

CASE 6242: C & E OPERATORS, INC.
FOR COMPULSORY POOLING, SAN JUAN
COUNTY, NEW MEXICO

CASE NO.

6242

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

C AND E OPERATORS, INC.

ONE ENERGY SQUARE

SUITE 170

DALLAS, TEXAS 75206

(214) 363.6993

August 8, 1978

Nutter

*File Case
6242*

Re: Martinez Pictured Cliffs
proposed well
SE/4 Sec. 32, T32N, R10W
San Juan County, New Mexico

State of New Mexico
Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

We are enclosing a copy of our AFE on the above captioned well as required by the State of New Mexico Energy and Minerals Department, Oil Conservation Division, Case No. 6242, Order No. R-5746. We expect to commence drilling some time before the end of this month.

Yours very truly,

M W Carr
M. W. Carr *nsf*

MWC/nsf
Enc.

Certified Mail No. 836994

C & E OPERATORS INC.
Martinez P.C. well

LOCATION: SE/4 Sec 32, T32N, R10 W San Juan Co, New Mexico

FOOTAGE		TANGIBLE - 249	ESTIMATED COST	
			PRODUCING	DRY HOLE
	01 01	Conductor or Drive Pipe	\$	\$
<u>200'</u>	01 02	Casing <u>8 5/8" 26" K-55 ST&C</u>	1760	
<u>2950'</u>	03	<u>4 1/2" 10.5" K-55 ST&C</u>	11930	
	04			
	05			
	06			
	07			
	08			
<u>2950'</u>	02 01	Tubing <u>1 1/4" 2.4" J-55 NUE</u>	4700	
	03 01	Wellhead <u>Larkin 1000 PSI W.P. screwed</u>	2200	
	04 01	Packer		
	05 01	Artificial Lift		
	06 01	Tank Battery <u>Production unit</u>	2000	
	07 01	Other Equipment		
	10	TOTAL TANGIBLE 100%	\$ 22,590	\$
	11	%	\$	\$
		INTANGIBLE - 248		
	01 01	Drilling <u>2950</u> ft. @ \$ <u>10.50</u> /ft.	29925	
	02 01	Rig, Day Work <u>1/2</u> Days @ \$ <u>3500</u> /day	1750	
	03 01	Rig Moving Costs	1200	
	04 01	Completion Rig <u>1</u> Days @ \$ <u>775</u> /day	775	
	05 01	Roustabout & Miscellaneous labor	2000	
	06 01	Auto, Trucking, Barge, Tug	1200	
	07 01	Roads, Canals, Location, Damages, Cleanup	3500	
	08 01	Mud, Oil, Water, Chemicals	7500	
	09 01	Drill Stem Tests		
	10 01	Electric Logs & Bond Logs	3000	
	11 01	Cement, Centralizer, Scratchers, Service	4000	
	12 01	Bits, Fuel	500	
	13 01	Rental Equipment (<u>1 1/4" tools, BOP, fract tanks</u>)	1800	
	14 01	Core & Analyses		
	15 01	Bottle Tests & Sidewall Cores		
	16 01	Perforate	1800	
	17 01	Acid & Frack	6000	
	18 01	Geological & Engineering		
	19 01	Mud Logger		
	20 01	Cost of Control Insurance (SRC Only)		
	21 01	Miscellaneous & Unforeseen <u>10% Contingency</u>	6645	
	22 01	District & Overhead Expense	1500	
	30	TOTAL INTANGIBLE 100%	\$ 73,095	\$
	31	%	\$	\$
	40	GRAND TOTAL COSTS	\$ 95,865	\$
	41	%	\$	\$

AUTHORIZATION REQUESTED

AUTHORIZATION APPROVED

Prepared by: CC Varona

BY:

5-29-78

DATE:

C AND E OPERATORS, INC.

ONE ENERGY SQUARE
SUITE 170

DALLAS, TEXAS 75206
(214) 363-6993

November 16, 1978

NOV 20 1978

nutter

File

State of New Mexico
Energy and Minerals Department
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Case No. 6242
Order No. R-5746
Martinez Well #1 PC
Section 32-32N-WF
San Juan County, N.M.

Gentlemen:

Attached are the actual well costs as received in
our office pertaining to the above captioned well.

Sincerely yours,

W. Plack Carr Jr.

WPC/kb

W. Plack Carr, Jr.

RECEIVED
NOV 20 1978

MARTINEZ #1 PC

C & E Operator #4571

	<u>Intangible Drilling Costs</u>	<u>Equipment Costs</u>	
Valley Steel		\$ 17,094.32	
Young Drilling	\$ 50,339.51		
Odeco	200.20		
Shiprock Transport	290.50		
Big Red Tool Inc.		126.55	
Homco		58.50	
Broomfield Oil Field Service	1,656.41		
Odeco	149.24		
Trio Construction Co.	77.65	300.00	
Dowell	2,690.42		
Dowell	1,454.43		
Atchison Construction Company	462.73		
Bovaird Supply Co.		2,007.63	
Drillers Equipment	44.24		
Go International	3,403.43		
Halliburton	4,124.20		
Helmur Corporation	319.00		
John M. Heller	2,195.70		
Kimbark Operating Co.		1,397.38	
Mesa Mud Company	17,122.54		
Mid-Continent Supply		675.84	
Odeco	3,392.89		
Shiprock Transport	3,713.21		
The Western Company	7,350.95		
Young Drilling Co.	150.44	975.91	
Baker Service Tools	1,100.36		
Basin Power Tongs	670.70		
Bovaird Supply Co.		1,273.01	
J. A. Drake Well Ser.	8,936.90		
Halliburton	2,232.85		
J. W. Townsend	1,494.00		
Totals 11-13-78	\$ 113,572.49	\$ 23,909.14	\$ 137,481.63

C AND E OPERATORS, INC.

ONE ENERGY SQUARE
SUITE 170

DALLAS, TEXAS 75206
(214) 363-6993

July 14, 1978

JUL 17 1978

CONSERVATION COMM.
Santa Fe

Nutter

Re: Carr Gas Com No. 1
SE/4 Section 32, T32N, R10W
San Juan County, New Mexico
also called Martinez Pictured
Cliffs well

Case 6242 *[Signature]*

Mr. M. S. Kraemer
Amoco Production Company
Security Life Building
Denver, Colorado 80202

Dear Mr. Kraemer:

We have received, today, your approval of our AFE on the above captioned well and will send your recommendations on acidizing and fracturing to the Engineer who prepared this AFE, for his consideration and will ask him to give your recommendations a thoughtful and thorough review.

We are notifying our driller that we are ready to proceed with the drilling of this well and will keep you updated as information comes in.

Yours very truly,

M. W. Carr
M. W. Carr

MWC/nsf

✓ cc: New Mexico Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501



JUL 13 1978

Amoco Production Company

Security Life Building
Denver, Colorado 80202

M. S. Kraemer
Division Production
Manager
A. M. Roney
Division Operations
Superintendent
T. M. Curtis
W. M. Jones
Production Coordination
Superintendents

July 7, 1978

C & E Operators, Incorporated
One Energy Square, Suite 170
Dallas, Texas 75206

File: RAS-646-WF

Carr Gas Com No. 1
SE/4 Section 32, T32N R10W
San Juan County, New Mexico
also called Martinez Pictured Cliffs Well

Nutter
File
Case 6242

OK

We have approved your AFE and are returning it as an attachment. We feel all costs are reasonable except the low cost to acidize and fracture stimulate. We have been using at least 30,000 gallons, 70% quality foam fracs with 2 ppg 20-40 sand. These cost approximately \$15,000-\$20,000. We recommend the use of such a frac to adequately stimulate the well to drain a full 160 acres. This will bring your AFE cost to about \$104,865-\$109,865.

Concerning the NMOCC Order No. R-5746, Amoco never received notice of the hearing from the Secretary of the Commission. A check with them indicated that such notice had supposedly been sent on May 29, 1978. Therefore, we knew nothing of the hearing and we did not attend.

Please refer to the Order under Finds #4 "that there are interest owners in the proposed proration unit who have not agreed to pool their interests." Amoco never received an AFE from C & E Operators before the hearing of June 7, 1978. Therefore, it is difficult for us to have agreed to the pooling of interests by C & E Operators. Also we had originally approached C & E Operators at the end of March 1978 with our AFE and never received a favorable response.

It would appear then that the only purpose of the hearing was to be named operator. Amoco, as operator, had been prepared to drill this well since March 28, 1978, and was held up by C & E Operators. Amoco had staked the location on the proration unit on April 12, 1978. Amoco as of May 4, 1978, had received a permit from the State to drill a Pictured Cliffs well on this proration unit.

C & E Operators, Incorporated
July 7, 1978
Page Two

It is our understanding that C & E Operators now has a rig available for the drilling of the subject well. Therefore, to avoid further delay in the drilling of this well, Amoco has approved the AFE within the allotted 30 days to avoid the penalty as ordered by NMOCC.

Original Signed
M. S. KRAEMER
By AMR

DED/mlm

Attachment

cc:

✓ State of New Mexico
Oil Conservation Division
Box 2088
Santa Fe, New Mexico 87501

QB749

C AND E OPERATORS, INC.
ONE ENERGY SQUARE
SUITE 170
DALLAS, TEXAS 75206
(214) 363-6993

June 27, 1978

Case 6242

Nutter

File Case
6242

Re: Martinez Pictured Cliffs
proposed well
SE/4 Sec. 32, T32N, R10W
San Juan County, New Mexico

State of New Mexico
Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

We are enclosing a copy of our AFE on the above
captioned proposed well.

Yours very truly,

M. W. Carr

M. W. Carr

MWC/nsf
Enc.

J. S. Carr
6/30

AUTHORIZATION FOR EXPENDITURE

C & E OPERATORS INC.
Martinez P.C. well

LOCATION: SE 1/4 Sec 32, T32N, R10W, San Juan Co., New Mexico

FOOTAGE		TANGIBLE - 249	ESTIMATED COST	
			PRODUCING	DRY HOLE
	01 01	Conductor or Drive Pipe	\$	\$
<u>200'</u>	01 02	Casing <u>8 5/8" 28" K-55 STAC</u>	1760	
<u>2950'</u>	03	<u>4 1/2" 10.5" K-55 STAC</u>	11930	
	04			
	05			
	06			
	07			
<u>2950'</u>	02 01	Tubing <u>1 1/4" 2.9" J-55 NUE</u>	4700	
	03 01	Wellhead <u>Larkin 1000 PSI WP. screwed</u>	2200	
	04 01	Packer		
	05 01	Artificial Lift		
	06 01	Tank Battery <u>Production unit</u>	2000	
	07 01	Other Equipment		
		TOTAL TANGIBLE 100%	\$ 22,590	\$
		%	\$	\$
		INTANGIBLE - 248		
	01 01	Drilling <u>2950</u> ft. @ \$ <u>10.50</u> /ft.	29925	
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	01 03	Rig Moving Costs	1200	
	01 04	Completion Rig <u>1</u> Days @ \$ <u>775</u> /day	775	
	02 01	Roustabout & Miscellaneous Labor	2000	
	02 02	Auto, Trucking, Barge, Tug	1200	
	02 03	Roads, Canals, Location, Damages, Cleanup	3500	
	02 04	Mud, Oil, Water, Chemicals	7500	
	02 05	Drill Stem Tests		
	02 06	Electric Logs & Bond Logs	3000	
	02 07	Cement, Centralizer, Scratchers, Service	4000	
	02 08	Bits, Fuel	500	
	02 09	Rental Equipment <u>(1 1/4" tests, BOP, frac tanks)</u>	1800	
	02 10	Core & Analyses		
	02 11	Bottle Tests & Sidewall Cores		
	02 12	Perforate	1800	
	02 13	Acid & Frack	6000	
	02 14	Geological & Engineering		
	02 15	Mud Logger		
	02 16	Cost of Control Insurance (SRC Only)		
	02 17	Miscellaneous & Unforeseen <u>10% Contingency</u>	6645	
	02 18	District & Overhead Expense	1500	
		TOTAL INTANGIBLE 100%	\$ 73,095	\$
			\$	\$
		GRAND TOTAL COSTS	\$ 95,685	\$
			\$	\$

AUTHORIZATION REQUESTED

AUTHORIZATION APPROVED

Prepared by: CC Parson
5-24-8

BY:

DATE:

Dockets Nos. 21-78 and 22-78 are tentatively set for hearing on June 21 and July 6, 1978. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 7, 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. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

- CASE 6235:** In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Black Diamond Oil Company and all other interested parties to appear and show cause why the Well No. 1 located in Unit C of Section 27, Township 29 North, Range 11 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 6236:** In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Bloomfield Oil & Gas Company and all other interested parties to appear and show cause why the C. Hare Well No. 3 located in Unit N of Section 15 and the H. D. Abrams Well No. 5 located in Unit E of Section 23, both in Township 29 North, Range 11 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 6237:** In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Finley & Johansen and all other interested parties to appear and show cause why the Hare Well No. 1 located in Unit C of Section 22, Township 29 North, Range 11 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 6238:** Application of Barber Oil, Inc., for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for its Saladar Unit Area comprising 240 acres, more or less, of Federal and fee lands in Township 20 South, Range 28 East, Eddy County, New Mexico.
- CASE 6226:** (Continued from May 17, 1978 Examiner Hearing)
Application of Barber Oil, Inc. for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project on its Saladar Unit, by the injection of water into the Yates formation through five wells located in Units K, L, N and O of Section 33, Township 20 South, Range 28 East, Saladar-Yates Pool, Eddy County, New Mexico.
- CASE 6239:** Application of Robert N. Enfield for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for his North Lake McMillan Unit Area comprising 3194 acres, more or less, of Federal and fee lands in Township 19 South, Ranges 26 and 27 East, Eddy County, New Mexico.
- CASE 6240:** Application of Bass Enterprises Production Company for an unorthodox oil well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Navajo 20 Well No. 1, a Barker Creek oil test to be drilled 1190 feet from the South line and 2510 feet from the East line of Section 20, Township 27 North, Range 19 West, San Juan County, New Mexico, the SW/4 SE/4 of said Section 20 to be dedicated to the well.
- CASE 6241:** Application of Yates Petroleum Corporation for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Eagle Creek Permo-Penn and West Atoka-Morrow gas production in the wellbore of its Powell DG Well No. 1 located in Unit O of Section 35, Township 17 South, Range 25 East, Eddy County, New Mexico.
- CASE 6242:** Application of C & E Operators, Inc., for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pictured Cliffs formation underlying the SE/4 of Section 32, Township 32 North, Range 10 West, San Juan 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 6243:** Application of Caulkins Oil Company for four unorthodox gas well locations, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Breech "E" Wells Nos. 104 and 587, located in Unit P of Section 5 and Unit J of Section 4, respectively; and its Breech "A" Wells Nos. 207 and 679, located in Unit J of Sections 10 and 9, respectively, all in Township 26 North, Range 6 West, Blanco Mesaverde Pool, Rio Arriba County, New Mexico.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
7 June, 1978

EXAMINER HEARING

IN THE MATTER OF:

Application of C & E Operators, Inc.,
for compulsory pooling, San Juan
County, New Mexico.

CASE
6242

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Lynn Teschendorf, Esq.
Legal Counsel for the Division
State Land Office Building
Santa Fe, New Mexico 87501

For the Applicant: W. Thomas Kellahin, Esq.
KELLAHIN & FOX
500 Don Gaspar
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 988-3404
Santa Fe, New Mexico 87501

I N D E X

WILLIAM P. CARR

Direct Examination by Mr. Kellahin	3
Cross Examination by Mr. Nutter	10

E X H I B I T S

Applicant Exhibit One, Plat	10
Applicant Exhibit Two, Letter	10
Applicant Exhibit Three, Letter	10
Applicant Exhibit Four, Document	10
Applicant Exhibit Five, List	10
Applicant Exhibit Six, Document	10

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CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 988-3404
Santa Fe, New Mexico 87501

MR. NUTTER: We'll call now Case 6242.

MS. TESCHENDORF: Case 6242. Application of C & E Operators, Inc., for compulsory pooling, San Juan County, New Mexico.

MR. KELLAHIN: Tom Kellahin of Kellahin and Fox, appearing on behalf of the Applicant, and I have one witness to be sworn.

(Witness sworn.)

WILLIAM P. CARR

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. Would you please state your name and occupation?

A. William P. Carr and I'm an independent oil operator.

Q. You operate under the name of C & E Operators, Inc., do you not, sir?

A. Yes, sir.

Q. Do you hold a degree in engineering?

A. Yes, sir.

Q. And have you previously testified before the Oil Conservation Division and had your qualifications as

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 988-3404
Santa Fe, New Mexico 87501

1 an expert witness accepted and made a matter of record?

2 A. Yes, I have.

3 Q. Have you made a study of and are you familiar
4 with the facts surrounding this particular application?

5 A. Yes, sir.

6 MR. NUTTER: We tender Mr. Carr as an expert
7 witness.

8 MR. NUTTER: Mr. Carr is qualified. Please
9 proceed.

10 Q. (Mr. Kellahin continuing.) I'll show you
11 what I've marked as Exhibit Number One and ask you to
12 identify it and describe the proration unit for which
13 you're seeking forced pooling here today.

14 A. The proration unit we're seeking forced
15 pooling to cover the Pictured Cliffs formation on the
16 southeast quarter of Section 32 in Township 10 North --
17 Township 13 North, Range 10 West, in San Juan County, New
18 Mexico.

19 Q. Is that -- excuse me.

20 A. This exhibit shows the Pictured Cliffs devel-
21 opment only in the immediate area surrounding this quarter
22 section.

23 Q. What acreage do you own, Mr. Carr?

24 A. We own the south half of the section -- of
25 the southeast quarter of Section 32, and we own a smattering

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Santa Fe, New Mexico 87501

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730 Bishop's Lodge Road • Phone (505) 988-3404
Santa Fe, New Mexico 87501

1 in the surrounding acreage.

2 Q Who owns the balance of the working interest
3 for this proration unit?

4 A Amoco.

5 Q As of today has Amoco agreed to join you in
6 the drilling of this well?

7 A No, they have not.

8 Q I show you what I've marked as Exhibit Number
9 Two and ask you to identify it and explain what it is.

10 A This -- Amoco's proposed the drilling of this
11 test and this letter is my answer to their proposal; since
12 we each owned a half interest and since they operated quite
13 a number of wells that we had interests in and we only
14 operated one that they had an interest in, I asked them
15 for -- if they would let me operate this particular unit.

16 Q Okay. I show you what is marked as Exhibit
17 Number Three and ask you to identify it.

18 A This is Amoco's letter of refusal of that re-
19 quest.

20 Q Okay. I show you what I've marked as Exhibit
21 Number Three and ask you to identify that.

22 A This is an AFE that was prepared for us by
23 Mr. Curtis Parsons for the drilling of this Pictured Cliffs
24 test on this unit.

25 Q What is Mr. Parsons profession?

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CERTIFIED SHORTHAND REPORTER
731 Bishop's Lodge Road • Phone (505) 968-3404
Santa Fe, New Mexico 87501

1 A. He's a petroleum engineer. He works for
2 Southland at Farmington.

3 Q. What, if any, other experiences have you had
4 with Mr. Parsons with regards to preparing AFEs for your
5 drilling operation?

6 A. He has prepared other AFEs for us in this
7 area.

8 Q. Have you had an opportunity to review and
9 based upon your own independent study and information, is
10 the information contained on Exhibit Three true and accurate
11 to the best of your knowledge, information, and belief?

12 A. Yes, sir, it is.

13 Q. What are the total tangible and intangible
14 costs for a producing well as proposed on the AFE?

15 A. The total tangible costs are \$22,590. The
16 total intangible costs are \$73,095.

17 Q. And the grand total?

18 A. \$95,865.

19 Q. I show you what I've marked as Exhibit Number
20 Four and ask you to identify that.

21 A. This is a list of wells which we have operated.

22 The list of recent wells operated by Amoco which have
23 been drilled on this area, and one well in which we have
24 an interest that El Paso has recently operated in there.

25 Q. Okay.

1 MR. NUTTER: Mr. Kellahin, before we proceed
2 further, we're having some difficulty following the exhibit
3 numbers here.

4 Exhibit One is the plat, is that correct?

5 MR. KELLAHIN: That's correct.

6 MR. NUTTER: Exhibit Two is the letter from
7 Mr. Carr to Amoco.

8 MR. KELLAHIN: That's correct.

9 A. Yes, sir.

10 MR. NUTTER: What is the exhibit from Amoco
11 to him?

12 MR. KELLAHIN: I'm sorry, that is three.

13 MR. NUTTER: Okay, that is Exhibit Three.

14 MR. KELLAHIN: The AFE is Four.

15 MR. NUTTER: The AFE will be Exhibit Four.
16 And then this list of wells, C & E Operators wells, would
17 be Exhibit Five.

18 MR. KELLAHIN: Yes, sir.

19 MR. NUTTER: Okay, thank you.

20 Q (Mr. Kellahin continuing.) Let me redirect
21 your attention to what we've marked as Exhibit Number Five,
22 Mr. Carr, and ask you to summarize for us the information
23 contained on that exhibit.

24 A Well, the information contained on that exhibit
25 really sets out the reason that I would like to operate

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 988-3404
Santa Fe, New Mexico 87501

1 the well.

2 Q What is that reason?

3 A We think that we can do the job and do an ade-
4 quate job at a cheaper price than Amoco can do the job,
5 and we have listed the location and the formation of the
6 wells that we've drilled in the area in the last two or
7 three years; the ones that Amoco has drilled that we have
8 any knowledge of, which are only those in which we have
9 an interest; and the one well that El Paso has drilled
10 that we have knowledge of the cost because we have an in-
11 terest.

12 Q With regards to the AFE, Exhibit Number Four,
13 which of the wells represented on Exhibit Number Five did
14 Mr. Parsons assist you in drilling?

15 A Mr. Parsons made the AFE for the Hampton 3-A
16 and the Heaton 1-A.

17 Q Okay. I'll show you what I've marked as Ex-
18 hibit Number Six and ask you to identify that.

19 A This is the Amoco's AFE, which they presented
20 to us at the time they asked us to join them in this unit.

21 Q What was Amoco's proposed total cost for a
22 producing well?

23 A \$117,500.

24 Q And your total proposed cost?

25 A \$95,865.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (606) 908-3404
Santa Fe, New Mexico 87501

1 Q Now, Mr. Carr, do you have an opinion with
2 regards to the risk factor that should be assessed against
3 Amoco for the drilling of this well?

4 A Yes, if you'll look at the plat on Exhibit
5 Number One, you'll see that the northeast offset is a
6 Pictured Cliffs dry hole. The other -- the north and the
7 west offsets have been completed as gas wells, and there
8 are no other completed wells, other wells or locations.
9 In addition to that, this well is real close to Cox Canyon,
10 which is an area that they have some problems with the
11 Fruitland gas in the drilling, and we feel like there's
12 enough risk in the area to justify 200 percent risk factor.

13 Q Mr. Carr, do you have a recommendation to the
14 Examiner with regards to the charges to be assessed
15 against Amoco for the cost while drilling and after com-
16 pletion of the well; supervision costs, is what I'm talking
17 about?

18 A Well, we would just like to enter into a stan-
19 dard operating agreement, which is what I think most of
20 the companies are using at the current time in this area,
21 which is \$941.00 a month for a drilling well and \$180 a
22 month for a producing well.

23 Q Those figures are consistent with operating
24 agreements that have been entered into in the area by
25 other operators for the same type well?

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CERTIFIED SHORTHAND REPORTER
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Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 988-3404
Santa Fe, New Mexico 87501

1 A Yes, sir.

2 Q Okay. And if the Commission approves those
3 costs of supervision it would be consistent with those
4 other operating agreements?

5 A Yes, sir.

6 Q Except for the AFE from Amoco and the letter
7 from Amoco, were the other exhibits presented today either
8 prepared by you directly or compiled under your direction
9 and supervision?

10 A Yes, sir.

11 Q In your opinion, Mr. Carr, will the approval
12 of this application be in the best interests of conserva-
13 tion, the prevention of waste, and the protection of cor-
14 relative rights?

15 A I think it will.

16 MR. KELLAHIN: We move the introduction of
17 our exhibits.

18 MR. NUTTER: Applicant's Exhibits One through
19 Six will be admitted in evidence.

20 MR. KELLAHIN: That concludes our direct ex-
21 amination.

22

23 CROSS EXAMINATION

24 BY MR. NUTTER:

25 Q Mr. Carr, I notice one difference between your

1 AFE and their AFE is that you're proposing a 2950 foot
2 well and they're proposing a 3090 foot well.

3 A. Yes, sir.

4 Q. What's the reason for the difference in the
5 depths?

6 A. I don't know. We -- I feel like that a 150
7 feet or so below the top of the Pictured Cliffs formation
8 is an adequate depth of the test. I don't know where
9 Amoco would want to case the well, but actually, the dif-
10 ference between drilling the extra hole is -- it amounts
11 to very little. Only way the costs would go up appreciably
12 would be if you'd case it to that depth.

13 The Pictured Cliffs formation in that area
14 occurs at about +3200 feet at the top of it, and the
15 elevation at this location which was staked by Amoco,
16 was 59-something.

17 Q. So what does that make to the top of the
18 Pictured Cliffs?

19 A. Well, about 2800 feet.

20 Q. So you're figuring on going into it 150 feet
21 and you think that's adequate?

22 A. Yes, sir, we think we'll be through it at
23 least 50 feet, if it's like all the other wells around.

24 Q. Now, what about this casing program? Are
25 you proposing 200 feet of surface pipe and they're pro-

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1 posing 300 feet of surface pipe. What has the Commission
2 been approving or the USGS for similar wells in the area?

3 A. I don't know. This is on fee land but I don't
4 know what the -- what the others are approving. I assume
5 that since Mr. Parsons made this and he's familiar in the
6 area, that this meets all the requirements, both of the
7 regulatory authorities and as a safety factor.

8 Q Now, you mentioned in passing that sometimes
9 problems were encountered in the Fruitland with the gas
10 there. Are there any Fruitland gas wells in the immediate
11 area?

12 A None to my knowledge, but the man I've talked
13 to about drilling the well has drilled a lot of wells in
14 that area and he said they had a lot of -- a lot of prob-
15 lems with the Fruitland when they're drilling.

16 Q All right. Now, we've got on your Exhibit
17 Number One two locations, one to the east and one to the
18 south on Amoco's property.

19 A Yes, sir.

20 Q Are those two wells drilling at the present
21 time, or do you know?

22 A No, sir, I don't think so. These are non-
23 standard locations that Amoco has applied for, and I forget
24 when the time was up but we gave them a waiver on the
25 locations, but I don't assume they've drilled the wells

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1 yet.

2 Q I see.

3 A Well, let's see. This -- the one I know they
4 haven't drilled because we have a substantial interest in
5 that unit. That's the Case "A" No. 1.

6 Q That's the one to the east?

7 A Yes, sir.

8 Q Well now, apparently in this particular case
9 everyone involved agrees there should be a well drilled.

10 It's just a matter of who's going to drill it and --

11 A That's about the size of it.

12 Q -- who's going to be the operator.

13 A Yes.

14 Q There's no problem with unitization or comun-
15 itization of royalty interests or --

16 A None at all.

17 Q Is Amoco present today? Does anyone have any
18 further questions for Mr. Carr? He may be excused.

19 Do you have anything further, Mr. Kellahin?

20 MR. KELLAHIN: No, sir.

21 MR. NUTTER: Does anyone have anything they
22 wish to offer in Case Number 6242?

23 We'll take the case under advisement.

24 (Hearing concluded.)

25

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 988-3404
Santa Fe, New Mexico 87501

REPORTER'S CERTIFICATE

I, SALLY WALTON BOYD, a Court Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, knowledge, and skill from my notes taken at the time of the hearing.

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

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 988-3404
Santa Fe, New Mexico 87501

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. *6247*
heard by me on *6/19/78*.
[Signature] Examiner
New Mexico Oil Conservation Commission



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

JERRY APODACA
GOVERNOR
NICK FRANKLIN
SECRETARY

June 16, 1978

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

Mr. Tom Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Re: CASE NO. 6242
ORDER NO. R-5746

Applicant:

C & E Operators, Inc.

Dear Sir:

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

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC X
Artesia OCC X
Aztec OCC X

Other _____

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. 6242
Order No. R-5746

APPLICATION OF C & E OPERATORS, INC., FOR
COMPULSORY POOLING, SAN JUAN COUNTY, NEW
MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 7, 1978,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 15th day of June, 1978, the Division Director,
having considered the testimony, the record, and the recommenda-
tions 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, C & E Operators, Inc., seeks an
order pooling all mineral interests in the Pictured Cliffs
formation underlying the SE/4 of Section 32, Township 32 North,
Range 10 West, NMPM, San Juan County, New Mexico.
- (3) That the applicant has the right to drill and proposes
to drill a well at a standard location on said 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 subject application should be approved by
pooling all mineral interests, whatever they may be, within said
unit.

-2-

Case No. 6242
Order No. R-5746

(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 \$941.00 per month while drilling, and \$180.00 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 September 1, 1978, the order pooling said unit should become null and void and of no effect whatsoever.

-3-

Case No. 6242
Order No. R-5746

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pictured Cliffs formation underlying the SE/4 of Section 32, Township 32 North, Range 10 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a standard 160-acre gas spacing and proration 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 September, 1978, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pictured Cliffs formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of September, 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 C & E Operators, Inc. 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

Case No. 6242
Order No. R-5746

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 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 \$341.00 per month while drilling, and \$180.00 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

-5-

Case No. 6242

Order No. R-5746

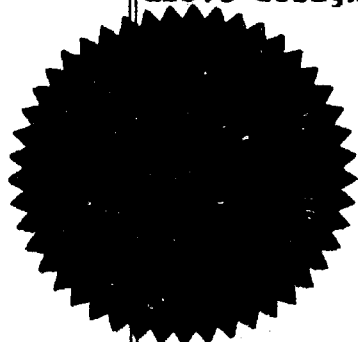
a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(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 San Juan 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.

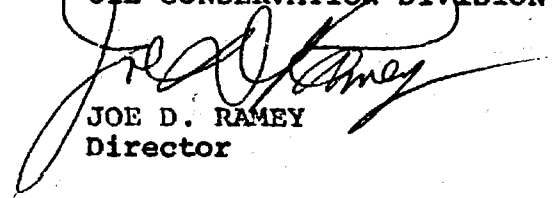
(13) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY
Director

fd/

Township 31 T 32 N

Range 10 W

County SAN JUAN State N.M.

T 32 N

		AMOCO ★ VALENTINE "B" No. 1	AMOCO EALUM "B" No. 1 PC dry hole	
	32	AMOCO LEASES CDE OPERATORS MARTINEZ 1 0 1550' 80-20 CARR LEASES 1100' 1120'	AMOCO 0 CASE "A" No. 1 CARR 54 21 70	33
AMOCO ★ MARTINEZ "H" No. 1		AMOCO ★ McEWEN "B" No. 1	AMOCO 0 MARCOTTE "C" No. 1	
	5		AMOCO ★ USSELMAN "C" No. 1	USSELMAN "B"

T 31 N

PICTURED CLIFFS WELLS ONLY

Appl Ex. 1
6242

WILLIAM PLACK CARR

6700 FOREST LANE
DALLAS, TEXAS 75230
368-8968

April 18, 1978

Re: Pictured Cliff Test
Sec. 32 - 32N - 10W
San Juan County, New Mexico

Amoco Production Company
Security Life Building
Denver, Colorado 80202

Attention: Mr. B. F. Pracko

Dear Mr. Pracko:

We have your request for the formation of a unit for a Pictured Cliff Test in the Southeast Quarter of Section 32, 32N - 10W, San Juan County, New Mexico and for two other Pictured Cliff tests located in this vicinity.

We will be happy to join in the drilling of all these wells but we would like to be the operator of the above test in view of the fact that Amoco operates eleven wells in which we have a 1.52 net well interest and at this time we operate one well in which Amoco has a .47 net well interest.

We would appreciate your courtesy in letting us prepare the AFE and Operating Agreement for your consideration.

Thank you for your advice in this matter.

Yours very truly,



W. P. Carr

WPC/nsf

*Appl Ex 2
C 6242*



Amoco Production Company

Security Life Building
Denver, Colorado 80202
Exploration Department
303-820-4040

Frederick J. Mire
Division Landman
Leo M. Brady
Claud Neely
Senior Negotiators
Peter B. Abbey
W. R. Francis
B. F. Pracko
H. G. Watson
Robert G. Woodard
District Landmen

April 21, 1978

Re: Carr Gas Com (PC)
SE/4 Section 32-32N-10W
San Juan County
New Mexico

W. P. Carr
6700 Forest Lane
Dallas, Texas 75230

Dear Mr. Carr:

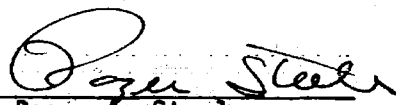
We request that Amoco be the operator of this proposed well; primarily based on the fact that, internally we are already prepared to drill this well as part of our continuing drilling program in this area.

If Amoco's interest in this well were substantially smaller, we would have been receptive to your request to be the operator.

Very truly yours,

AMOCO PRODUCTION COMPANY

B. F. Pracko
District Landman

By 
Roger A. Steele

RAS:mh

Appl Ex 3
6242

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

TELEPHONE 982-4315
AREA CODE 505

April 27, 1978

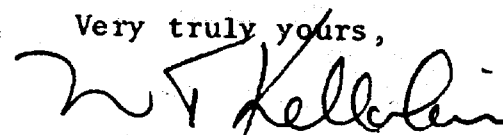
Mr. Joe Ramey, Director
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Dear Mr. Ramey:

Enclosed is the application of C & E Operators, Inc.
for compulsory pooling of the SE/4 of Section 32, T32N,
R10W, San Juan County, New Mexico.

Please set this for hearing on June 7th, 1978.

Very truly yours,


W. Thomas Kellahin

CC: Mr. W. P. Carr

WTK:kfm

Enclosure

BEFORE THE
OIL CONSERVATION DIVISION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF C & E OPERATORS, INC., FOR
COMPULSORY POOLING, SAN JUAN
COUNTY, NEW MEXICO

Case 6242

A P P L I C A T I O N

Comes now C & E Operators, Inc., and applies to the Oil Conservation Division of New Mexico for an order pooling all mineral interests as to the Pictured Cliffs formation underlying the SE/4 of Section 32, Township 32 North, Range 10 West, N.M.P.M., San Juan County, New Mexico, and in support thereof would show the Commission:

1. Applicant is the owner of the right to drill and develop the Pictured Cliffs formation underlying the above-described quarter-section, and proposes to drill a well to test that formation.
2. Applicant has sought voluntary agreement from other owners of interests underlying the described lands, but has been unable to obtain such agreement with Amoco Production Company for the drilling of the proposed well.
3. The address of the non-consenting owner, to the best of applicant's information and belief is:

Amoco Production Company
Security Life Building
Denver, Colorado 80202


WHEREFORE applicant prays the Division to enter its order pooling the mineral interests, whatever they may be, underlying the SE/4 of Section 32, Township 32 North, Range 10 West, N.M.P.M., San Juan County, New Mexico, together with provision for appli-

cant to recover its reasonable costs of drilling and completing the proposed well out of production, plus its necessary operating costs, and costs of supervision, and for a risk factor of 200% for the risk of drilling and completing the proposed well, and for such other and further provisions as may be proper.

Respectfully submitted,

C & E OPERATORS, INC.

By


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

ATTORNEYS FOR APPLICANT

BEFORE THE
OIL CONSERVATION DIVISION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF C & E OPERATORS, INC., FOR
COMPULSORY POOLING, SAN JUAN
COUNTY, NEW MEXICO

Case 6242

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1. Applicant is the owner of the right to drill and develop the Pictured Cliffs formation underlying the above-described quarter-section, and proposes to drill a well to test that formation.
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Security Life Building
Denver, Colorado 80202

WHEREFORE applicant prays the Division to enter its order pooling the mineral interests, whatever they may be, underlying the SE/4 of Section 32, Township 32 North, Range 10 West, N.M.P.M., San Juan County, New Mexico, together with provision for appli-

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Respectfully submitted,

C & E OPERATORS, INC.

By


Kellahin & Fox

P. O. Box 1769

Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

BEFORE THE
OIL CONSERVATION DIVISION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF C & E OPERATORS, INC., FOR
COMPULSORY POOLING, SAN JUAN
COUNTY, NEW MEXICO

Case 6242

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1. Applicant is the owner of the right to drill and develop the Pictured Cliffs formation underlying the above-described quarter-section, and proposes to drill a well to test that formation.
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3. The address of the non-consenting owner, to the best of applicant's information and belief is:

Amoco Production Company
Security Life Building
Denver, Colorado 80202

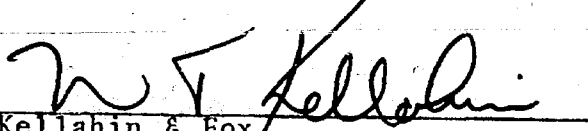
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cant to recover its reasonable costs of drilling and completing the proposed well out of production, plus its necessary operating costs, and costs of supervision, and for a risk factor of 200% for the risk of drilling and completing the proposed well, and for such other and further provisions as may be proper.

Respectfully submitted,

C & E OPERATORS, INC.

By


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

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:

CASE NO. 6242

Order No. R- 5746

APPLICATION OF C & E OPERATORS, INC., FOR
COMPULSORY POOLING, SAN JUAN COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 7,
19 78, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this _____ day of June, 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, C & E Operators, Inc.,
seeks an order pooling all mineral interests in the Pictured
Cliffs formation underlying the SE/4
of Section 32, Township 32 North, Range 10 West
NMPM, _____, San Juan County, New
Mexico.

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

-3-
Case No.
Order No. R-

while drilling, and \$180.00 per month
while producing

(11) That \$941.00 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 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 September 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 Pictured Cliffs formation underlying the SE/4 of Section 32, Township 32 North, Range 10 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a standard 160 - acre gas spacing and proration 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 September, 1978, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pictured Cliffs formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of September, 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 C & E Operators, Inc. 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, 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. while drilling, and \$180.00 per month while producing,

(9) That \$941.00 per month are 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 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.

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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 San Juan 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.

(13) 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.