

CASE NO.

6216

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION DIVISION
SANTA FE, NEW MEXICO
MAY 3, 1978

EXAMINER HEARING

-----)
)
IN THE MATTER OF:)
)

Application of Yates Petroleum)
Corporation for compulsory)
pooling and an unorthodox gas)
well location, Eddy County,)
New Mexico.)
-----)

Case 6216

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 Division:

Lynn Teschendorf, Esq.
Legal Counsel for the Division

For the Applicant:

Joel Carson, Esq.
Losee, Carson & Dickerson, P.A.
Attorneys at Law
P. O. Drawer 239
Artesia, New Mexico 88210

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MR. NUTTER: We call next Case 6216.

MS. TESCHENDORF: Case 6216. Application of Yates Petroleum Corporation for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico.

MR. CARSON: Mr. Examiner, I am Joel Carson, Losee, Carson & Dickerson, P.A., Artesia, New Mexico, appearing on behalf of the Applicant. I have two witnesses. First, Mr. Randy Richardson and second, Mr. Jerry Book. If the witnesses could please be sworn.

(WHEREUPON, the witnesses were sworn.)

MR. CARSON: By way of a little preliminary explanation, Mr. Examiner, in this hearing Yates Petroleum Corporation sought to abandon its original dedication of the east half of an east half proration unit and seek an unorthodox south half proration unit, as well as to force pool a non-consenting interest owners.

At the time that I prepared this petition I asked in case of the forced pooling application that we be granted a 200 percent penalty and the regular things that are asked for in the forced pooling. But for reasons which will become apparent in a minute, we no longer seek the penalty.

I call Mr. Richardson first to testify in

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connection with the forced pooling aspect of this matter and then we will follow with Mr. Book as far as the unorthodox location.

MR. NUTTER: So in effect, what you're doing is amending your application to delete the request for the 200 percent penalty, for those interests that don't pay in advance?

MR. CARSON: Yes, sir. That's correct.

RANDOLPH M. RICHARDSON

the witness herein, having been previously sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. CARSON:

Q Would you state your name, please?

A Randolph M. Richardson.

Q Mr. Richardson, by whom are you employed?

A I'm independent, I am an attorney, New Mexico attorney and I am employed primarily in unitization and joint operation work by several different companies. In this case I was employed by Yates Petroleum Corporation to form the Stinking Draw Unit.

Q Mr. Richardson, are you acquainted with Yates' application to force pool some non-consenting interest

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owners in the south half?

A Yes, I am.

Q Would you explain to the Court the reason for the force pooling application and what Yates seeks to do?

A The record title is a Federal of the southwest quarter of Section 10, is a Federal oil and gas lease. The record title of which is in the name of several members of the Duncan family and a 1 percent owners of the record title is in a coma in a hospital in Oklahoma and literally is physically incapable of executing a unit agreement or any other type of instrument that would permit his interest to the Stinking Draw Unit.

And the USGS cannot recognize the lease as being committed to the unit unless a full 100 percent of the record title does join and commit to a unit. And the working interest, the operating rights and working interests are owned by Great Western Drilling Company and Davoil, Incorporated. And they have committed to the lease to the unit and 99 percent of the record title has been committed to the unit.

But the lease was due to expire May 31st and the initial test well on the unit is a direct offset to

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this particular lease. And as a result the unit will not extend the lease because the lease is not committed to the unit, due to record title not being 100 percent committed.

So the force pooling order by the Conservation Commission will enable the proration unit to be drilled and will extend the Federal lease.

Q Mr. Richardson, is it your understanding that the family of Mr. Duncan does not want to have a guardian appointed or have him declared incompetent for personal reasons?

A Yes, we have discussed several times and Yates was willing to have a New Mexico guardian appointed and have the guardian join the unit. And we were advised that the Duncan family would not allow that. That they had rather, in effect, lose the Yates and lose the acreage rather than go through the turmoil of having a guardian appointed.

It apparently has come up several times in different states with family, apparently are very emotionally involved in this young man's condition and the idea seems to be that if they do have a guardian appointed will then they are conceding or admitting that he probably never will recover. And they don't want to take that step,

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and as their land man advised, in this case their emotional involvement has outweighed their better business sense.

Q But they have no objection to the force pooling application?

A No. They have requested, by letter, that the lease be permitted to the unit and the 99 percent of the record title, has requested and has advised that they would be responsible for this 1 percent interest owned by the incompetent 1 percent owner in the hospital.

There again, we're tied up with Federal regulations as to lessee of record and if the BLM, even though the BLM would recognize a request by the other 99 percent owners, they're committing that lease to the unit, it would probably take us a listers opinion and would be somewhat contrary to Federal BLM regulations.

Q And because Mr. Duncan has no revenue interest in this well there's--Yates does not seek the penalty for his proportionate cost of drilling the well, nor the cost of supervision or handling the producing well, is that correct?

A That is correct. He has bare record title, lessee of record with 1 percent interest and all operating rights are owned by Great Western and Davoil Company.

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MR. NUTTER: Mr. Richardson, excuse me. Would this Duncan 1 percent interest be considered as a royalty interest then or an overriding royalty or as a carried working interest?

MR. RICHARDSON: It is a record title interest only. He does have a percentage, I think 1 percent of 9.375 percent overriding royalty. It's a real unusual situation.

MR. NUTTER: And you said he has no monetary interest in the drilling of the well. You mean he doesn't have to participate in paying for the well?

MR. RICHARDSON: No, he does not.

MR. NUTTER: So he's not a working interest in this?

MR. RICHARDSON: He's not a working interest owner.

MR. NUTTER: Okay.

MR. RICHARDSON: It's a peculiar Federal regulation. It's something that you do not really, I'd say, encounter on State leases or patented leases and fee lands. You can own a Federal lease, naked, bare, legal title to the lease and not have any operating rights or working interests in the lease.

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MR. NUTTER: Well, then shouldn't the application actually be amended. I notice that the legal notice for the case says, "Also to be considered would be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating cost and charges for supervision. Also to be considered will be designation of Applicant as operator of the well and a charge for risk involved in drilling said well."

Now, I think everything I read there should be deleted except for designation of Applicant as operator of the well, should it not be?

MR. RICHARDSON: I think the order should say that. I don't think it needs to be readvertised.

MR. NUTTER: No, I'm sure of that because the ad is all-inclusive and we have narrowed the scope of the ad, certainly. But we won't be considering the cost of drilling the well or completing the well and the allocation of those costs. We won't be considering actual operating cost or charges for supervision.

MR. RICHARDSON: That's correct, you will not.

MR. CARSON: Does the Examiner have any further questions of Mr. Richardson?

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MR. NUTTER: I think not. You may be excused.

MR. CARSON: I next call Mr. Jerry Book.

GERALD W. BOOK

the witness herein, having been previously sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. CARSON:

Q Would you state your name, please?

A Gerald W. Book.

Q Mr. Book, by whom are you employed?

A Yates Petroleum Corporation of Artesia, New Mexico.

Q In what capacity?

A I'm a geologist, as a geologist.

Q Have you previously testified before the Oil Conservation Commission?

A Yes, I have.

Q Were your credentials acceptable at that time?

A Yes.

MR. CARSON: Are the credentials now acceptable to the new Division?

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MR. NUTTER: Yes, they are.

Q (By Mr. Carson) Mr. Book, I hand you what has been marked as Applicant's Exhibit No. 1 and ask you to identify it.

A Exhibit No. 1 is a land plat showing the proposed location and its relationship to the surrounding acreage. The proposed location is 1383 from the south line, 695 from the east line in Section 10, Township 21 south, Range 22 East in Eddy County, New Mexico.

Q Was that exhibit prepared by you and under your supervision?

A Yes, it was.

Q I refer you to Applicant's Exhibit No. 2 and ask if that exhibit was prepared by you or under your supervision?

A Yes, it was.

Q Would you explain to the Commission what it is?

A Exhibit 2 is a aerial map showing well locations, indicating dry holes and producing wells and the horizon of production. Structural contours, in solid lines, are drawn on a Lower Canyon Limestone marker and show what is believed to be the structural configuration of

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the area.

Dotted isopach shows the varying thickness of an interval between the top of the morrow clastic and the Austin marker of Upper Mississippian lineage. Between these two markers an unconformity is present.

The interpretation of the isopach work is that an anomalous thickening, varying from the regional trends, is interpreted as indicating a paleo channel system in the morrow and indicates the existence of morrow channel sands.

Such a thickening does occur in the area shown in Exhibit 2. It is defined by the 340 foot isopach contour. The existence of channels in this thick is evidenced to the south in the Yates Petroleum Little Indian Basin Well in Section 36, 21 south, 22 east and the Hanagan Wigwam Well in Section 31, 21 south, 23 east.

It is postulated that other channels are present in this thick and that the proposed location of the Stinking Draw Unit No. 1, the location of the Stinking Draw Unit No. 1 has the best chance of encountering these thicker morrow channel sands and with the structural position of this location, the well has the possibility of being a prolific producer.

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If such a well is encountered, changing the spacing unit to the south half allows further development along this trend.

Q Mr. Book, I hand you Applicant's Exhibit No. 3 and ask if that was prepared by you or under your supervision?

A Yes, it was.

Q Would you explain that to the Commission?

A It's a stratigraphic Cross Section shown on Exhibit 2, it shows the correlation of the interval that was isopached.

Q Mr. Book, in your opinion, will the approval of this application afford to Applicant the opportunity to produce its just and equitable share of gas, will it prevent economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and otherwise, prevent waste and protect correlative rights?

A Yes.

MR. CARSON: Does the Examiner have any questions of Mr. Book?

MR. NUTTER: Mr. Book, the drilling permit has been filed for the well, is that correct?

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MR. BOOK: Yes, it has.

MR. NUTTER: And the east half was dedicated to the well with the drilling permit?

MR. BOOK: Yes, it was.

MR. NUTTER: And now you're proposing that you would dedicate the south half of Section 10 to the well?

MR. BOOK: Right.

MR. NUTTER: Has drilling commenced on the well?

MR. BOOK: We have a cable tool rig on the well right now and I believe it's 115 feet or so, as of yesterday.

MR. NUTTER: And on receipt of an order pooling the south half, presumably you would file a new plat dedicating the south half of that?

MR. BOOK: Yes.

MR. NUTTER: Are there any further questions of Mr. Book? You may be excused.

Do you have anything further, Mr. Carson?

MR. CARSON: No, sir.

MR. NUTTER: Does anyone have anything they wish to offer in Case No. 6216?

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We will take the case under advisement.

(WHEREUPON, the hearing was
concluded.)

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REPORTER'S CERTIFICATE

I, BETTY J. LANPHERE, CSR-RPR with offices in Santa Fe, New Mexico, do hereby certify that the foregoing transcript is a complete and accurate record of said proceedings as the same were recorded by me stenographically and reduced to typewritten transcript by me or under my supervision.

DATED at Santa Fe, New Mexico, this twenty-second day of May, 1978.

Betty J. Lanphere
Betty J. Lanphere, Court Reporter

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6216 heard by me on 5/3, 19 78.

[Signature], Examiner
New Mexico Oil Conservation Commission

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 6216
Order No. R-5723

APPLICATION OF YATES PETROLEUM
CORPORATION FOR COMPULSORY POOLING
AND AN UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on May 3, 1978,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 9th day of May, 1978, the Division
Director, 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 Division has jurisdiction of this cause and the
subject matter thereof.

(2) That the applicant, Yates Petroleum Corporation, seeks
an order pooling all mineral interests in the Wolfcamp and
Pennsylvanian formations underlying the S/2 of Section 10, Town-
ship 21 South, Range 22 East, NMPM, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes
to drill its Stinking Draw Unit Well No. 1 at an unorthodox loca-
tion 1383 feet from the South line and 695 feet from the East
line of said Section 10.

(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 subject application should be approved by
pooling all mineral interests, whatever they may be, within said
unit.

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Case No. 6216
Order No. R-5723

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

(7) 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.

(8) 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 July 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 Wolfcamp and Pennsylvanian formations underlying the S/2 of Section 10, Township 21 South, Range 22 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox location 1383 feet from the South line and 695 feet from the East line of said Section 10.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of July, 1978, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Wolfcamp and Pennsylvanian formations;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of July, 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 Division for good cause shown.

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

(2) That Yates Petroleum Corporation is hereby designated the operator of the subject well and unit.

(3) That any uncovered 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.

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Case No. 6216
Order No. R-5723

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

(5) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 90 days from the date of this order.

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

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Joe D. Ramey
JOE D. RAMEY
Director

S E A L

fd/

30	29	28	27	26	25
U.S.	Allied Chem 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Allied Chem 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.
31	32	33	34	35	36
U.S.	Kerr-McGee 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Allied Chem 6-1-78 7018 C.A. Dean, Jr. U.S.	Allied Chem 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.
37	38	39	40	41	42
U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.
43	44	45	46	47	48
U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.
49	50	51	52	53	54
U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.
55	56	57	58	59	60
U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.
61	62	63	64	65	66
U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.
67	68	69	70	71	72
U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.
73	74	75	76	77	78
U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.
79	80	81	82	83	84
U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.
85	86	87	88	89	90
U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.
91	92	93	94	95	96
U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.
97	98	99	100	101	102
U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.	Marathon 6-1-78 7018 C.A. Dean, Jr. U.S.

Dockets Nos. 18-78 and 19-78 are tentatively set for hearing on May 17 and June 7, 1978. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 3, 1978

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

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

- CASE 6211: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Eureka Oil Company and all other interested parties to appear and show cause why the Cora B. Moore Well No. 1 located in Unit L of Section 10, Township 29 North, Range 24 East, Colfax County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 6212: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Clay-Neill and all other interested parties to appear and show cause why the State Well No. 1 located in Unit C of Section 9, Township 19 North, Range 30 East, Harding County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 6200: (Continued & Readvertised)
- In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Astro-Tex Oil Corp., American Employers' Insurance Co., and all other interested parties to appear and show cause why the Cain Well No. 2 located in Unit J of Section 22, Township 15 North, Range 33 East, Harding County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 6201: (Continued & Readvertised)
- In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Paul Haskins and all other interested parties to appear and show cause why the Federal "17" Well No. 1 located in Unit P of Section 17, Township 15 North, Range 33 East, Harding County, New Mexico, should not be plugged and abandoned in accordance with a Division approved plugging program.
- CASE 6199: (Continued & Readvertised)
- In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Marion B. Edmonds and O. A. Peters and all other interested parties to appear and show cause why the Edmonds & Peters Federal Well No. 1 located in Unit M of Section 3, Township 15 North, Range 33 East, Harding County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 6213: Application of Morris R. Antweil for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Rio Well No. 2 at a point 660 feet from the North and West lines of Section 29, Township 18 South, Range 25 East, Eddy County, New Mexico, the N/2 of said Section 29 to be dedicated to the well.
- CASE 6214: Application of Morris R. Antweil for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Morrow test well to be drilled at a point 660 feet from the North line and 1980 feet from the East line of Section 8, Township 12 South, Range 32 East, Lea County, New Mexico, the E/2 of said Section 8 to be dedicated to the well.
- CASE 6215: Application of Texas Oil & Gas Corporation for a non-standard unit and an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 320-acre non-standard proration unit comprising the N/2 of Section 29, Township 20 South, Range 36 East, North Osado-Morrow Gas Pool, Lea County, New Mexico, to be dedicated to a well to be located at an unorthodox location 660 feet from the North and West lines of said Section 29.
- CASE 6216: Application of Yates Petroleum Corporation for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface down to and including the Wolfcamp and Pennsylvanian formations underlying the S/2 of Section 10, Township 21 South, Range 22 East, Eddy County, New Mexico, to be dedicated to applicant's Stinking Draw Unit Well No. 1 to be located at an unorthodox location 1383 feet from the South line and 695 feet from the East line of said Section 10. 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 6217: Application of Holly Energy, Inc., for an unorthodox oil well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its McIntyre B Well No. 4 to be located 1300 feet from the South line and 330 feet from the West line of Section 20, Township 17 South, Range 30 East, Eddy County, New Mexico.

CASE 6218: Application of Inxco Oil Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for its Tequilla Unit Area comprising 4,826 acres, more or less, of State, Federal, and fee lands in Townships 23 and 24 South, Ranges 22 and 23 East, Eddy County, New Mexico.

CASE 6219: Application of H & G Oil Co., for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the N/2 of Section 9, Township 24 South, Range 28 East, West Malaga-Morrow Gas Pool, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6221: Application of Sun Oil 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 Teas Federal Well No. 1 to be located 1980 feet from the North and West lines of Section 24, Township 20 South, Range 33 East, Teas Pennsylvanian Gas Pool, Lea County, New Mexico, the N/2 of said Section 24 to be dedicated to the well.

CASE 6220: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, extending, and redesignating certain pools in Chaves, Lea, and Eddy Counties, New Mexico:

(a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Strawn production and designated as the North Eidson-Strawn Pool. The discovery well is the Sabine Production Company North Eidson Fee Well No. 1 located in Unit M of Section 34, Township 15 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 15 SOUTH, RANGE 34 EAST, NMPM
Section 34: W/2

(b) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Devonian production and designated as the Hume-Devonian Pool. The discovery well is the W. A. Moncrief, Jr. State "8" Well No. 1 located in Unit G of Section 8, Township 16 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM
Section 8: NE/4

(c) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the Hume-Morrow Gas Pool. The discovery well is the Mewbourne Oil Company State "E" Com Well No. 1 located in Unit L of Section 6, Township 16 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM
Section 6: S/2

(d) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the North Lusk-Wolfcamp Pool. The discovery well is the Petroleum Development Corporation Pedco Gulf Federal Com Well No. 1 located in Unit I of Section 33, Township 18 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM
Section 33: SE/4

(e) CREATE a new pool in Chaves County, New Mexico, classified as a gas pool for Mississippian production and designated as the Mescalero Sands-Mississippian Gas Pool. The discovery well is the Petroleum Development Corporation Hudson Federal Well No. 1 located in Unit M of Section 27, Township 12 South, Range 30 East, NMPM. Said pool would comprise:

TOWNSHIP 12 SOUTH, RANGE 30 EAST, NMPM
Section 27: W/2

(f) EXTEND the Antelope Ridge-Atoka Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 26: All
Section 35: All

- (s) EXTEND the North Lusk-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 3: E/2

- (t) EXTEND the West Malaga-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 23 EAST, NMPM
Section 9: S/2

- (u) EXTEND the South Millman-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 23 EAST, NMPM
Section 19: N/2
Section 20: N/2

- (v) EXTEND the Penasco Draw San Andres-Yeso Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 29: SE/4 SE/4
Section 32: NE/4 NE/4

- (w) EXTEND the Revelation-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 25 EAST, NMPM
Section 10: W/2

- (x) EXTEND the West Sawyer-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 37 EAST, NMPM
Section 22: NE/4

- (y) REDESIGNATE the West Scarborough Yates Pool in Lea County, New Mexico as the Comanche Stateline-Yates Pool and EXTEND the Comanche Stateline-Yates Pool to include therein:

TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM
Section 28: S/2

- (z) EXTEND the North Shugart-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM
Section 19: E/2
Section 20: W/2

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

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 36: SE/4

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

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM
Section 16: N/2
Section 17: N/2

- (cc) EXTEND the White City Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 25 SOUTH, RANGE 26 EAST, NMPM
Section 11: All

- (dd) EXTEND the Winchester-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM
Section 28: S/2

- (ee) EXTEND the Winchester-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM
Section 36: N/2

- (g) EXTEND the Artesia Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM
Section 2: S/2 SW/4 and SW/4 SE/4

- (h) EXTEND the Atoka-Yeso Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 28: E/2 NW/4
Section 33: NE/4
Section 34: W/2 NW/4

- (i) EXTEND the Box Canyon Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

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

- (j) EXTEND the Crooked Creek-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 24 EAST, NMPM
Section 4: All

- (k) EXTEND the Fren-Seven Rivers Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM
Section 14: S/2, S/2 N/2, N/2 NE/4 & NE/4 NW/4
Section 15: S/2 & S/2 N/2
Section 23: All
Section 26: N/2
Section 27: N/2
Section 28: N/2 & N/2 S/2

- (l) EXTEND the Grama Ridge-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPM
Section 2: All

- (m) EXTEND the Herradura Bend-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM
Section 29: W/2 SE/4, E/2 SW/4 & SW/4 SW/4
Section 30: SE/4 SE/4
Section 31: E/2 E/2
Section 32: N/2 NW/4 & NW/4 NE/4

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

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPM
Section 32: NE/4

- (o) EXTEND the Langlie Mattix Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 31: NW/4

- (p) EXTEND the Little Box Canyon-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 21 EAST, NMPM
Section 12: S/2

- (q) EXTEND the South Loco Hills-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM
Section 20: W/2

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

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 10: All

BEFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :
YATES PETROLEUM CORPORATION FOR AN :
UNORTHODOX GAS WELL LOCATION, FORCE : CASE NO. 6216
POOLING, AND ABANDONMENT OF PRORATION :
UNIT DESIGNATION, EDDY COUNTY, NEW :
MEXICO :
:

APPLICATION

COMES NOW YATES PETROLEUM CORPORATION, by its attorneys,
and in support hereof, respectfully states:

1. Applicant is the operator of the Wolfcamp and
Pennsylvanian formations underlying:

Township 21 South, Range 22 East, N.M.P.M.

Section 10: S/2.

2. Applicant proposes to drill its Stinking Draw
Unit No. 1 Well at a location 695 feet from the East line and
1,383 feet from the South line of said Section 10 and to dedicate
the S/2 of said Section 10 to the well.

3. Applicant seeks an exception to the well location
requirements of Rule 104-C of the Oil Conservation Division to
permit the drilling of the well at the above mentioned unorthodox
location to a depth sufficient to adequately test the Wolfcamp and
Pennsylvanian systems.

4. A standard 320-acre proration unit comprising the
S/2 of said Section 10 should be dedicated to the Stinking Draw
Unit No. 1 Well.

5. Applicant has previously designated the E/2 of
said Section 10 as a proration unit for the Stinking Draw Unit

No. 1 Well but now requests that such designation be abandoned and that the S/2 of said Section 10 be designated.

6. Applicant has the right to drill and complete its Stinking Draw Unit No. 1 Well in the Wolfcamp and Pennsylvanian formations as a gas well at a point 695 feet from the East Line and 1,383 feet from the South line of said Section 10, Township 21 South, Range 22 East, N.M.P.M., Eddy County, New Mexico.

7. Applicant has designated the S/2 of said Section 10 to its Stinking Draw Unit No. 1 Well and there are interest owners in the proration unit who have not agreed to pool their interests.

8. Applicant should be designated as the operator of the well and the proration unit.

9. To avoid the drilling of unnecessary wells and 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 of said unit, all mineral interests, whatever they may be, from the surface through the Wolfcamp and Pennsylvanian formations underlying the S/2 of said Section 10 should be pooled.

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

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11. Applicant should be authorized to withhold from production the proportionate share of a reasonable supervision charge for drilling and producing wells attributable to each non-consenting working interest owner.

12. The approval of this application will afford applicant the opportunity to produce its just and equitable share of gas, will prevent economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

WHEREFORE, applicant prays:

A. That this application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. That applicant be permitted to abandon its designation of the E/2 as the proration unit and that upon hearing the Division enter its order granting applicant permission to drill a well 695 feet from the East line and 1,383 feet from the South line of said Section 10 and to dedicate the S/2 of said Section 10, which is reasonably presumed to be productive of gas from the Wolfcamp and Pennsylvanian formations.

C. Upon hearing the Division enter its order pooling all mineral interests, whatever they may be, from the surface through the Wolfcamp and Pennsylvanian formations underlying the S/2 of said Section 10, Township 21 South, Range 22 East, N.M.P.M., Eddy County, New Mexico to form a 320-acre spacing unit dedicated to applicant's Stinking Draw Unit No. 1 Well.

D. And for such other relief as may be just in the premises.

YATES PETROLEUM CORPORATION

By: Joel M. Carson
Joel M. Carson

LOSEE, CARSON & DICKERSON, P.A.
P. O. Drawer 239
Artesia, New Mexico 88210

Attorneys for Applicant

DRAFT

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

JS *JGR*
Jan CASE NO. 6216

Order No. R- 5723

APPLICATION OF YATES PETROLEUM CORPORATION FOR COMPULSORY POOLING
AND AN UNORTHODOX GAS WELL LOCATION, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on May 3
19 78, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this _____ day of May, 19 78, the Division
Director, 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 Division has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Yates Petroleum Corporation,
seeks an order pooling all mineral interests ~~from the surface down~~
and Pennsylvanian formations
~~to and including the Wolfcamp/~~ underlying the S/2
of Section 10, Township 21 South, Range 22 East,
NMPM, _____, Eddy County, New
Mexico.

Case No.
Order No. R-

(3) That the applicant has the right to drill and proposes ~~to drill a well~~ ^{As Working Draw No. 1} at an unorthodox location 1383 feet from the South line and 695 feet from the East line of said Section 10.

(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 subject application should 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 _____ 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 _____ 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.~~

(7) ~~(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.

(8) ~~(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 July 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, ~~from~~ in the Wolfcamp and Pennsylvanian ~~the surface down to and including~~ formations underlying the S/2 of Section 10, Township 21 South, Range 22 East, NMPM, _____, Eddy County, New Mexico, are hereby pooled to form a standard 320 - acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox location 1383 feet from the South line and 695 feet from the East line of said Section 10.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of July, 1978, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Wolfcamp and Pennsylvanian formations;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of July, 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 Division for good cause shown.

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

(2) That Yates Petroleum Corporation 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 Division 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 Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

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

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

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Case No.

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(3)~~(2)~~ 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.

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

(5)~~(4)~~ That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 90 days from the date of this order.

(6)~~(5)~~ That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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