTIFIED FEE	.60
	SPECIAL DELIVERY	
	RESTRICTED DELIVERY	
	SHOW TO WHOM AND DATE DELIVERED	25
	SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	
	SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	
RETURN RECEIPT SERVICE		
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		.00
TOTAL POSTAGE AND FEES		\$2.08
POSTMARK OR DATE		FEB 3 1978 USPO ALBUQ.

PS Form 3800, Apr. 1976

No. 988401

RECEIPT FOR CERTIFIED MAIL

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

SENT TO		Barry D. Klingsmith
STREET AND NO.		No. 14 La Mesa
P.O., STATE AND ZIP CODE		Texarkana, Texas
POSTAGE		\$1.22
CONSULT POSTMASTER FOR FEES	CERTIFIED FEE	.60
	SPECIAL DELIVERY	
	RESTRICTED DELIVERY	
	SHOW TO WHOM AND DATE DELIVERED	
	SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	25
	SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	
RETURN RECEIPT SERVICE		
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		
TOTAL POSTAGE AND FEES		\$2.08
POSTMARK OR DATE		FEB 3 1978 USPO TEXARKANA, TX

PS Form 3800, Apr. 1976

No. 988397

RECEIPT FOR CERTIFIED MAIL

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

SENT TO		Jerry L. Hooper
STREET AND NO.		Box 2068
P.O., STATE AND ZIP CODE		Midland, Texas 79702
POSTAGE		\$1.22
CONSULT POSTMASTER FOR FEES	CERTIFIED FEE	.60
	SPECIAL DELIVERY	
	RESTRICTED DELIVERY	
	SHOW TO WHOM AND DATE DELIVERED	
	SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	25
	SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	
RETURN RECEIPT SERVICE		
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		
TOTAL POSTAGE AND FEES		\$2.08
POSTMARK OR DATE		FEB 3 1978 USPO MIDLAND, TX

PS Form 3800, Apr. 1976

No. 988400

RECEIPT FOR CERTIFIED MAIL

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

SENT TO		Catherine R. Edson
STREET AND NO.		1525 E. Oakadia Dr.
P.O., STATE AND ZIP CODE		Clearwater, Florida
POSTAGE		\$1.22
CONSULT POSTMASTER FOR FEES	CERTIFIED FEE	.60
	SPECIAL DELIVERY	
	RESTRICTED DELIVERY	
	SHOW TO WHOM AND DATE DELIVERED	
	SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	25
	SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	
RETURN RECEIPT SERVICE		
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		
TOTAL POSTAGE AND FEES		\$2.08
POSTMARK OR DATE		FEB 3 1978 USPO MIDLAND, TX

PS Form 3800, Apr. 1976

No. 988398

RECEIPT FOR CERTIFIED MAIL

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

SENT TO		Max Coll, II
STREET AND NO.		801 Tijeras, NW
P.O., STATE AND ZIP CODE		Albuquerque, New Mexico
POSTAGE		\$1.22
CONSULT POSTMASTER FOR FEES	CERTIFIED FEE	.60
	SPECIAL DELIVERY	
	RESTRICTED DELIVERY	
	SHOW TO WHOM AND DATE DELIVERED	
	SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	25
	SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	
RETURN RECEIPT SERVICE		
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		
TOTAL POSTAGE AND FEES		\$2.08
POSTMARK OR DATE		FEB 3 1978 USPO MIDLAND, TX

PS Form 3800, Apr. 1976

A.A.P.L. FORM 610
MODEL FORM OPERATING AGREEMENT—1956
Non-Federal Lands

OPERATING AGREEMENT

DATED

February 3, 19 78,

FOR UNIT AREA IN SE/4 Section 8, T-19-S, R-37-E, NMPM

Lea COUNTY, STATE OF New Mexico

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
Hutman EXHIBIT NO. 3
CASE NO. 6133

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OPERATING AGREEMENT

THIS AGREEMENT, entered into this 3rd day of February, 19 78, between
DOYLE HARTMAN,

hereafter designated as "Operator", and the signatory parties other than Operator.

WITNESSETH, THAT:

WHEREAS, the parties to this agreement are owners of oil and gas leases covering and, if so indicated, unleased mineral interests in the tracts of land described in Exhibit "A", and all parties have reached an agreement to explore and develop these leases and interests for oil and gas to the extent and as hereinafter provided;

NOW, THEREFORE, it is agreed as follows:

1. DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them.

- (1) The words "party" and "parties" shall always mean a party, or parties, to this agreement.
- (2) The parties to this agreement shall always be referred to as "it" or "they", whether the parties be corporate bodies, partnerships, associations, or persons real.
- (3) The term "oil and gas" shall include oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons, unless an intent to limit the inclusiveness of this term is specifically stated.
- (4) The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Unit Area which are owned by parties to this agreement.
- (5) The term "Unit Area" shall refer to and include all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".
- (6) The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Unit Area or as fixed by express agreement of the parties.
- (7) All exhibits attached to this agreement are made a part of the contract as fully as though copied in full in the contract.
- (8) The words "equipment" and "materials" as used here are synonymous and shall mean and include all oil field supplies and personal property acquired for use in the Unit Area.

2. TITLE EXAMINATION, LOSS OF LEASES AND OIL AND GAS INTERESTS

A. Title Examination:

There shall be no examination of title to leases, or to oil and gas interests, except that title to the lease covering the land upon which the exploratory well is to be drilled in accordance with Section 7, shall be examined on a complete abstract record by Operator's attorney, and the title to both the oil and gas lease and to the fee title of the lessors must be approved by the examining attorney, and accepted by all parties. A copy of the examining attorney's opinion shall be sent ^{upon request} to each party immediately after the opinion is written, and, also, each party shall be given, as they are written, a copy of all subsequent supplemental attorney's reports. A good faith effort to satisfy the examining attorney's requirements shall be made by the party owning the lease covering the drillsite.

If title to the proposed drillsite is not approved by the examining attorney or the lease is not acceptable for a material reason, and all the parties do not accept the title, the parties shall select a new drillsite for the first exploratory well; provided, if the parties are unable to agree upon another drillsite, this agreement shall, in that case, come to an end and all parties shall then forfeit their rights and be relieved of obligations hereunder. If a new drillsite is selected, title to the oil and gas lease covering it and to the fee title of the lessor shall be examined, and title shall be approved or accepted or rejected in like manner as provided above concerning the drillsite first selected. If title to the oil and gas lease covering the second choice drillsite is not approved or accepted, other drillsites shall be successively selected and title examined, until a drillsite is chosen

to which title is approved or accepted, or until the parties fail to select another drillsite. As in the case of the drillsite first selected, so also with successive choices if the time comes that the parties have not approved title and are unable to agree upon an alternate drillsite, the contract shall, in that case and at that time, come to an end and all parties shall forfeit their rights and be relieved of obligations under this contract.

No well other than the first test shall be drilled in the Unit Area until after (1) the title to the lease covering the lands upon which such well is to be located has been examined by Operator's attorney, and (2) the title has been approved by the examining attorney and the title has been accepted by all of the parties who are to participate in the drilling of the well.

B. Failure of Title:

Should any oil and gas lease, or interest therein, be lost through failure of title, this agreement shall, nevertheless, continue in force as to all remaining leases and interests, and

- (1) The party whose lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development or operating costs which it may have theretofore paid, but there shall be no monetary liability on its part to the other parties hereto by reason of such title failure; and
- (2) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has been lost, but the interests of the parties shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Unit Area by the amount of the interest lost; and
- (3) If the proportionate interests of the other parties hereto in any producing well theretofore drilled on the Unit Area is increased by reason of the title failure, the party whose title has failed shall receive the proceeds attributable to the increase in such interests (less operating costs attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well; and
- (4) Should any person not a party to this agreement, who is determined to be the owner of any interest in the title which has failed, pay in any manner any part of the cost of operation, development, or equipment, or equipment previously paid under this agreement, such amount shall be proportionately paid to the party or parties hereto who in the first instance paid the costs which are so refunded; and
- (5) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the party or parties whose title failed in the same proportions in which they shared in such prior production.

C. Loss of Leases for Causes Other Than Title Failure:

If any lease or interest subject to this agreement be lost through failure to develop or because express or implied covenants have not been performed, or if any lease be permitted to expire at the end of its primary term and not be renewed or extended, or if any lease or interest therein is lost due to the fact that the production therefrom is shut in by reason of lack of market, the loss shall not be considered a failure of title and all such losses shall be joint losses and shall be borne by all parties in proportion to their interests and there shall be no readjustment of interests in the Unit Area.

3. UNLEASED OIL AND GAS INTERESTS

If any party owns an unleased oil and gas interest in the Unit Area, that interest shall be treated for the purpose of this agreement as if it were a leased interest under the form of oil and gas lease attached as "Exhibit B" and for the primary term therein stated. As to such interests, the owner shall receive royalty on production as prescribed in the form of oil and gas lease attached hereto as Exhibit "B". Such party shall, however, be subject to all of the provisions of this agreement relating to lessees, to the extent that it owns the lessee interest.

4. INTERESTS OF PARTIES

Exhibit "A" lists all of the parties, and their respective percentage or fractional interests under this agreement. Unless changed by other provisions, all costs and liabilities incurred in operations under this contract shall be borne and paid, and all equipment and material acquired in operations on the Unit Area shall be owned, by the parties as their interests are given in Exhibit "A". All production of oil and gas from the Unit Area, subject to the payment of lessor's royalties, shall also be owned by the parties in the same manner.

If the interest of any party in any oil and gas lease covered by this agreement is subject to an overriding royalty, production payment, or other charge over and above the usual one-eighth ($\frac{1}{8}$) royalty, such party shall assume and alone bear all such excess obligations and shall account for them to the owners thereof out of its share of the working interest production of the Unit Area.

5. OPERATOR OF UNIT

DOYLE HARTMAN shall be the Operator of the Unit Area, and shall conduct and direct and have full control of all operations on the Unit Area as permitted and required by, and within the limits of, this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained, or liabilities incurred, except such as may result from gross negligence or from breach of the provisions of this agreement.

6. EMPLOYEES

The number of employees and their selection, and the hours of labor and the compensation for services performed, shall be determined by Operator. All employees shall be the employees of Operator.

7. TEST WELL

On or before the 30th day of April, 19 78, Operator shall commence the drilling of a well for oil and gas in the following location:

SW/4 SE/4 Section 19
T-19-S, R-37-E, NMPM,
Lea County, New Mexico

and shall thereafter continue the drilling of the well with due diligence to a depth of 4100 feet or to a depth that is sufficient to test the productive interval of the Grayburg Formation whichever is lessor.

unless granite or other practically impenetrable substance is encountered at a lesser depth or unless all parties agree to complete the well at a lesser depth.

Operator shall ~~thoroughly log, but not core or DST~~ ^{evaluate} all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to ~~test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply~~.

If in Operator's judgment the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the test as a dry hole, it shall first secure the consent of all parties to the plugging, and the well shall then be plugged and abandoned as promptly as possible.

8. COSTS AND EXPENSES

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge all costs and expenses incurred in the development and operation of the Unit Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the cost and expense basis provided in the Accounting Procedure attached hereto and marked Exhibit "C". If any provision of Exhibit "C" should be inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the costs to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated costs, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated costs shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest at the rate of ~~ten percent (10%)~~ ^{ten percent (10%)} per annum until paid. Proper adjustment shall be made monthly between advances and actual cost, to the end that each party shall bear and pay its proportionate share of actual costs incurred, and no more.

9. OPERATOR'S LIEN

Operator is given a first and preferred lien on the ^{working} interest of each party covered by this contract, and in each party's ^{working} interest in oil and gas produced and the proceeds thereof, and upon each party's interest in material and equipment, to secure the payment of all sums due from each such party to Operator.

In the event any party fails to pay any amount owing by it to Operator as its share of such costs and expense or such advance estimate within the time limited for payment thereof, Operator, without prejudice to other existing remedies, is authorized, at its election, to collect from the purchaser or purchasers of oil or gas, the proceeds accruing to the ^{working} interest or interests in the Unit Area of the delinquent party up to the amount ^{claimed by the operator to be} owing by such party, and each purchaser of oil or gas is authorized to rely upon Operator's statement as to the amount owing by such party.

In the event of the neglect or failure of any non-operating party to promptly pay its proportionate part of the cost and expense of development and operation when due, the other non-operating parties and Operator, within thirty (30) days after the rendition of statements therefor by Operator, shall proportionately contribute to the payment of such delinquent indebtedness and the non-operating parties so contributing shall be entitled to the same lien rights as are granted to Operator in this section. Upon the payment by such delinquent or defaulting party to Operator of any amount or amounts on such delinquent indebtedness, or upon any recovery on behalf of the non-operating parties under the lien conferred above, the amount or amounts so paid or recovered shall be distributed and paid by Operator to the other non-operating parties and Operator proportionately in accordance with the contributions theretofore made by them.

10. TERM OF AGREEMENT

This agreement shall remain in full force and effect until the well hereinabove provided for in Section 7 is completed and only as long thereafter as there is (a) production from the area and depths covered by this agreement, or (b) there is a well capable of production from such area and depths, or (c) drilling or workover operations are being conducted on such area and depth after the well provided for in Section 7 has been drilled with no cessation of operations; provided, however, that in the event the first well drilled hereunder results in a dry hole and no other well is producing oil or gas in paying quantities from such area and depths, then at the end of ninety (90) days after the abandonment of the first test well, this agreement shall terminate unless one or more of the parties are then engaged in drilling a well or wells pursuant to Section 12 hereof, or all parties have agreed to drill an additional well or wells under this agreement, in which event this agreement shall continue until such well or wells shall have been drilled and completed. If production results therefrom, this agreement shall continue in force as if said first test well had been productive in paying quantities, but if production in paying quantities does not result therefrom this agreement shall terminate at the end of ninety (90) days after abandonment of such well or wells. It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

11. LIMITATION ON EXPENDITURES

Without the consent of all parties: (a) No well shall be drilled on the Unit Area except any well expressly provided for in this agreement and except any well drilled pursuant to the provisions of Section 12 of this agreement, it being understood that the consent to the drilling of a well shall include consent to all necessary expenditures in the drilling, testing, completing, and equipping of the well, including necessary tankage; (b) No well shall be reworked, plugged back or deepened except a well reworked, plugged back or deepened pursuant to the provisions of Section 12 of this agreement, it being understood that the consent to the reworking, plugging back or deepening of a well shall include consent to all necessary expenditures in conducting such operations and completing and equipping of said well to produce, including necessary tankage; (c) Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Fifteen Thousand and No/100 Dollars (\$ 15,000.00) except in connection with a well the drilling, reworking, deepening, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that in case of explosion, fire, flood, or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency and to safeguard life and property, but Operator shall, as promptly as possible, report the emergency to the other parties. Operator shall, upon request, furnish copies of its "Authority for Expenditures" for any single project costing in excess of \$ 15,000.00.

12. OPERATIONS BY LESS THAN ALL PARTIES

If all the parties cannot mutually agree upon the drilling of any well on the Unit Area other than the test well provided for in Section 7, or upon the reworking, deepening or plugging back of a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities on the Unit Area, any party or parties wishing to drill, rework, deepen or plug back such a well may give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days (except as to reworking, plugging back or drilling deeper, where a drilling rig is on location, the period shall be limited to forty-eight (48) hours exclusive of Saturday or Sunday) after receipt of the notice within which to notify the parties wishing to do the work whether they elect to participate in the cost of the proposed operation. Failure of a party receiving such a notice to so reply to it within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation.

If any party receiving such a notice elects not to participate in the proposed operation (such party or parties being hereafter referred to as "Non-Consenting Party"), then in order to be entitled to the benefits of this section, the party or parties giving the notice and such other parties as shall elect to participate in the operation (all such parties being hereafter referred to as the "Consenting Parties") shall, within thirty (30) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the 48-hour period where the drilling rig is on location, as the case may be) actually commence work on the proposed operation and complete it with due diligence.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions that their respective interests as shown in Exhibit "A" bear to the total interests of all Consenting Parties. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this section results in a producer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this section, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well, its leasehold operating rights, and share of production therefrom until the proceeds or market value thereof (after deducting production taxes, royalty, overriding royalty and other interests payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

150%

- (A) ~~100%~~ of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this section, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to each Non-Consenting Party had it participated in the well from the beginning of the operation; and

300%

- (B) ~~200%~~ of that portion of the costs and expenses of drilling, reworking, deepening or plugging back, testing and completing, after deducting any cash contributions received under Section 25, and ~~200%~~ ^{300%} of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value.

Within sixty (60) days after the completion of any operation under this section, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased, in determining when the interest of such Non-Consenting Party shall revert to it as above provided; if there is a credit balance it shall be paid to such Non-Consenting Party.

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it and from and after such reversion such Non-Consenting Party shall own the same interest in such well, the operating rights and working interest therein, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have owned had it participated in the drilling, reworking, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and the accounting procedure schedule, Exhibit "C", attached hereto.

Notwithstanding the provisions of this Section 12, it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Unit Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

The provisions of this section shall have no application whatsoever to the drilling of the initial test well on the Unit Area, but shall apply to the reworking, deepening, or plugging back of the initial test well after it has been drilled to the depth specified in Section 7, if it is, or thereafter shall prove to be, a dry hole or non-commercial well, and to all other wells drilled, reworked, deepened, or plugged back, or proposed to be drilled, reworked, deepened, or plugged back, upon the Unit Area subsequent to the drilling of the initial test well.

13. RIGHT TO TAKE PRODUCTION IN KIND

Each party shall have the right to take in kind or separately dispose of its proportionate share of all oil and gas produced from the Unit Area, exclusive of production which may be used in development and producing operations and in preparing and treating oil for marketing purposes and production unavoidably lost. Each party shall pay or deliver, or cause to be paid or delivered, all royalties, overriding royalties, or other payments due on its share of such production which it takes or sells and shall hold the other parties free from any liability therefor. Any extra expenditures incurred in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party.

Each party shall execute such division orders and contracts as may be required for the sale of its interest in production from the Unit Area, and shall be entitled to receive payment direct from the purchaser or purchasers thereof for its share of all production.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Unit Area, Operator shall have the right, subject to revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others for the time being, at not less than the market price prevailing in the area, which shall in no event be less than the price which Operator receives for its portion of the oil and gas produced from the Unit Area. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. Notwithstanding the foregoing, Operator shall not make a sale into interstate commerce of any other party's share of gas production without first giving such other party sixty (60) days notice of such intended sale.

14. ACCESS TO UNIT AREA

Each party shall have access to the Unit Area at all reasonable times, at its sole risk, to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator shall, upon request, furnish each of the other parties with copies of all drilling reports, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available samples of any cores or cuttings taken from any well drilled on the Unit Area.

15. DRILLING CONTRACTS

All wells drilled on the Unit Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. Operator, if it so desires, may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the field, and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as shall be customary and usual in the field in contracts of independent contractors who are doing work of a similar nature.

16. ABANDONMENT OF WELLS

No well, other than any well which has been drilled or reworked pursuant to Section 12 hereof for which the Consenting Parties have not been fully reimbursed as therein provided, which has been completed as a producer shall be plugged and abandoned without the consent of all parties; provided, however, if all parties do not agree to the abandonment of any well, those wishing to continue its operation shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall then assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, quality, or fitness for use of the equipment and material, all of its interest in the well and its equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. The assignments so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Unit Area to the aggregate of the percentages of participation in the Unit Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Unit Area.

After the assignment, the assignors shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open. Upon request of the assignees, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well.

17. DELAY RENTALS AND SHUT-IN WELL PAYMENTS

Delay rentals and shut-in well payments which may be required under the terms of any lease shall be paid by the party who has subjected such lease to this agreement, at its own expense. Proof of each payment shall be given to Operator at least ten (10) days prior to the rental or shut-in well payment date. Operator shall furnish similar proof to all other parties concerning payments it makes in connection with its leases. Any party may request, and shall be entitled to receive, proper evidence of all such payments. If, through mistake or oversight, any delay rental or shut-in well payment is not paid or is erroneously paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to pay a rental or shut-in well payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, the interests of the parties shall be revised on an acreage basis effective as of the date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in the Unit Area on account of the ownership of the lease which has terminated. In the event the party who failed to pay the rental or the shut-in well payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

- (1) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis, up to the amount of unrecovered costs;
- (2) proceeds, less operating expenses thereafter incurred attributable to the lost interest on an acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which would, in the absence of such lease termination, be attributable to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said portion of the oil and gas to be contributed by the other parties in proportion to their respective interests; and
- (3) any moneys, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the interest lost, for the privilege of participating in the Unit Area or becoming a party to this contract.

Operator shall attempt to notify all parties when a gas well is shut-in or returned to production, but assumes no liability whatsoever for failure to do so.

~~18. PREFERENTIAL RIGHT TO PURCHASE~~

~~Should any party desire to sell all or any part of its interests under this contract, or its rights and interests in the Unit Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all of its assets, or a sale or transfer of its interests to a subsidiary or parent company, or subsidiary of a parent company, or to any company in which any one party owns a majority of the stock.~~

19. SELECTION OF NEW OPERATOR

Should a sale be made by Operator of its rights and interests, the other parties shall have the right within sixty (60) days after the date of such sale, by majority vote in interest, to select a new Operator. If a new Operator is not so selected, the transferee of the present Operator shall assume the duties of and act as Operator. In either case, the retiring Operator shall continue to serve as Operator, and discharge its duties in that capacity under this agreement, until its successor Operator is selected and begins to function, but the present Operator shall not be obligated to continue the performance of its duties for more than 120 days after the sale of its rights and interests has been completed.

20. MAINTENANCE OF UNIT OWNERSHIP

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this contract, and notwithstanding any other provisions to the contrary, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Unit Area and in wells, equipment and production unless such disposition covers either:

- (1) the entire interest of the party in all leases and equipment and production; or
- (2) an equal undivided interest in all leases and equipment and production in the Unit Area.

Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement, and shall be made without prejudice to the rights of the other parties.

If at any time the interest of any party is divided among and owned by four or more co-owners, Operator may, at its discretion, require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interests within the scope of the operations embraced in this contract; however, all such co-owners shall enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Unit Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

21. RESIGNATION OF OPERATOR

Operator may resign from its duties and obligations as Operator at any time upon written notice of not less than ninety (90) days given to all other parties. In this case, all parties to this contract shall select by majority vote in interest, not in numbers, a new Operator who shall assume the responsibilities and duties, and have the rights, prescribed for Operator by this agreement. The retiring Operator shall deliver to its successor all records and information necessary to the discharge by the new Operator of its duties and obligations.

22. LIABILITY OF PARTIES

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Unit Area. Accordingly, the lien granted by each party to Operator in Section 9 is given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render them liable as partners.

23. RENEWAL OR EXTENSION OF LEASES

If any party secures a renewal of any oil and gas lease subject to this contract, each and all of the other parties shall be notified promptly, and shall have the right to participate in the ownership of the renewal lease by paying to the party who acquired it their several proper proportionate shares of the acquisition cost, which shall be in proportion to the interests held at that time by the parties in the Unit Area.

If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the unit area to the aggregate of the percentages of participation in the unit area of all parties participating in the purchase of such renewal lease. Any renewal lease in which less than all the parties elect to participate shall not be subject to this agreement.

Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest therein by the acquiring party.

The provisions of this section shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subject to the provisions of this section.

The provisions in this section shall apply also and in like manner to extensions of oil and gas leases.

24. SURRENDER OF LEASES

The leases covered by this agreement, in so far as they embrace acreage in the Unit Area, shall not be surrendered in whole or in part unless all parties consent.

However, should any party desire to surrender its interest in any lease or in any portion thereof, and other parties not agree or consent, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not desiring to surrender it. Upon such assignment, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the acreage assigned and the operation of any well thereon, and the assigning party shall have no further interest in the lease assigned and its equipment and production. The parties assignee shall pay to the party assignor the reasonable salvage value of the latter's interest in any wells and equipment on the assigned acreage, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment is in favor of more than one party, the assigned interest shall be shared by the parties assignee in the proportions that the interest of each bears to the interest of all parties assignee.

Any assignment or surrender made under this provision shall not reduce or change the assignors' or surrendering parties' interest, as it was immediately before the assignment, in the balance of the Unit Area; and the acreage assigned or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

25. ACREAGE OR CASH CONTRIBUTIONS

If any party receives while this agreement is in force a contribution of cash toward the drilling of a well or any other operation on the Unit Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly execute an assignment of the acreage, without warranty of title, to all parties to this agreement in proportion to their interests in the Unit Area at that time, and such acreage shall become a part of the Unit Area and be governed by all the provisions of this contract. Each party shall promptly notify all other parties of all acreage or money contributions it may obtain in support of any well or any other operation on the Unit Area.

26. PROVISION CONCERNING TAXATION

Each of the parties hereto elects, under the authority of Section 761(a) of the Internal Revenue Code of 1954, to be excluded from the application of all of the provisions of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954. If the income tax laws of the state or states in which the property covered hereby is located contain, or may hereafter contain, provisions similar to those contained in the Subchapter of the Internal Revenue Code of 1954 above referred to under which a similar election is permitted, each of the parties agrees that such election shall be exercised. Each party authorizes and directs the Operator to execute such an election or elections on its behalf and to file the election with the proper governmental office or agency. If requested by the Operator so to do, each party agrees to execute and join in such an election.

Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Operator shall bill all other parties for their proportionate share of, all tax payments in the manner provided in Exhibit "C".

If any tax assessment is considered unreasonable by Operator, it may at its discretion protest such valuation within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. When any such protested valuation shall have been finally determined, Operator shall pay the assessment for the joint account, together with interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C".

27. INSURANCE

At all times while operations are conducted hereunder, Operator shall comply with the Workmen's Compensation Law of the State where the operations are being conducted. Operator shall also carry or provide insurance for the benefit of the joint account of the parties as may be outlined in Exhibit "D" attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Unit Area to comply with the Workmen's Compensation Law of the State where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event Automobile Public Liability Insurance is specified in said Exhibit "D", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for operator's fully owned automotive equipment.

28. CLAIMS AND LAWSUITS

If any party to this contract is sued on an alleged cause of action arising out of operations on the Unit Area, or on an alleged cause of action involving title to any lease or oil and gas interest subjected to this contract, it shall give prompt written notice of the suit to the Operator and all other parties.

The defense of lawsuits shall be under the general direction of a committee of lawyers representing the parties, with Operator's attorney as Chairman. Suits may be settled during litigation only with the joint consent of all parties. No charge shall be made for services performed by the staff attorneys for any of the parties, but otherwise all expenses incurred in the defense of suits, together with the amount paid to discharge any final judgment, shall be considered costs of operation and shall be charged to and paid by all parties in proportion to their then interests in the Unit Area. Attorneys, other than staff attorneys for the parties, shall be employed in lawsuits involving Unit Area operations only with the consent of all parties; if outside counsel is employed, their fees and expenses shall be considered Unit Area expense and shall be paid by Operator and charged to all of the parties in proportion to their then interests in the Unit Area. The provisions of this paragraph shall not be applied in any instance where the loss which may result from the suit is treated as an individual loss rather than a joint loss under prior provisions of this agreement, and all such suits shall be handled by and be the sole responsibility of the party or parties concerned.

Damage claims caused by and arising out of operations on the Unit Area, conducted for the joint account of all parties, shall be handled by Operator and its attorneys, the settlement of claims of this kind shall be within the discretion of Operator so long as the amount paid in settlement of any one claim does not exceed one thousand (\$1000.00) dollars and, if settled, the sums paid in settlement shall be charged as expense to and be paid by all parties in proportion to their then interests in the Unit Area.

29. FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all possible diligence to remove the force majeure as quickly as possible.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure" as here employed shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental restraint, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

30. NOTICES

All notices authorized or required between the parties, and required by any of the provisions of this agreement, shall, unless otherwise specifically provided, be given in writing by United States mail or Western Union Telegram, postage or charges prepaid, and addressed to the party to whom the notice is given at the

addresses listed on Exhibit "A". The originating notice to be given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the United States mail or with the Western Union Telegraph Company, with postage or charges prepaid. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties.

31. OTHER CONDITIONS, IF ANY, ARE:

31-A If any party hereto hereafter shall create any overriding Royalty, Production payment, or other burden against its working interest production and if any party or parties shall conduct non-consent operations pursuant to any provision of this agreement and, as a result, become entitled to receive the working interest production otherwise belonging to the nonparticipating party, the party or parties entitled to receive the working interest production of the non-participating party shall receive such production free and clear of burdens against such production which may have been created by subsequent to this agreement. In this regard, any such interest which may have been created subsequent to this agreement shall ipso facto terminate and vest in the consenting parties.

31-B Each party hereto owning an undivided interest in the Unit Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest therein.

31-C A party may become a party to this agreement by signing the original of this instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof. The signing of any such instrument shall have the same effect as if all the parties had signed the same instrument.

31-D In connection with any and all of its operations under or by virtue of this agreement, Operator shall fully comply with paragraphs (1) through (7) in Section 202 of Executive Order 11246, issued September 24, 1965, and Rules, Regulations and relevant orders of the Secretary of Labor thereunder, which are hereby made a part of this agreement as fully as though copied herein.

31-E As to any contract executed by Operator with an independent contractor covering operations or services to be performed on properties covered by this operating agreement, Operator shall require that any indemnification provision contained therein shall extend to and inure to the benefit of non-operator in the same manner as Operator.

This agreement may be signed in counterpart, and shall be binding upon the parties and upon their heirs, successors, representatives and assigns.

"OPERATOR"
DOYLE HARTMAN

By Doyle Hartman

"NON-OPERATORS"
J. A. DAVIDSON

By _____

JERRY L. HOOPER

By _____

MAX COLL, II

By _____

CATHERINE W. BLEEKER

By _____

CATHERINE R. EDSON

By _____

BARRY D. KLINGSMITH

By _____

EXHIBIT "A"

Attached to and made a part of the Operating Agreement dated February 3, 1978, and covering the SE/4 Section 8, T-19-S, R-37-E, NMPM, Lea County, New Mexico between DOYLE HARTMAN, as Operator, and J. A. Davidson, J. L. Harper, et al as Non-Operators.

1. a) Lands Subject to Agreement:

T-19-S, R-37-E NMPM

Section 8: SE/4 (160 acres)
Lea County, New Mexico

b) Depth Limitations:

Surface to 4100 feet

c) Drilling Unit for Initial Test:

T-19-S, R-37-E, NMPM

SE/4 Section 8 (160 acres)
Lea County, New Mexico

d) Area of Interest:

T-19-S, R-37-E, NMPM

Section 8: SE/4
Lea County, New Mexico

II. Percentages of Interest and Addresses of Parties:

Doyle Hartman
508 C & K Petroleum Bldg.
Midland, Texas 79701
(915) 684-4011

W.I.%
84.27084

J. A. Davidson
Box 494
Midland, Texas 79701
(915) 682-6482

9.37500

Jerry L. Hooper
Box 2068
Midland, Texas 79702
(915) 683-4724

2.08333

Max Coll, II
801 Tijeras, NW
Albuquerque, New Mexico 87102
(505) 842-6060 or 988-4809

2.08333

Catherine W. Bleeker
909 Tijeras, NW
Albuquerque, New Mexico 87102

0.78125

Catherine R. Edson
1525 E. Oakadia Dr.
Clearwater, Florida 33516
(813) 531-6006

W.I.%

0.78125

Barry D. Klingsmith
No. 14 La Mesa
Texarkana, Texas 75501
(214) 832-1275

0.62500

100.00000%

EXHIBIT "B"

There is no Exhibit "B"

EXHIBIT " C "

Attached to and made a part of the Operating Agreement dated February 3, 1978 and covering the SE/4 Section 8, T-19-S, R-34-E, NMPM, Lea County, New Mexico between DOYLE HARTMAN, as Operator and J. A. DAVIDSON, J. L. HOOPER, et al as Non-Operators.

ACCOUNTING PROCEDURE JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of twelve percent (12%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

5. Audits

A. Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

2. Labor

- A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.
- (2) Salaries of First Level Supervisors in the field.
- (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.
- B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
- C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.
- D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

3. Employee Benefits

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%).

4. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

5. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

- A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.
- B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.
- C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of \$200 or less excluding accessorial charges.

6. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

7. Equipment and Facilities Furnished by Operator

- A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.
- B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

9. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

10. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

- i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

- (☒) Fixed Rate Basis, Paragraph 1A, or
() Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

- ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall () shall not (☒) be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

- (1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 1500.00
Producing Well Rate \$ 200.00

- (2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

- [1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
[2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
[3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

- [1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
[2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
[3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
[4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
[5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

B. Overhead - Percentage Basis

(1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (%) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

(b) Operating

_____ Percent (%) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

(2) Application of Overhead - Percentage Basis shall be as follows:

For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating.

~~2. Overhead - Major Construction~~

~~To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of \$ _____:~~

- ~~A. _____ % of total costs if such costs are more than \$ _____ but less than \$ _____; plus
B. _____ % of total costs in excess of \$ _____ but less than \$1,000,000; plus
C. _____ % of total costs in excess of \$1,000,000.~~

~~Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells shall be excluded.~~

3. Amendment of Rates

The Overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

A. New Material (Condition A)

- (1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.
- (2) Line Pipe
 - (a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.
 - (b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.
- (3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

- (a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.

(2) Material moved from the Joint Property

- (a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or

- (b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material (Condition C and D)

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

- (1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.
- (2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special Inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

4. Expense of Conducting Periodic Inventories

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

EXHIBIT "D"

ATTACHED TO AND MADE PART OF Operating Agreement dated February 3, 1978, and covering the SE/4 Section 8, T-19-S, R-37-E, NMPM, Lea County, New Mexico, between DOYLE HARTMAN, as Operator, and R. H. HANNIFIN, D. L. HANNIFIN, et al, as Non-Operators.

Operator, at all times while operations are conducted hereunder, shall carry, and require its contractors to carry insurance to indemnify, protect and hold the parties hereto harmless as follows:

1. Insurance which shall comply with the Workmen's Compensation, Employers Liability and Occupational Disease laws of the State in which operations hereunder are conducted;
2. Comprehensive general liability insurance with limits of not less than:
 - A. Bodily Injury:
\$100,000 per person and \$300,000 for each occurrence and,
 - B. Property Damage:
\$100,000 for each occurrence and \$300,000 in the aggregate.
3. Automobile liability insurance with limits of not less than:
 - A. \$100,000 per person and \$300,000 per accident pertaining to bodily injury to, or death of persons; and
 - B. \$100,000 per accident pertaining to loss of, or damage to, property.

Upon successful completion of first well, all premiums paid on such insurance shall be charged to the joint account. Except by mutual consent of the parties, no other insurance shall be maintained for the joint account, and all losses not covered by such insurance shall be charged to the joint account.

Operator shall not be liable to Non-Operator(s) for loss suffered on account of the insufficiency of insurance carried, or of the insurer with whom carried, nor shall Operator be liable to Non-Operator(s) for any loss accruing by reason of Operator's inability to provide or maintain the insurance above mentioned; provided, however, that if at any time during the life of this agreement Operator is unable to obtain or maintain such insurance, Operator shall promptly notify Non-Operator(s) in writing of such fact.

WELL SCHEMATIC

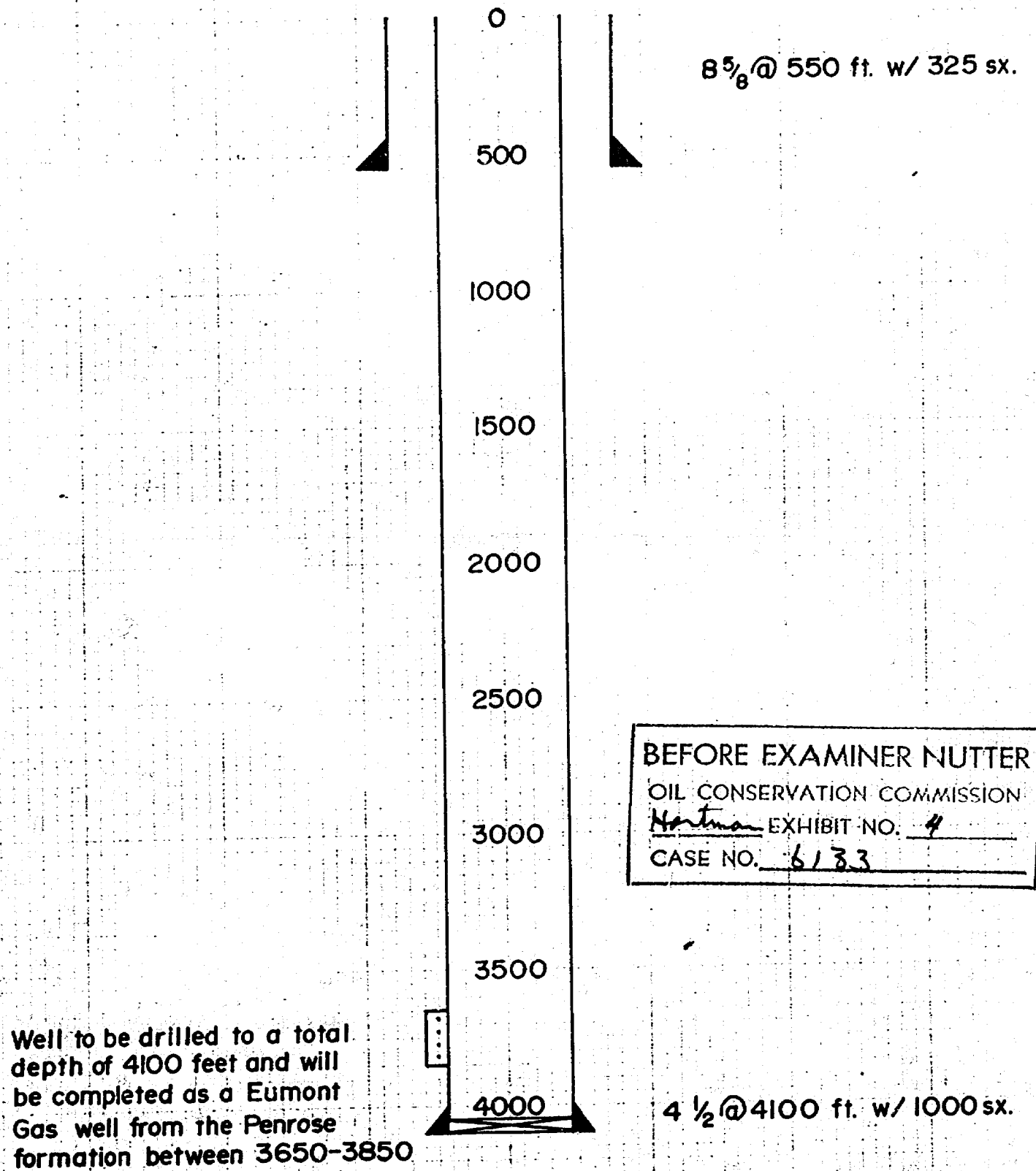
Doyle Hartman

R. H. Houston Jr., No. 1

SW/4 SE/4 Sec. 8

T-19-S, R-37-E

Lea County, New Mexico



AUTHORITY FOR EXPENDITURE

DETAIL WELL ESTIMATE

LEASE NO. _____ APPR. NO. _____
 LEASE NAME R. H. Houston, Jr. WELL NO. 1 W. I. 100%
 COUNTY Lea STATE New Mexico FIELD Eumont
 LOCATION: SW/4 SE/4 Sec. 8, T-19-S, R-37-E

DRILLING INTANGIBLES:				PRODUCER	DRY HOLE
1.	Drilling Cost	<u>4100</u>	Feet @ <u>12.00</u> Per Foot	<u>49,200</u>	<u>49,200</u>
2.	Day Work	<u>1 1/2 days</u>	<u>3000/day</u>	<u>4,500</u>	<u>4,500</u>
3.	Coring Service		Well Surveys <u>5800</u>	<u>5,800</u>	<u>5,800</u>
4.	Testing				
5.	Fuel		Water <u>6000</u>	<u>6,000</u>	<u>6,000</u>
6.	Mud	<u>6000</u>	Mud Logging	<u>6,000</u>	<u>6,000</u>
7.	Cementing Service		Cement Floats	<u>12,000</u>	<u>3,000</u>
8.	Company Labor		Contract Labor <u>500</u>	<u>500</u>	<u>500</u>
9.	Digging Pits		Filling Pits <u>800</u>	<u>800</u>	<u>800</u>
10.	Roads & Bridges		Dredging & Grading	<u>6,500</u>	<u>6,500</u>
11.	Acidizing	<u>4000</u>	Fracturing <u>30,000</u> Perforating <u>1600</u>	<u>35,600</u>	- - -
12.	Plugging			- - -	<u>2,000</u>
13.	Trucking Cost			<u>600</u>	<u>300</u>
14.	Development Superintendence		days @ <u>\$275</u> /day	<u>5,500</u>	<u>2,700</u>
15.	Rental Equipment			<u>2,000</u>	<u>1,000</u>
16.	Swabbing and Testing	<u>6 days @ 700/day</u>		<u>4,200</u>	- - -
17.	Other Costs	<u>Abstracts and Title Opinion</u>		<u>3,000</u>	<u>3,000</u>
		<u>Damages</u>		<u>2,000</u>	<u>2,000</u>
		<u>Other</u>		<u>2,100</u>	<u>2,100</u>
Total Intangibles				<u>146,300</u>	<u>95,400</u>

WELL EQUIPMENT:

18.	Casing	<u>600</u>	Ft. of <u>8 5/8</u>	@ <u>6.00</u>	Per Ft.		
		<u>4100</u>	Ft. of <u>4 1/2</u>	@ <u>3.40</u>	Per Ft.		
			Ft. of	@	Per Ft.	<u>17,600</u>	<u>3,600</u>
19.	Tubing	<u>3900</u>	Ft. of <u>2 3/8</u>	@ <u>2.18</u>	Per Ft.	<u>8,500</u>	- - -
20.	Casing Head					<u>900</u>	<u>500</u>
21.	Xmas Tree or Pumping Connections					<u>2,700</u>	- - -
22.	Pumping Unit						
23.	Engine						
24.	Sucker Rods						
25.	Pump						
26.	Tank Battery						
27.	Separator or Dehydration Equip.					<u>2,500</u>	- - -
28.	Metering Equipment						
29.	Flow Lines						
30.	Other	<u>Produced water tank</u>				<u>3,000</u>	- - -
Total Tangibles						<u>35,200</u>	<u>4,100</u>
TOTAL COST OF WELL						<u>181,500</u>	<u>99,500</u>

REMARKS: Above cost estimate based on a Eumont gas completion.

BEFORE EXAMINER NOTED	
OIL CONSERVATION COM.	
<u>Hartman</u> EXHIBIT NO. <u>5</u>	
CASE NO. <u>6133</u>	

Originated by Doyle Hartman Title Operator Date 1-25-78
 Approved _____ Title _____ Date _____

Max Coll

January 9, 1978

Mr. Jason Kellahin
Attorney at Law
P.O. Box 1769
Santa Fe, N.M. 87501

Re: OCC Docket 3-78
Case 6133

Dear Jason:

I talked with Mr. Buddy Davidson about Mr. Doyle Hartman's proposed eumont test in SE/4 Section 8 T 19 S, R 37 E, Lea County.

I will join and pay my fractional share of the well cost, subject of course, to entry of an operating agreement with Mr. Hartman. Buddy advised me that an operating agreement would be circulated soon.

I have no objection to Mr. Hartman as operator nor to risk charges on non-consenting interests.

If you need anything further, please let me know.

Sincerely,

Max Coll

MC/jw
cc: R. Stamets ✓

Dockets Nos. 4-78 and 5-78 are tentatively set for hearing on February 8 and 22, 1978. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - WEDNESDAY - JANUARY 11, 1978

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

CASE 5958: (DE NOVO)

Application of Continental Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Gonzales-Mesaverde and Otero-Chacra production in the wellbores of its AXI Apache "J" Wells Nos. 18, 23, and 24 located in Units A, D, and P of Section 8; Nos. 19 and 22 in Units D and L of Section 6; Nos. 20 and 21, in Units C and I of Section 5; and No. 25 in Unit A of Section 7, all in Township 25 North, Range 5 West, Rio Arriba County, New Mexico.

Upon application of Continental Oil Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6026: (DE NOVO)

Application of William G. Rabe and Alice P. Rabe for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 160-acre non-standard gas proration unit comprising the NE/4 of Section 25, Township 27 North, Range 8 West, Blanco-Mesaverde Pool, San Juan County, New Mexico.

Upon application of William G. Rabe and Alice P. Rabe this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6027: (DE NOVO)

Application of Great Lakes Chemical Corporation for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 160-acre non-standard gas proration unit comprising the SE/4 of Section 25, Township 27 North, Range 8 West, Blanco-Mesaverde Pool, San Juan County, New Mexico.

Upon application of Great Lakes Chemical Corporation this case will be heard De Novo pursuant to the provisions of Rule 1220.

DOCKET: EXAMINER HEARING - WEDNESDAY - JANUARY 18, 1978

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. Nutter, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for February, 1978, from fifteen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.
- (2) Consideration of the allowable production of gas for February, 1978, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 6123: Application of Stevens Oil Company for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its O'Brien "F" Well No. 1 located 1650 feet from the South line and 330 feet from the East line of Section 35, Township 8 South, Range 28 East, Twin Lakes-San Andres Associated Pool, Chaves County, New Mexico, the SE/4 of said Section 35 to be dedicated to the well.

CASE 6124: Application of HNG Oil Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for its Shoetar Ranch Unit Area comprising 961 acres, more or less, of State lands in Townships 16 and 17 South, Range 35 East, Lea County, New Mexico.

- CASE 6125: Application of Shell Oil Company for an exception to Rule 202(B), San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Commission Rule No. 202(B), San Juan County, New Mexico, to permit the temporary abandonment of certain wells on its Carson Unit Area in Township 25 North, Ranges 11 and 12 West, Bisti-Lower Gallup Oil Pool, San Juan County, New Mexico. Applicant further seeks that any further extensions be administratively approved.
- CASE 6126: Application of Yates Petroleum Corporation for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the W/2 of Section 21, Township 17 South, Range 26 East, Eddy County, New Mexico, to be dedicated to its Siegenthaler IS Well No. 2 to be drilled at an unorthodox location 1460 feet from the South line and 1980 feet from the West line of said Section 21. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. 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 6127: Application of Southland Royalty Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Aztec Palmillo State Com Well No. 1 located in Unit G of Section 32, Township 18 South, Range 29 East, to produce oil from the Wolfcamp and gas from the Morrow formations.
- CASE 6128: Application of Champlin Petroleum Company for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its State "36" Well No. 1 located 1980 feet from the South line and 660 feet from the West line of Section 36, Township 21 South, Range 27 East, East Carlsbad Gas Field, Eddy County, New Mexico, the S/2 of said Section 36 to be dedicated to the well.
- CASE 6129: Application of King Resources Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for its Gardner Draw Unit Area comprising 19,840 acres, more or less, of Federal, State, and fee lands in Townships 19 and 20 South, Ranges 20 and 21 East, Eddy County, New Mexico.
- CASE 6130: Application of Continental Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Wantz Abo and Wantz Granite Wash production in the wellbore of its Lockhart B-35 Well No. 5 located in Unit H of Section 35, Township 21 South, Range 37 East, Lea County, New Mexico.
- CASE 6131: Application of Continental Oil Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project on its Southeast Monument Unit Area, Warren McKee Pool, Lea County, New Mexico, by the injection of water into the McKee formation through 8 wells. Applicant further seeks the establishment of an administrative procedure for adding or substituting injection wells.
- CASE 6132: Application of Continental Oil Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project on its Warren Unit Area, Warren McKee Pool, Lea County, New Mexico, by the injection of water into the McKee formation through 4 wells. Applicant further seeks the establishment of an administrative procedure for adding and substituting injection wells.
- CASE 6133: Application of Doyle Hartman for compulsory pooling and a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the SE/4 of Section 8, Township 19 South, Range 37 East, Eumont Gas Pool, Lea County, New Mexico, to form a non-standard unit 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 6134: Application of Burleson & Huff for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Queen formation underlying the SE/4 NW/4 of Section 22, Township 25 South, Range 37 East, Langlie Mattix Pool, Lea 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 6119: (Continued from January 4, 1978, Examiner Hearing)

Application of Caulkins Oil Company for a dual completion and downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Pictured Cliffs, Chacra and Mesaverde production in the wellbore of its Breech Well No. 228, to be located in Unit A of Section 18, Township 26 North, Range 6 West, Rio Arriba County, New Mexico, and to dually complete the commingled formations and the Dakota formation in said well.

CASE 6120: (Continued from January 4, 1978, Examiner Hearing)

Application of Caulkins Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Chacra and Mesaverde production in the wellbores of its Breech E Wells Nos. 109 in Unit M of Section 3 and 104 in Unit P of Section 5 and its Breech A Wells Nos. 627 in Unit B of Section 8, 677 and 679 in Units L and J, respectively, of Section 9, and 207 in Unit A of Section 10, all in Township 26 North, Range 6 West, Rio Arriba County, New Mexico.

CASE 6121: (Continued from January 4, 1978, Examiner Hearing)

Application of Caulkins Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Pictured Cliffs and Chacra production in Sections 3, 4, 5, 7 thru 11, 13 thru 18, 21, 22, 24, and 25 in Township 26 North, Range 6 West, and Sections 13, 14, 23, and 24, Township 26 North, Range 7 West, Rio Arriba County, New Mexico.

CASE 6122: (Continued from January 4, 1978, Examiner Hearing)

Application of Caulkins Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Mesaverde and Dakota production in the wellbores of its Breech E Wells Nos. 64 and 58 located in Unit A of Section 1 and Section 3, its State A Well No. 62 in Unit A of Section 2, and its Breech D Well No. 341 located in Unit B of Section 21, all in Township 26 North, Range 6 West; and its Breech F Wells Nos. 4 and 45 located in Unit A of Section 33, Unit M of Section 35, both in Township 27 North, Range 6 West, Rio Arriba County, New Mexico.

CASE 6096: Continued from January 4, 1978, Examiner Hearing

Application of Texas Oil & Gas Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the S/2 of Section 14, Township 21 South, Range 34 East, Lea County, New Mexico, to be dedicated to applicant's South Wilson State Well No. 1 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 6135: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the extension of the Wagon Mound Dakota-Morrison Gas Pool in Township 21 North, Range 21 East, Mora County, New Mexico.

CASE 6136: In the matter of the application of the Oil Conservation Commission of New Mexico upon its own motion for an order for the creation and extension of certain pools in Lea, Chaves, and Roosevelt Counties, New Mexico.

(a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for San Andres production and designated as the Caprock-San Andres Pool. The discovery well is the Elk Oil Company State D.J. Well No. 1 located in Unit H of Section 2, Township 12 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 12 SOUTH, RANGE 32 EAST, NMPM
Section 2: NE/4

(b) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Yates production and designated as the West Scarborough-Yates Pool. The discovery well is the Clifford, Mitchell and Wisenbaker Horse Back Well No. 2 located in Unit G of Section 33, Township 26 South, Range 36 East, NMPM. Said pool would comprise:

TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM
Section 33: NE/4

(c) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the Sombrero-Morrow Gas Pool. The discovery well is the Phillips Petroleum Company Michel Well No. 1 located in Unit C of Section 13, Township 16 South, Range 33 East, NMFM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMFM
Section 13: NW/4

(d) CREATE a new pool in Chaves County, New Mexico, classified as a gas pool for Morrow production and designated as the East Vest Ranch-Morrow Gas Pool. The discovery well is the Cockrell Corporation Occidental Federal Well No. 1 located in Unit A of Section 22, Township 14 South, Range 30 East, NMFM. Said pool would comprise:

TOWNSHIP 14 SOUTH, RANGE 30 EAST, NMFM
Section 22: N/2

(e) EXTEND the Blinebry Oil and Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMFM
Section 23: SW/4
Section 26: NW/4

(f) EXTEND the Bluitt-Wolfcamp Gas Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 37 EAST, NMFM
Section 10: NE/4
Section 11: NW/4

(g) EXTEND the Brinninstool-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 33 EAST, NMFM
Section 21: W/2

(h) EXTEND the South Brunson-Granite Wash Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 38 EAST, NMFM
Section 31: SW/4

(i) EXTEND the West Kemnitz-Lower Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMFM
Section 29: S/2
Section 30: SE/4

(j) EXTEND the Querecho Plains-Queen Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMFM
Section 27: NW/4

(k) EXTEND the Tom Tom-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANGE 31 EAST, NMFM
Section 23: SW/4
Section 26: W/2
Section 33: SE/4

(l) EXTEND the Townsend-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 35 EAST, NMFM
Section 27: SE/4

(m) EXTEND the North Vacuum-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMFM
Section 15: NW/4

(n) EXTEND the Warren-Tubb Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMFM
Section 23: SW/4
Section 26: NW/4

(o) EXTEND the West Warren-Blinebry Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMFM
Section 20: SW/4
Section 29: NW/4

Dockets Nos. 4-78 and 5-78 are tentatively set for hearing on February 8 and 22, 1978. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - WEDNESDAY - JANUARY 11, 1978

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

CASE 5958: (DE NOVO)

Application of Continental Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Gonzales Mesaverde and Otero-Chacara production in the wellbores of its AXI Apache "J" Wells Nos. 18, 23, and 24 located in Units A, D, and P of Section 8; Nos. 19 and 22 in Units D and L of Section 6; Nos. 20 and 21, in Units C and I of Section 5; and No. 25 in Unit A of Section 7, all in Township 25 North, Range 5 West, Rio Arriba County, New Mexico.

Upon application of Continental Oil Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6026: (DE NOVO)

Application of William G. Rabe and Alice P. Rabe for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 160-acre non-standard gas proration unit comprising the NE/4 of Section 25, Township 27 North, Range 8 West, Blanco-Mesaverde Pool, San Juan County, New Mexico.

Upon application of William G. Rabe and Alice P. Rabe this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6027: (DE NOVO)

Application of Great Lakes Chemical Corporation for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 160-acre non-standard gas proration unit comprising the SE/4 of Section 25, Township 27 North, Range 8 West, Blanco-Mesaverde Pool, San Juan County, New Mexico.

Upon application of Great Lakes Chemical Corporation this case will be heard De Novo pursuant to the provisions of Rule 1220.

DOCKET: EXAMINER HEARING - WEDNESDAY - JANUARY 18, 1978

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. Nutter, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for February, 1978, from fifteen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.
- (2) Consideration of the allowable production of gas for February, 1978, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 6123: Application of Stevens Oil Company for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its O'Brien "F" Well No. 1 located 1650 feet from the South line and 330 feet from the East line of Section 35, Township 8 South, Range 28 East, Twin Lakes-San Andres Associated Pool, Chaves County, New Mexico, the SE/4 of said Section 35 to be dedicated to the well.

CASE 6124: Application of HNG Oil Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for its Shoetar Ranch Unit Area comprising 961 acres, more or less, of State lands in Townships 16 and 17 South, Range 35 East, Lea County, New Mexico.

- CASE 6125: Application of Shell Oil Company for an exception to Rule 202(B), San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Commission Rule No. 202(B), San Juan County, New Mexico, to permit the temporary abandonment of certain wells on its Carson Unit Area in Township 25 North, Ranges 11 and 12 West, Bisti-Lower Gallup Oil Pool, San Juan County, New Mexico. Applicant further seeks that any further extensions be administratively approved.
- CASE 6126: Application of Yates Petroleum Corporation for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the W/2 of Section 21, Township 17 South, Range 26 East, Eddy County, New Mexico, to be dedicated to its Siegenthaler IS Well No. 2 to be drilled at an unorthodox location 1460 feet from the South line and 1920 feet from the West line of said Section 21. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. 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 6127: Application of Southland Royalty Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Aztec Palmillo State Com Well No. 1 located in Unit G of Section 32, Township 18 South, Range 29 East, to produce oil from the Wolfcamp and gas from the Morrow formations.
- CASE 6128: Application of Champlin Petroleum Company for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its State "36" Well No. 1 located 1980 feet from the South line and 660 feet from the West line of Section 36, Township 21 South, Range 27 East, East Carlsbad Gas Field, Eddy County, New Mexico, the S/2 of said Section 36 to be dedicated to the well.
- CASE 6129: Application of King Resources Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for its Gardner Draw Unit Area comprising 19,840 acres, more or less, of Federal, State, and fee lands in Townships 19 and 20 South, Ranges 20 and 21 East, Eddy County, New Mexico.
- CASE 6130: Application of Continental Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Wantz Abo and Wantz Granite Wash production in the wellbore of its Lockhart B-35 Well No. 5 located in Unit H of Section 35, Township 21 South, Range 37 East, Lea County, New Mexico.
- CASE 6131: Application of Continental Oil Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project on its Southeast Monument Unit Area, Warren McKee Pool, Lea County, New Mexico, by the injection of water into the McKee formation through 8 wells. Applicant further seeks the establishment of an administrative procedure for adding or substituting injection wells.
- CASE 6132: Application of Continental Oil Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project on its Warren Unit Area, Warren McKee Pool, Lea County, New Mexico, by the injection of water into the McKee formation through 4 wells. Applicant further seeks the establishment of an administrative procedure for adding and substituting injection wells.
- ✓ CASE 6133: Application of Doyle Hartman for compulsory pooling and a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the SE/4 of Section 8, Township 19 South, Range 37 East, Eumont Gas Pool, Lea County, New Mexico, to form a non-standard unit 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 6134: Application of Burleson & Huff for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Queen formation underlying the SE/4 NW/4 of Section 22, Township 25 South, Range 37 East, Langlie Mattix Pool, Lea 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 6119: (Continued from January 4, 1978, Examiner Hearing)

Application of Caulkins Oil Company for a dual completion and downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Pictured Cliffs, Chacra and Mesaverde production in the wellbore of its Breech Well No. 228, to be located in Unit A of Section 18, Township 26 North, Range 6 West, Rio Arriba County, New Mexico, and to dually complete the commingled formations and the Dakota formation in said well.

CASE 6120: (Continued from January 4, 1978, Examiner Hearing)

Application of Caulkins Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Chacra and Mesaverde production in the wellbores of its Breech E Wells Nos. 109 in Unit M of Section 3 and 104 in Unit P of Section 5 and its Breech A Wells Nos. 627 in Unit B of Section 8, 677 and 679 in Units L and J, respectively, of Section 9, and 207 in Unit A of Section 10, all in Township 26 North, Range 6 West, Rio Arriba County, New Mexico.

CASE 6121: (Continued from January 4, 1978, Examiner Hearing)

Application of Caulkins Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Pictured Cliffs and Chacra production in Sections 3, 4, 5, 7 thru 11, 13 thru 18, 21, 22, 24, and 25 in Township 26 North, Range 6 West, and Sections 13, 14, 23, and 24, Township 26 North, Range 7 West, Rio Arriba County, New Mexico.

CASE 6122: (Continued from January 4, 1978, Examiner Hearing)

Application of Caulkins Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Mesaverde and Dakota production in the wellbores of its Breech E Wells Nos. 64 and 58 located in Unit A of Section 1 and Section 3, its State A Well No. 62 in Unit A of Section 2, and its Breech D Well No. 341 located in Unit B of Section 21, all in Township 26 North, Range 6 West; and its Breech F Wells Nos. 4 and 45 located in Unit A of Section 33, Unit M of Section 35, both in Township 27 North, Range 6 West, Rio Arriba County, New Mexico.

CASE 6096: Continued from January 4, 1978, Examiner Hearing

Application of Texas Oil & Gas Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the S/2 of Section 14, Township 21 South, Range 34 East, Lea County, New Mexico, to be dedicated to applicant's South Wilson State Well No. 1 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 6135: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the extension of the Wagon Mound Dakota-Morrison Gas Pool in Township 21 North, Range 21 East, Mora County, New Mexico.

CASE 6136: In the matter of the application of the Oil Conservation Commission of New Mexico upon its own motion for an order for the creation and extension of certain pools in Lea, Chaves, and Roosevelt Counties, New Mexico.

(a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for San Andres production and designated as the Caprock-San Andres Pool. The discovery well is the Elk Oil Company State D.J. Well No. 1 located in Unit H of Section 2, Township 12 South, Range 22 East, NMPM. Said pool would comprise:

TOWNSHIP 12 SOUTH, RANGE 32 EAST, NMPM
Section 2: NE/4

(b) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Yates production and designated as the West Scarborough-Yates Pool. The discovery well is the Gifford, Mitchell and Wisenbaker Horse Back Well No. 2 located in Unit G of Section 33, Township 26 South, Range 36 East, NMPM. Said pool would comprise:

TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM
Section 33: NE/4

(c) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the Sombrero-Morrow Gas Pool. The discovery well is the Phillips Petroleum Company Michel Well No. 1 located in Unit C of Section 13, Township 16 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPM
Section 13: NW/4

(d) CREATE a new pool in Chaves County, New Mexico, classified as a gas pool for Morrow production and designated as the East Vest Ranch-Morrow Gas Pool. The discovery well is the Cockrell Corporation Occidental Federal Well No. 1 located in Unit A of Section 22, Township 14 South, Range 30 East, NMPM. Said pool would comprise:

TOWNSHIP 14 SOUTH, RANGE 30 EAST, NMPM
Section 22: N/2

(e) EXTEND the Blinebry Oil and Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 23: SW/4
Section 26: NW/4

(f) EXTEND the Bluit-Wolfcamp Gas Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 37 EAST, NMPM
Section 10: NE/4
Section 11: NW/4

(g) EXTEND the Brinninstool-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 33 EAST, NMPM
Section 21: W/2

(h) EXTEND the South Brunson-Granite Wash Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 38 EAST, NMPM
Section 31: SW/4

(i) EXTEND the West Kemnitz-Lower Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPM
Section 29: S/2
Section 30: SE/4

(j) EXTEND the Querecho Plains-Queen Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM
Section 27: NW/4

(k) EXTEND the Tom Tom-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANGE 31 EAST, NMPM
Section 23: SW/4
Section 26: W/2
Section 33: SE/4

(l) EXTEND the Townsend-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 35 EAST, NMPM
Section 27: SE/4

(m) EXTEND the North Vacuum-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM
Section 15: NW/4

(n) EXTEND the Warren-Tubb Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 23: SW/4
Section 26: NW/4

(o) EXTEND the West Warren-Blinebry Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 20: SW/4
Section 29: NW/4

Dockets Nos. 7-78 and 9-78 are tentatively set for hearing on February 22 and March 8, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - FEBRUARY 8, 1978

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

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

- CASE 6137: Application of Amoco Production Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Nellis Federal Well No. 3 to be located 1980 feet from the North line and 660 feet from the West line of Section 8, Township 19 South, Range 33 East, West Tonto-Pennsylvanian Gas Pool, Lea County, New Mexico, the N/2 of said Section 8 to be dedicated to the well.
- CASE 6138: Application of Amoco Production Company for a non-standard proration unit, simultaneous dedication, and an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 480-acre non-standard gas proration unit comprising the E/2 and NW/4 of Section 24, Township 20 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its Gillully Federal Gas Com Wells Nos. 4, 7 and 15 located in Units B, O, and E, respectively, of Section 24. Applicant also seeks approval for the unorthodox location of said Well No. 15 located 1650 feet from the North line and 990 feet from the West line of said Section 24.
- CASE 6139: Application of Petro-Lewis Corporation for an unorthodox oil well location, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Boling Federal Well No. 8-22 to be drilled at a point 990 feet from the North line and 2160 feet from the West line of Section 22, Township 19 North, Range 3 West, Southwest Media-Entrada Oil Pool, Sandoval County, New Mexico.
- CASE 6140: Application of Burleson & Huff for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from 3,000 feet below the surface to the base of the Queen formation underlying the SE/4 NW/4 of Section 21, Township 25 South, Range 37 East, Langlie-Mattix Pool, Lea 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 6141: Application of Paul Slayton for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Seven Rivers formation thru the open-hole interval from 528 feet to 547 feet in his Hastie Well No. 7 located in Unit L of Section 18, Township 17 South, Range 28 East, Empire Field, Eddy County, New Mexico.
- CASE 6142: Application of Atlantic Richfield Company for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the E/2 of Section 29, Township 24 North, Range 3 West, Rio Arriba 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 6143: Application of Atlantic Richfield Company for compulsory pooling, Rio Arriba 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 33, Township 24 North, Range 3 West, Rio Arriba 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 6144: Application of Southland Royalty Company for two unorthodox locations and two non-standard gas proration units, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for two 120-acre non-standard gas proration units comprising the S/2 SE/4 of Section 10 and the SW/4 SW/4 of Section 11, and comprising the SE/4 SW/4 and the S/2 SE/4 of Section 11, all in Township 29 North, Range 11 West, Fulcher Kutz-Pictured Cliffs Pool, San Juan County, New Mexico, each of said units to be dedicated to a well drilled at an unorthodox location thereon.

- CASE 6145: Application of Jerome P. McHugh for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Gavilan-Pictured Cliffs and Blanco-Mesaverde production within the wellbore of his June Well No. 1 located in Unit B of Section 28, Township 28 North, Range 3 West, Rio Arriba County, New Mexico.
- CASE 6146: Application of Jerome P. McHugh for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Tapacito-Gallup and Basin-Dakota production within the wellbore of his Jicarilla Well No. 5 located in Unit D of Section 29, Township 26 North, Range 4 West, Rio Arriba County, New Mexico.
- CASE 6147: Application of Dugan Production Corporation for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Undesignated Greenhorn, Bisti-Lower Gallup, and Basin Dakota production within the wellbore of its Big 8 Well No. 1 located in Unit L of Section 8, Township 24 North, Range 9 West, San Juan County, New Mexico.
- CASE 6148: Application of Coquina Oil Corporation for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Vivian Well No. 1 located in Unit F of Section 30, Township 22 South, Range 38 East, Lea County, New Mexico, in such a manner as to produce oil from the Drinkard and Granite Wash formations thru the casing-tubing annulus and the tubing, respectively.

CASE 6134: (Readvertised)

Application of Burleson & Huff for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface of the ground to the base of the Queen formation underlying the SE/4 NW/4 of Section 22, Township 25 South, Range 37 East, Lea County, New Mexico, to form a 40-acre Langlie Mattix oil proration unit or underlying the N/2 NE/4, NE/4 NW/4, and SE/4 NW/4 of said Section 22 to form a non-standard 160-acre Jalmat gas proration unit. 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 6096: (Continued from January 18, 1978 Examiner Hearing)

Application of Texas Oil & Gas Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the S/2 of Section 14, Township 21 South, Range 34 East, Lea County, New Mexico, to be dedicated to applicant's South Wilson State Well No. 1 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 6133: (Continued from January 18, 1978 Examiner Hearing)

Application of Doyle Hartman for compulsory pooling and a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the SE/4 of Section 8, Township 19 South, Range 37 East, Eumont Gas Pool, Lea County, New Mexico, to form a non-standard unit 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.

Docket No. 5-78

DOCKET: EXAMINER HEARING - WEDNESDAY - FEBRUARY 15, 1978

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. Nutter, Alternate Examiner:

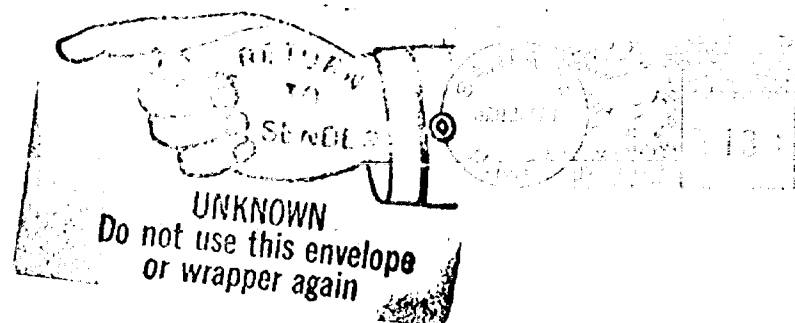
- ALLOWABLE:
- (1) Consideration of the allowable production of gas for March, 1978, from fifteen prorated pools in Lea, Eddy and Chaves Counties, New Mexico.
 - (2) Consideration of the allowable production of gas for March, 1978, from four prorated pools in San Juan, Rio Arriba and Sandoval Counties, New Mexico.
 - (3) Consideration of purchaser's nominations for the one year period beginning April 1, 1978, for both of the above areas.

State of New Mexico
Oil Conservation Commission

P. O. BOX 2098

SANTA FE

87501



Catherine W. Bleeker

~~934 Yale Court~~

~~Sarasota, Florida~~

RETURN TO SENDER

NO SUCH PERSON HERE —

State of New Mexico
Oil Conservation Commission

P. O. BOX 2088
SAN JUAN
P. 9901

CONSERVATION IS
EVERYONES JOB

MOVED, LEFT NO ADDRESS

not here
Catherine R. Edwon
168 Ramona Ave.
Pacifica, California 94144

State of New Mexico
Oil Conservation Commission

P. O. BOX 2088
SANTA FE
87501

Max Coll III
801 Tijeras N.W.
Albuquerque, New Mexico 87102

Case 6133

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

DEC 19 1977

TELEPHONE 982-4315
AREA CODE 505

December 16, 1977

Mr. Joe Ramey, Director
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Dear Mr. Ramey:

Enclosed is the application of Doyle Hartman for
compulsory pooling in Lea County.

Please set this for the next available hearing.

Yours very truly,

Jason Kellahin
Jason W. Kellahin

JWK:kfm

Enclosure

Barry

~~Mary~~

~~Barry~~ Huffield Klingsmith

No. 14 La Mesa

Texarkana, Texas 75501

~~at~~ $\frac{1}{80}$ of E/2 SE/4
(or, 1 acre)

310 1967

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF DOYLE HARTMAN FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO

A P P L I C A T I O N

Comes now Doyle Hartman and applies to the Oil Conservation Commission of New Mexico for an order pooling all mineral interests in the Eumont Gas Pool underlying the SE/4 of Section 8, Township 19 South, Range 37 East, N.M.P.M., Lea County, New Mexico, and for dedication of the SE/4 of the Section to a well to be completed in the Eumont Gas Pool, and in support thereof would show the Commission:

1. Applicant is the owner of the right to drill and develop the Eumont Gas Pool in the SE/4 of Section 8, and proposes to drill a well to the Eumont.
2. Applicant has made diligent effort to obtain the participating of all interest owners in the SE/4, but there are interest owners who have not agreed to participate, lease or farmout their interests underlying the quarter section.
3. The non-consenting owners, with their addresses, to the best of applicant's knowledge and belief, are as follows:

Catherine R. ~~Edson~~ ^{Edson}
~~468 Ramona Ave.~~
~~Pacifica, Calif.~~ 94144

1.25 ac

1525 E Oakadia Dr
Clearwater Fla
33516

Isabel K. Heller
156 West Penn St.
Philadelphia, Pennsylvania 19144

now have leased

Ann K. Hastedt
401 East Iron Avenue
Dover, Ohio 44622

now have leased

Catherine W. Bleeker
934 Yale Court
Sarasota, Florida

Max Coll III
801 Tijeras N.W.
Albuquerque, New Mexico 87102

1.25 acres

cannot locate this lady

unleased but will participate

WHEREFORE applicant prays that this application be set for hearing before the Commission or the Commission's duly appointed examiner, and that after notice of hearing as required by law the Commission enter its order pooling the acreage and mineral interests as requested, together with provisions for the applicant to recover out of production the costs and expenses of drilling, completing and equipping the well, costs of operation, including a charge for supervision during drilling and for operation of the well, and for such other and further relief as may be proper.

Respectfully submitted,

DOYLE HARTMAN

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

Attorneys for Applicant

Cane
6133

310 1977

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF DOYLE HARTMAN FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO

A P P L I C A T I O N

Comes now Doyle Hartman and applies to the Oil Conservation Commission of New Mexico for an order pooling all mineral interests in the Eumont Gas Pool underlying the SE/4 of Section 8, Township 19 South, Range 37 East, N.M.P.M., Lea County, New Mexico, and for dedication of the SE/4 of the Section to a well to be completed in the Eumont Gas Pool, and in support thereof would show the Commission:

1. Applicant is the owner of the right to drill and develop the Eumont Gas Pool in the SE/4 of Section 8, and proposes to drill a well to the Eumont.

2. Applicant has made diligent effort to obtain the participating of all interest owners in the SE/4, but there are interest owners who have not agreed to participate, lease of farmout their interests underlying the quarter section.

3. The non-consenting owners, with their addresses, to the best of applicant's knowledge and belief, are as follows:

Catherine R. Edwon
168 Ramona Ave.
Pacifica, Calif. 94144

Isabel K. Heller
156 West Penn St.
Philadelphia, Pennsylvania 19144

Ann K. Hastedt
401 East Iron Avenue
Dover, Ohio 44622

Care
6133

Catherine W. Bleeker
934 Yale Court
Sarasota, Florida

Max Coll III
801 Tijeras N.W.
Albuquerque, New Mexico 87102

WHEREFORE applicant prays that this application be set for hearing before the Commission or the Commission's duly appointed examiner, and that after notice of hearing as required by law the Commission enter its order pooling the acreage and mineral interests as requested, together with provisions for the applicant to recover out of production the costs and expenses of drilling, completing and equipping the well, costs of operation, including a charge for supervision during drilling and for operation of the well, and for such other and further relief as may be proper.

Respectfully submitted,

DOYLE HARTMAN

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

Attorneys for Applicant

10 1977

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF DOYLE HARTMAN FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO

A P P L I C A T I O N

Comes now Doyle Hartman and applies to the Oil Conservation Commission of New Mexico for an order pooling all mineral interests in the Eumont Gas Pool underlying the SE/4 of Section 8, Township 19 South, Range 37 East, N.M.P.M., Lea County, New Mexico, and for dedication of the SE/4 of the Section to a well to be completed in the Eumont Gas Pool, and in support thereof would show the Commission:

1. Applicant is the owner of the right to drill and develop the Eumont Gas Pool in the SE/4 of Section 8, and proposes to drill a well to the Eumont.
2. Applicant has made diligent effort to obtain the participating of all interest owners in the SE/4, but there are interest owners who have not agreed to participate, lease of farmout their interests underlying the quarter section.
3. The non-consenting owners, with their addresses, to the best of applicant's knowledge and belief, are as follows:

Catherine R. Edwon
168 Ramona Ave.
Pacifica, Calif. 94144

Isabel K. Heller
156 West Penn St.
Philadelphia, Pennsylvania 19144

Ann K. Hastedt
401 East Iron Avenue
Dover, Ohio 44622

Catherine W. Bleeker
934 Yale Court
Sarasota, Florida

Max Coll III
801 Tijeras N.W.
Albuquerque, New Mexico 87102

WHEREFORE applicant prays that this application be set for hearing before the Commission or the Commission's duly appointed examiner, and that after notice of hearing as required by law the Commission enter its order pooling the acreage and mineral interests as requested, together with provisions for the applicant to recover out of production the costs and expenses of drilling, completing and equipping the well, costs of operation, including a charge for supervision during drilling and for operation of the well, and for such other and further relief as may be proper.

Respectfully submitted,

DOYLE HARTMAN

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. 6133

Order No. R-5642

APPLICATION OF DOYLE HARTMAN FOR
COMPULSORY POOLING AND A NON-STANDARD
PRORATION UNIT, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 8, 1978
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this Feb day of January, 1978, 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, Doyle Hartman,
seeks an order pooling all mineral interests in the
Eumont Gas Pool underlying the SE/4
of Section 8, Township 19 South, Range 37 East,
NMPM, Eumont Gas Pool, Lea County, New
Mexico, to form a 160-acre non-standard gas proration
unit for said ~~with~~ pool.

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(3) That the applicant has the right to drill and proposes to drill a well ^{on said non-} at a standard location ~~thereon to form a non-~~ standard ~~unit~~ proration unit.

(4) That there are interest owners in the proposed 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 aforesaid non-standard proration unit should be approved and} the subject application should ^{be further} be approved by pooling all mineral interests, whatever they may be, within said 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 200 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.

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(while drilling and \$200.00
per month while producing)

(11) That \$1500.00 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 unit to commence drilling of the well to which said unit is dedicated on or before May 1, 1978, 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 Eumont Gas Pool ~~formation~~ underlying the SE/4 of Section 8, Township 19 South, Range 37 East, NMPM, Eumont Gas Pool, Lea County, New Mexico, are hereby pooled to form a ~~standard~~ ^{non-standard} 160-acre ~~are gas spacing~~ ^{spacing and production} unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of May, 1978, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Eumont Gas Pool; ~~formation~~

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of May, 1978, 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 well not be 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 Doyle Hartman is hereby designated the operator 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, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$1500.00 per month ^{while drilling and \$200.00 per month while producing} 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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(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.