CASE 6289: BILL TAYLOR FOR ENFORCEMENT AND AMENDMENT OF ORDER NO. R-5332, EDDY COUNTY, NEW MEXICO.

Continued to August 23

Continued to September 11

CASE NO.

6289

APPLICATION,

TRANSCRIPTS,

SMALL EXHIBITS,

ETC.

FIFTH JUDICIAL DISTRICT
STATE OF NEW MEXICO
COUNTY OF EDDY
FILED DEC 15 1980 IN M OFFIC
1:28 AM
FRANCES M. WILCOX
Clerk of the District Court

RECEIVED
DEC 19 1980
OIL CONSERVATION DIVISION
SANTA FE

IN THE DISTRICT COURT OF EDDY COUNTY

STATE OF NEW MEXICO

C & K PETROLEUM, INC., a Corporation, Petitioner, -vs- NEW MEXICO ENERGY AND MINERALS DEPARTMENT, OIL CONSERVATION DIVISION and BILL TAYLOR, Respondents.	CV-78-415 IN THE MATTER OF THE APPLICATION OF BILL TAYLOR FOR ENFORCEMENT AND AMENDMENT OF ORDER NO. R-5332 EDDY COUNTY NEW MEXICO OIL CONSERVATION COMMISSION CASE NO. 6289 CV-78-417

O R D E R

THE ABOVE styled and numbered causes were on the 12th day of January 1979, consolidated by the Court for purposes of review or relief from Order No. R-5332-A entered by the Oil Conservation Department of the Energy and Minerals Department of the State of New Mexico pursuant to Section 70-2-25 (B) N.M.S.A. 1978 Comp., thereafter said matter was set for hearing for July 11, 1979, on the consolidated appeals and each and all of the parties thereafter agreed that the hearing of July 11, 1979, be vacated and that the issues be submitted to the Court upon written briefs, the Order vacating such setting and providing for briefs was entered in these causes on July 11, 1979, and the Court having reviewed each and all of the briefs submitted by the respective parties and being fully advised in the premises finds:

FINDINGS OF FACT CV-78-415

(1) On November 9, 1976, Bill Taylor, for himself and for William A. Page, entered into an agreement with C & K Petroleum Inc. a copy of such agreement having been introduced as C & K Exhibit No. 13 at the hearing which commenced November 10, 1976, before the New Mexico Oil Conservation Commission, which agreement specifically provided that in consideration of C & K Petroleum, Inc. agreeing not to seek a risk factor in excess of

120% and C & K further agreeing that Bill Taylor shall have the right to take his gas in kind after pay-out of the well provided that he make connection at his own expense and C & K further agreeing they would not seek compulsory pooling in the matter to be heard on November 10, of any formation other than Wolfcamp and Pennsylvanian formation and does not seek pooling of any formations above the Wolfcamp, Bill Taylor then acknowledged receipt of the estimated well costs in the form of an A.F.E. furnished him the date of the agreement and C & K agreed that Bill Taylor should have thirty (30) days from November 9, 1976, in which to pay his share of estimated well costs in lieu of paying such share out of production and thereby avoid payment of the 120% risk factor.

(2) Thereafter on Novmeber 10, 1976, a hearing commenced before the New Mexico Oil and Gas Commision, under case No. 5807 and pursuant thereto on November 30, 1976, the Commission entered its Order which provided among other things that the designated operator C & K Petroleum, Inc. furnished the Commission and each known working interest owner in the unit an itemized scheduled of estimated well costs and further provided that any non-consenting working interest owner should have thirty (30) days from the date the schedule was furnished to him to pay his share of estimated well costs in lieu of paying his share of reasonable well costs out of production and would thereafter not be liable for risk charges.

(3) Thereafter Bill Taylor made application to the New Mexico Oil Conservation Division for removal of C & K Petroleum, Inc. as operator and requested other relief relating to correlative rights and pursuant to notice to all parties the New Mexico Oil Conservation Division heard evidence on such application on August 9, 1978, and on September 11, 1978, and thereafter on October 17, 1978, entered its Order No. R-5332-A under its case No. 6289 which is the Order from which C & K Petroleum and Bill Taylor are seeking review in these consolidated actions.

CONCLUSIONS OF LAW CV-78-415

(1) The provisions of the Commission's Order No. R-5332

dated November 30, 1976, has three (3) paragraphs 7, 8 and 9 to the extent that they apply to Bill Taylor and C & K Petroleum, Inc. such provisions are void and of no force or effect as they are in direct conflict with the specific terms and provisions of the agreement between the parties dated November 9, 1976, and such provisions invade the right of the parties to contract and the Commission was without jurisdiction to amend, alter, modify or rescind such agreement between the parties dated November 9, 1976.

(2) To the extent that the Commission in its Order No. 5332-A attempted to afford Bill Taylor any relief from Bill Taylor's obligations under the terms and provisions of his agreement dated November 9, 1976, and to the extent that the Commission was attempting to enforce and/or modify its previous Order as to payment by Bill Taylor of drilling costs and thereby avoid application of the 120% risk factor the Commission was interferring with the rights of the parties to contract and was wholly without jurisdiction to in any manner to amend, modify or rescind the agreement of the parties entered into on November 9, 1976.

The foregoing Findings and Conclusions of Law having disposed of the objection of C & K Petroleum, Inc. to the Commission's allowing Taylor additional time within which to pay well cost and avoid the risk factor the remaining arguments presented by C & K Petroleum, Inc. in support of their contention need not be ruled upon in this decision.

FINDINGS OF FACT CV-78-417

(1) Pursuant to Order of the Court, Petitioner Bill Taylor, filed his brief in support of his Petition for review and raised in such brief four (4) points for review and to the extent that additional matters were raised in the Petition for review which were not briefed the Court deems such additional matters as abondoned. The four points raised by Petitioner Bill Taylor are as follows: (a) Point 1, Petitioner has alleged the Oil Conservation Division erred in failing to consider the rights of W. A. Page, Jr., in affording him relief from imposition of the

120% risk charge. (b) Point 2, the Division erred in failing to grant Petitioner's application for rehearing as to continued violations of Paragraph 12 of Order 5332. (c) Point 3, the Commission erred in failing to order C & K to pay Taylor and Page their 1/8 royalty interest. (d) Point 4, the Commission erred in failing to assess the penalty called for under Section 70-2-31 D, N.M.S.A., 1978 Comp.

The contentions made by Petitioner under Points 1 and 4 above cited are disposed of as a matter of law covered by Conclusions of Law Nos. 1 and 2 below.

(2) The Division did not err in failing to grant Petitioner Taylor's application for rehearing as to continued violations of Paragraph 12 of Order 5332 the continued violation upon whcih Petitioner Taylor has relied covers the same violations which was presented to the Division in the hearings of August 9, and September 11, 1978.

(3) That the original Order of the Commission being Order R-5332 dated November 30, 1976, specifically provided:

"(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."

(4) Evidence was received by the Division as to the reasons and justification that C & K had not disbursed certain funds primarily by reason of the fact that Petitioner Bill Taylor would not execute the Division Order which was submitted to him by C & K and the Division should have ordered in its Order R-5332-A that the terms and provisions of Paragraph 12 of its Order entered November 30, 1976, R-5332 be carried out and that no limitations be placed on payment out of escrow other than the true owner making damand and furnishing proof of ownership.

(5) That no notice of appeal or petition for review has been filed with this Court in this cause number by William A. Page.

(6) William A. Page did not by himself or through an attorney join in the application of Bill Taylor to remove C & K Petroleum, Inc. as operator which application of Bill Taylor resulted in the hearings held August 9, 1978, and September 11, 1978, and the Division's Order No. R-5332-A.

CONCLUSIONS OF LAW CV-78-417

(1) To the extent that the Division had an obligation to protect the correlative rights of William A. Page, not withstanding the fact that he had not filed or joined in the application of Bill Taylor in the Division's Order No. R-5332-A, the Division was without jurisdiction to modify the agreement of November 9, 1976, which agreement insofar as the Division is concerned bound William A. Page to the same extent as Bill Taylor for the reasons set forth under Conclusions of Law numbered 1 and 2 above made as to CV-78-415.

(2) The Petitioner in his Petition for Review to this Court in asking that this Court order the Commission to impose sanctions and/or penalties against C & K Petroleum by reason of the Commission or Division's statutory duty, Petitioner in his Petition for Review is seeking to utilize his Petition for Review as a substitute for his remedy of Mandamus. If the Division is in fact violating any statutory duty imposed upon it, the Division can only be ordered to carry out any such statutory duty through a Mandamus proceeding.

(3) The Division did not act arbitrary, capricious or unlawful in denying Petitioner Bill Taylor's applicaltion for relief hearing of its Order R-5332-A.

(4) Based on the evidence submitted to the Division relating to the facts that C & K Petroleum, Inc. had not complied with the Division's Order No. R-5332, (Paragraph No. 12) the Division in Order No. R-5332-A should have ordered C & K Petroleum, Inc. to place all proceeds from production from the subject well in escrow advising the escrow agent that such funds were to be paid to the true owner thereof upon demand and proof of ownership

and further ordered that C & K Petroleum, Inc. should not place any other additional limitations upon the escrow agent regarding disbursing of such funds.

Based upon the foregoing Findings of Fact and Conclusions of Law herein made by the Court it is Ordered, Adgudged and Decreed that the provisions of the Division's Orders numbered R-5332 and R-5332-A insofar as they extend the time within which Bill Taylor was allowed to pay his proportionate share of drilling costs and thereby avoid the application of the 120% risk factor, beyond the time provided for in Bill Taylor's agreement with C & K Petroleum, Inc. dated November 9, 1976, such provisions in said Orders are void and of no force or effect and are hereby set aside and held to be of no force or effect.

It is further Ordered, Adjudged and Decreed by the Court that C & K Petroleum, Inc. is hereby ordered and directed to forthwith place all proceeds from production from the subject well which have not been disbursed for any reason in escrow instructing the escrow agent to pay such proceeds to the true owner thereof upon demand and proof of ownership and C & K Petroleum, Inc. is hereby enjoined and restrained from placing any further limitations upon payment of said funds to the owners thereof.

DISTRICT JUDGE

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

LARRY KEHOE
SECRETARY

March 20, 1979

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

Mr. Bill Taylor
512 Welshire
Carlsbad, New Mexico 88220

Re: Case No. 6289
Order No. R-5332-A

Dear Mr. Taylor:

The Oil Conservation Commission has no jurisdiction at this point in time to alter or amend any provisions of the force pooling order. Therefore, no adjustments will or can be made.

However, as I indicated in my February 19 letter, there is nothing in the order to prohibit a split-stream connection provided that the terms of the order are complied with. I don't believe that I can clarify this position any further than I already have, but let me know if you have any questions.

Very truly yours,

(Ms.) LYNN TESCHENDORF
General Counsel

LT/dr

cc: Jason Kellahin
Tom Martin

RECEIVED
MAR 07 1979
OIL CONSERVATION DIVISION
SANTA FE

March 5, 1979
512 Welshire
Carlsbad, New Mexico 88220

Ms. Lynn Teschendorf
New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Cases No. 5807 & 6289;
Orders R-5332 & R-5332A

Dear Ms. Teschendorf:

Your letter of February 19, 1979 seems to allow a split stream connection from the date of agreement for such between interest owners and forward in time for the C&K Carlsbad 13 Well. Correct?

My question also deals with retroactive split stream possibilities. Order R-5332 designates C&K Petroleum, Inc. as operator on November 30, 1976, provision 2, with the charge that all mineral interests are pooled, provision 1, with specific instructions and obligations contingent therewith to comply with provisions 9, 10, 11, 12 (and possibly others).

C&K's possible settlement solution involves a situation whereby all of Taylor's (& Page's?) gas is still in the ground, unproduced, and would be produced via the split stream connection under catch-up agreement. This would seemingly require rotroactive separation of mineral interests, or "unpooling" the mineral interests pooled under provision 1. Therefore it might be contrary to the intentions of provisions 1,2,9,10,11,12 (and possibly others), of the Orders unless these provisions are modified by the NMOCD, retroactive to prior June 15, 1977.

Considering these viewpoints, I repeat my questions concerning the split stream connection with emphasis upon possible adjustments in the existing orders allowing the split stream connection retroactive to first gas production from the subject well. What adjustments in Orders R-5332 & R-5332A would be necessary? Would such adjustments be allowed by the NMOCD and under what conditions? Would such adjustments be common to the NMOCD?

Sincerely,
Bill Taylor
Bill Taylor

Xerox: Tom Martin
Jason Kellahin

NEW MEXICO OIL CONSERVATION COMMISSION
GAS PURCHASERS MONTHLY REPORT

Form C-111 Sheet No. 1
Supersedes old Form C-111 & C-114
Effective 1-1-65

Operator and Address	Plant	Month
C & K Petroleum, Inc., P.O. Box 3546, Midland, Tx. 79701	See Remarks	June-1977

REPORT ALL VOLUMES OF GAS IN MCF AT 15.025 PSIA AND 60°F

RECEIVED AUG - 1 1977

SECTION I – Volume of Gas Taken	VOLUME – MCF
Total Gas From Oil Wells (Detail on Sheet 2)	
Total Gas From Gas Wells (Detail on Sheet 2)	2350
Total Gas From Other Sources (Detail on Sheet 2)	
TOTAL TAKES	
Gasoline or Other Extraction Plant Only:	
Deduct Volume That By-Passed Plant and Was Not Processed	
TOTAL PLANT INPUT	

SECTION II – Disposition		ITEM	UNPROCESSED GAS VOLUME MCF	ITEM	PLANT RESIDUE VOLUME MCF
Lease Use	Detail Below	a.		h.	
Gas Drilling Operation	" "	b.		i.	
Gas Lift	" "	c.		j.	
Fuel System	" "	d.		k.	
Returned to Lease For Fuel	" "	e.		l.	
Returned to Earth	" "	f.		m.	
Sold or Other Disposition	" "	g.		n.	
Plant Fuel					
Vented					
Shrinkage					
Totals					
GRAND TOTAL – ALL DISPOSITION					

SECTION III – Detail of Disposition *(Show each individual disposition of items above.)*
(Attach additional sheets if necessary)

ITEM	NAME AND ADDRESS OF PURCHASER OR USER	USED FOR	VOLUME – MCF
	C & K Petroleum, Inc.	Drilling operation	2350
	P.O. Drawer 3546	C & K Petroleum, Inc.	
	Midland, Texas 79701	Carlsbad "12" #1	

SECTION IV – Plant Production, Receipts, Deliveries, and Stock in Barrels of 42 U.S. Gallons.

PRODUCT	OPENING STOCK	RECEIPTS	PRODUCTION	DELIVERIES	CLOSING STOCK
Oil					
Condensate					
Gasoline					
Butane					
Propane					
Kerosene					
Other					
TOTAL					

Remarks: This C-111 being filed to report sale of gas from our Carlsbad "13" #1 to our Carlsbad "12" #1, Eddy County, New Mexico for drilling operations for month of June 1977. Initial gas sales was 6-15-77.

Signature W. E. Cooper Title Administrative Supervisor Date 7-29-77

OPERATORS UNIT REPORT

OIL AND GAS ACCOUNTING COMMISSION
P. O. BOX 2308 SANTA FE, NEW MEXICO

0-2

REPORT MONTH _____ 19__ PAGE _____

REPORTING COMPANY C & K Petroleum

FOR REPORTERS USE	NO PURCHASER	PRODUCTION UNIT NUMBER	SCHEDULE 2 PRODUCT SALES G KIND	H VOLUME BBL-MCF	J VALUE	SCHEDULE 3 DEDUCTIONS K TRUCKING EXPENSE	L ROYALTY EXEMPTION	SCHEDULE 4 TAXES AND ROYALTY REMITTED WITH THIS REPORT N SCHOOL TAX	O SEVERANCE TAX	P CONSERVATION TAX	R AD VALOREM TAX	S STATE ROYALTY
				PRODUCTION UNIT 16596 IS ASSIGNED TO THE CARLSBAD 13 COM WELL 1G								
				SECTION 13, TOWNSHIP 22 SOUTH, RANGE 26 EAST.								
Report Month												
6/77		16596	G	10042	15,822.02			403.46	593.32	30.06	178.66	
7/77		16596	G	50806	80,601.18			2,055.33	2,540.30	153.14	910.18	
8/77		16596	G	61432	97,974.42			2,498.37	3,071.60	186.16	1,106.36	
9/77		16596	G	54996	86,772.03			2,212.69	2,748.30	164.87	948.98	
10/77		16596	G	56521	89,768.80			2,289.10	2,826.05	170.56	981.76	
11/77		16596	G	50213	79,659.26			2,031.31	2,510.31	151.35	871.19	
12/77		16596	G	49304	78,217.19			1,994.54	2,465.20	148.60	855.42	
1/78		16596	G	49065	77,801.63			1,983.18	2,453.25	147.82	850.88	
2/78		16596	G	43330	68,840.88			1,755.45	2,166.50	130.80	752.88	
3/78		16596	G	44971	71,448.03			1,821.92	2,248.55	135.75	781.39	
4/78		16596	G	41586	66,501.87			1,695.80	2,079.30	126.35	727.30	
TOTAL THIS PAGE-												
GRAND TOTAL LAST PAGE ONLY-												

OIL AND GAS ACCOUNTING COMMISSION
P. O. BOX 2308, SANTA FE, NEW MEXICO

PURCHASERS UNIT REPORT
P-2

REPORT MONTH _____ 19__ PAGE _____

REPORTING COMPANY Transwestern Pipeline

FOR REPORTERS USE	PRODUCTION UNIT NUMBER	SCHEDULE 2 PRODUCT SALES			SCHEDULE 3 DEDUCTIONS		SCHEDULE 4 TAXES AND ROYALTY REMITTED WITH THIS REPORT				
		G	H	J	K	L	N	O	P	R	S
		KIND	VOLUME BBL-MCF	VALUE	TRUCKING EXPENSE	ROYALTY EXEMPTION	SCHOOL TAX	SEVERANCE TAX	CONSERVATION TAX	AD VALOREM TAX	STATE ROYALTY
6/77	16596	G	10042	15,740.86							
7/77	16596	G	49538	79,638.51							
8/77	16596	G	54191	87,118.63							
9/77	16596	G	53623	86,224.76							
10/77	16596	G	55110	89,170.30							
11/77	16596	G	48960	79,139.60							
12/77	16596	G	48073	77,706.95							
1/78	16596	G	47840	77,839.71							
2/78	16596	G	42249	68,741.36							
3/78	16596	G	43849	71,344.74							
4/78	16596	G	40548	66,406.44							
TOTAL THIS PAGE-											
GRAND TOTAL LAST PAGE ONLY-											

USE DECIMALS TO DESIGNATE CENTS. DO NOT USE COMMAS TO DESIGNATE THOUSANDS.

Pressure Base

To / From	13.45:	14.4	14.65	14.735	14.9	15.025	15.235	16.4
13.45	-------	.934028	.918089	.912793	.902685	.895175	.882836	.820122
14.4	1.070632	-------	.982935	.977265	.966443	.958403	.945192	.878049
14.65	1.089219	1.017361	-------	.994231	.983221	.975042	.961602	.893293
14.735	1.095539	1.023264	1.005802	-------	.988926	.980699	.967181	.898476
14.9	1.107807	1.034722	1.017065	1.011198	-------	.991681	.978011	.908537
15.025	1.117100	1.043403	1.025597	1.019681	1.008389	-------	.986216	.916159
15.235	1.132714	1.057986	1.039932	1.033933	1.022483	1.013977	-------	.928963
16.4	1.219331	1.138889	1.119454	1.112996	1.100671	1.091514	1.076469	-------

NEW MEXICO OIL CONSERVATION COMMISSION
BOX 2088 SANTA FE, NEW MEXICO

OPERATOR'S MONTHLY REPORT

STATEWIDE FORM C-115 (REV. 12-1-72)
SUBMIT: ORIGINAL TO OCC SANTA FE
ONE COPY TO OCC DIST. OFFICE
ONE COPY TO TRANSPORTER

(Company or Operator) C & K PETROLEUM, INC. (Address) P.O. BOX 3546, Midland, Tx. 79701 FOR MONTH June-1977 Page 2 of 3

POOL NAME (Underline) *LEASE NAME / WELL NO. UNIT SEC. TWP. RNG.	WELL STATUS	TOTAL LIQUIDS PRODUCED: MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED	GAS PRODUCED MCF	DAYS PROD.	DISPOSITION OF GAS: VENTED	USED ON LEASE	SOLD	PURCH.	OTHER	CODE	DISPOSITION OF OIL: OIL ON HAND BEG. OF MONTH	BARRELS TO TRANSPORTER	OTHER	CODE	TRANSPORTER	OIL ON HAND END OF MONTH
*LEASE NAME – Include State Land Lease Number or Federal Lease Number																		
Elbow Canyon-Delaware																		
Allied Chemical Federal #1 29-0557822																		
1 E 4 24 26	P	720	322	2391	0	24			0	---			165	0			PER	487
South Carlsbad																		
Allied Chemical Federal #2 NM-05507822																		
2 E 3 24 26	F		0	9	8108	30			8108				0	0				9
		New well - started producing 6-21-77.																
Carlsbad 13 Com.																		
1 G 13 22 26	F		0	19	10,042	10			10,042	TWP			0	0			---	0
Harold Olive																		
1 O 14 22 26	F		0	0	1370	28			1,370	EPG			150	0			PER	150
(Eddy Co.,)																		
West Atoka Morrow																		
Vandiver																		
1 M 18 18 26	F		92	7	41,136	30			41,136	TWP			77	0			NRC	16
West Knowles (Drinkard)																		
Shipp 34																		
1 K 34 16 37	F	6180	4421	0	4054	30			4054	TRC			548	4480			WCI	48
2 M 34 16 37	F		905	122	831	29			831				112	917				100
			5326	122	4885				4885				660	5397				58
White City Penn																		
Exxon Federal																		
1 F 17 24 26	P		0	65	25,314	30			25,314	EPG			0	0			---	0

carried over 5

STATUS CODE
F..... FLOWING

"OTHER" GAS DISPOSITION CODE
X..... USED OFF LEASE

"OTHER" OIL DISPOSITION CODE
C..... CIRCULATING OIL

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE A
COMPLETE TO THE BEST OF MY KNOWLEDGE.

NEW MEXICO OIL CONSERVATION COMMISSION
BOX 2088 SANTA FE, NEW MEXICO

OPERATOR'S MONTHLY REPORT

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(Company or Operator) C & K PETROLEUM, INC. (Address) P.O. BOX 3546, Midland, Tx. 79701 FOR MONTH July-1977 Page 2 of 3

POOL NAME (Underline) *LEASE NAME / WELL NO. UNIT SEC. TWP. RNG.	WELL STATUS	TOTAL LIQUIDS PRODUCED: MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED	GAS PRODUCED MCF	DAYS PROD.	DISPOSITION OF GAS: VENTED	USED ON LEASE	SOLD	PURCH.	OTHER	CODE	DISPOSITION OF OIL: OIL ON HAND BEG. OF MONTH	BARRELS TO TRANSPORTER	OTHER	CODE	TRANSPORTER	OIL ON HAND END OF MONTH
*LEASE NAME – Include State Land Lease Number or Federal Lease Number																		
Elbow Canyon-Delaware																		
Allied Chemical Federal #1 29-0557822																		
1 E 4 24 26	P	744	125	2894	0	31			0	---			271	0			PER	396
South Carlsbad																		
Allied Chemical Federal #2 NM-05507822																		
2 E 3 24 26	F		0	10	6244	31			6244				0	0				0
Carlsbad 13 Com.																		
1 G 13 22 26	F		0	54	30,806	31			30,806	TWP			0	0			---	0
Harold Olive																		
1 O 14 22 26	F		9	4	1,109	27			1,109	EPG			150	0			PER	159
(Eddy Co.,) West Atoka Morrow																		
Vandiver																		
1 M 18 18 26	F		85	8	43,785	31			43,785	TWP			169	169			NRC	85
West Knowles (Drinkard)																		
Shipp 34																		
1 K 34 16 37	F	6386	4788	0	5503	31			5503	TRC			506	4723			WCI	571
2 K 34 16 37	F		780	124	896	31			896				82	769				93
			5568	124	6399				6399				588	5492				664
White City Penn																		
Exxon Federal																		
1 F 17 24 26	P		0	34	28,147	31			28,147	EPG			0	0			---	0

"OTHER" GAS DISPOSITION CODE

"OTHER" OIL DISPOSITION CODE

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND

NEW MEXICO OIL CONSERVATION COMMISSION

BOX 2088 SANTA FE, NEW MEXICO

OPERATOR'S MONTHLY REPORT

STATEWIDE FORM C-115 (REV. 12-1-72)
SUBMIT: ORIGINAL TO OCC SANTA FE
ONE COPY TO OCC DIST. OFFICE
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(Company or Operator) C & K PETROLEUM, INC. (Address) P.O. BOX 3546, Midland, Tx. 79701 FOR MONTH _____ Page 2 of 3

POOL NAME (Underline) *LEASE NAME / WELL NO. UNIT SEC. TWP. RNG.	WELL STATUS	TOTAL LIQUIDS PRODUCED: MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED	GAS PRODUCED MCF	DAYS PROD.	DISPOSITION OF GAS: VENTED	USED ON LEASE	SOLD	PURCH.	OTHER	CODE	DISPOSITION OF OIL: OIL ON HAND BEG. OF MONTH	BARRELS TO TRANSPORTER	OTHER	CODE	TRANSPORTER	OIL ON HAND END OF MONTH
*LEASE NAME – Include State Land Lease Number or Federal Lease Number																		
Elbow Canyon-Delaware																		
Allied Chemical Federal #1 29-0557822																		
1 E 4 24 26	P	744	125	2338	0	27			0	---			396	358			PER	163
South Carlsbad																		
Allied Chemical Federal #2 NM-05507822																		
2 E 3 24 26	F		0	11	12950	30			12950				0	0				0
Carlsbad 13 Com.																		
1 G 13 22 26	F		0	16	55,578	29			55,578	TWP			0	0			---	0
Harold Olive																		
1 O 14 22 26	F		0	0	483	23			483	EPG			159	0			PER	159
(Eddy Co.,) West Atoka Morrow																		
Vandiver																		
1 M 18 18 26	F		88	8	42658	30			42658	TWP			85	0			NRC	173
West Knowles (Drinkard)																		
Shipp 34																		
1 K 34 16 37	F	6386	4710	0	5791	31			5791	TRC			564	4964			WCI	310
2 M 34 16 37	F		831	120	1022	31			1022				100	876				55
			5541	120	6813				6813				664	5840				365
White City Penn																		
Exxon Federal																		
1 F 17 24 26	P		0	23	25,477	30			25,477	EPG			0	0			---	0

STATUS CODE
F ..... FLOWING
P ..... PUMPING
G ..... GAS LIFT

"OTHER" GAS DISPOSITION CODE
X ..... USED OFF LEASE
D ..... USED FOR DRILLING } (DESTINATION MUST BE SHOWN ON FORM C-111)
G ..... GAS LIFT

"OTHER" OIL DISPOSITION CODE
C ..... CIRCULATING OIL
L ..... LOST
S ..... SEDIMENTATION (BS&W)

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE.

NEW MEXICO OIL CONSERVATION COMMISSION
BOX 2088 SANTA FE, NEW MEXICO

OPERATOR'S MONTHLY REPORT

STATEWIDE FORM C-115 (REV. 12-1-72)
SUBMIT: ORIGINAL TO OCC SANTA FE
ONE COPY TO OCC DIST OFFICE
ONE COPY TO TRANSPORTER

(Company or Operator) C & K PETROLEUM, INC. (Address) P.O. BOX 3546, Midland, Tx. 79701 FOR MONTH September 1977 Page 2 of 3

POOL NAME (Underline) *LEASE NAME / WELL NO. UNIT SEC. TWP. RNG.	WELL STATUS	TOTAL LIQUIDS PRODUCED: MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED	GAS PRODUCED MCF	DAYS PROD.	DISPOSITION OF GAS: VENTED	USED ON LEASE	SOLD	PURCH.	OTHER	CODE	DISPOSITION OF OIL: OIL ON HAND BEG. OF MONTH	BARRELS TO TRANS-PORTER	OTHER	CODE	TRANS-PORTER	OIL ON HAND END OF MONTH
*LEASE NAME - Include State Lead Lease Number or Federal Lease Number																		
Elbow Canyon-Delaware																		
Allied Chemical Federal #1 29-0557822																		
1 E 4 24 26	P	720	132	2801	0	30			0	---			163	0			PER	295
South Carlsbad																		
Allied Chemical Federal #2 NM-05507822																		
2 E 3 24 26	F		0	0	12,085	30			12,085				0	0				0
Carlsbad 13 Com.																		
1 G 13 22 26	F		0	9	54,996	30			54,996	TWP			0	0			---	0
Harold Olive																		
1 O 14 22 26	F		26	0	1004	29			1004	EPG			159	0			PER	185
(Eddy Co.,)																		
West Atoka Morrow																		
Vandiver																		
1 M 18 18 26	F		81	8	40,833	30			40,833	TWP			173	174			NRC	80
West Knowles (Drinkard)																		
Shipp 34			4670											4388				
1 K 34 16 37	F	6120	~~4673~~	0	5997	30			5997	TRC			318	4391			WCI	599
2 M 34 16 37	F		698	116	896	30			896				47	656				90
			~~5371~~	116	6893				6893				365	~~5047~~				689
			5368											5044				
White City Penn																		
Exxon Federal																		
1 F 17 24 26	P		0	35	29,619	30			29,619	EPG			0	0			---	0

STATUS CODE
F ..... FLOWING
P ..... PUMPING
G ..... GAS LIFT
S ..... SHUT IN
T ..... TEMP. ABANDONED
I ..... INJECTION

"OTHER" GAS DISPOSITION CODE
X ..... USED OFF LEASE (DESTINATION MUST BE SHOWN ON FORM C-111)
D ..... USED FOR DRILLING
G ..... GAS LIFT
L ..... LOST (MCF ESTIMATED)
E ..... EXPLANATION ATTACHED
R ..... REPRESSURING OR PRESSURE MAINTENANCE

"OTHER" OIL DISPOSITION CODE
C ..... CIRCULATING OIL
L ..... LOST
S ..... SEDIMENTATION (BS&W)
E ..... EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE.

Teri Moore (SIGNATURE) 10/18/77 (DATE)

Production Clerk (POSITION)

NEW MEXICO OIL CONSERVATION COMMISSION

BOX 2088 SANTA FE, NEW MEXICO

OPERATOR'S MONTHLY REPORT

STATEWIDE FORM C-115 (REV. 12-1-72)
SUBMIT: ORIGINAL TO OCC SANTA FE
ONE COPY TO OCC DIST OFFICE
ONE COPY TO TRANSPORTER

(Company or Operator) C & K PETROLEUM, INC. (Address) P.O. BOX 3546, Midland, Tx. 79701 FOR MONTH October-77 Page 2 of 3

POOL NAME (Underline) *LEASE NAME / WELL NO. UNIT SEC. TWP. RNG.	WELL STATUS	TOTAL LIQUIDS PRODUCED: MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED	GAS PRODUCED MCF	DAYS PROD.	DISPOSITION OF GAS: VENTED	USED ON LEASE	SOLD	PURCH.	OTHER	CODE	DISPOSITION OF OIL: OIL ON HAND BEG. OF MONTH	BARRELS TO TRANSPORTER	OTHER	CODE	TRANSPORTER	OIL ON HAND END OF MONTH
*LEASE NAME – Include State Land Lease Number or Federal Lease Number																		
Elbow Canyon-Delaware																		
Allied Chemical Federal #1 29-0557822																		
1 E 4 24 26	P	744	0	0	0	1			0	---			295	0			PER	295
South Carlsbad																		
Allied Chemical Federal #2 NM-05507822																		
2 E 3 24 26	F		0	0	10492	31			10492				0	0				0
Carlsbad 13 Com.																		
1 G 13 22 26	F		0	16	56,521	31			56,521	TWP			0	0			---	0
Harold Olive																		
1 O 14 22 26	F		10	0	1209	31			1209	EPG			185	181			PER	14
(Eddy Co.,) West Atoka Morrow																		
Vandiver																		
1 M 18 18 26	F		103	8	41,001	31			41,001	TWP			80	0			NRC	183
West Knowles (Drinkard)																		
Shipp 34																		
1 K 34 16 37	F	6324	4597	0	5861	31			5861	TRC			593	4458			WCI	731
2 M 34 16 37	F		748	128	954	31			954				96	726				119
			5345	128	6815				6815				689	5184				850
White City Penn																		
Exxon Federal																		
1 F 17 24 26	P		0	16	28949	30			28949	EPG			0	0			---	0

STATUS CODE
F ..... FLOWING
P ..... PUMPING
G ..... GAS LIFT
S ..... SHUT IN
T ..... TEMP. ABANDONED
I ..... INJECTION

"OTHER" GAS DISPOSITION CODE
X ..... USED OFF LEASE
D ..... USED FOR DRILLING (DESTINATION MUST BE SHOWN ON FORM C-111)
G ..... GAS LIFT
L ..... LOST (MCF ESTIMATED)
E ..... EXPLANATION ATTACHED
R ..... REPRESSURING OR PRESSURE MAINTENANCE

"OTHER" OIL DISPOSITION CODE
C ..... CIRCULATING OIL
L ..... LOST
S ..... SEDIMENTATION (BS&W)
E ..... EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AN COMPLETE TO THE BEST OF MY KNOWLEDGE.

Jodi Mann (SIGNATURE) 11-16-77 (DATE)

Production Clerk (POSITION)

NEW MEXICO OIL CONSERVATION COMMISSION
P. O. Box 2088, Santa Fe 87501

OPERATOR'S MONTHLY REPORT

ORIGINAL TO OCC SANTA FE
ONE COPY TO OCC DIST. OFFICE
ONE COPY TO TRANSPORTER(S)

Form C-115 (Rev. 8-1-77)

(Company or Operator) C & K Petroleum, Inc. (Address) P.O. Drawer 3546, Midland, Texas (City) 79701 For (Month, Year) November-1977 Page 2 of 3

POOL NAME (Underline) *Lease Name WELL NO UNIT SEC TWP RNG	WELL STATUS	INJECTION VOLUME	INJECTION PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS SOLD	DISPOSITION OF GAS TRANSPORTER	DISPOSITION OF GAS OTHER	DISPOSITION OF GAS CODE	DISPOSITION OF OIL OIL ON HAND AT BEG. OF MONTH	DISPOSITION OF OIL BARRELS TO TRANSPORTER	DISPOSITION OF OIL TRANSPORTER	DISPOSITION OF OIL OTHER	DISPOSITION OF OIL CODE	DISPOSITION OF OIL OIL ON HAND AT END OF MONTH
*LEASE NAME - Include State Land Lease Number or Federal Lease Number																		
Northwest Lusk (Morrow)																		
Greenwood Federal 6-1																		
1 N 6 19 32	F				0	29	1625	30	1675	PHP			37	0	PER			37
South Carlsbad																		
Allied Chemical Federal #2	NM-05507822																	
2 E 3 24 26	F				0	0	10021	30	10021	EPG			0	0	---			0
Carlsbad 12-1 Com.																		
1 O 12 22 26	F				0	344	19,006	21	19006	TWP			0	0	---			0
Carlsbad 13 Com.																		
1 G 13 22 26	F				0	28	50,213	30	50213	TWP			0	0	---			0
Harold Olive																		
1 O 14 22 26	F				26	10	1614	30	1614	EPG			14	0	PER			40
(Eddy Co.)																		
West Atoka Morrow																		
Vandiver																		
1 M 18 18 26	F				29	8	37,327	30	37,327	TWP			183	175	NRC			37
West Knowles (Drinkard)																		
Shipp 34																		
1 K 34 16 37	F				4087	0	4989	30	4989	TRC			723	4563	WCI			247
2 M 34 16 37	F				721	135	881	30	881				127	805				43
TOTAL				6120	4808	135	5870		5870				850	5368				290
White City Penn																		
Exxon Federal																		
1 F 17 24 26	P				0	10	28297	30	28297	EPG			0	0	---			0

STATUS CODE
F.....FLOWING
P.....PUMPING
G.....GAS LIFT
S.....SHUT IN
T.....TEMP ABANDONED
I.....INJECTION
D.....DISCONTINUED

"OTHER" GAS DISPOSITION CODE
X.....USED OFF LEASE
O.....USED FOR DRILLING
(DETAIL ON FORM C-115)
G.....GAS LIFT
L.....LOST (MCF ESTIMATED)
E.....EXPLANATION ATTACHED
R.....REPRESSURING OR PRESSURE MAINTENANCE

"OTHER" OIL DISPOSITION CODE
C.....CIRCULATING OIL
L.....LOST
S.....SEDIMENTATION (BS&W)
E.....EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE

Juanita R. Hosier (NAME)

PRODUCTION CLERK (POSITION)

12/19/77

NEW MEXICO OIL CONSERVATION COMMISSION — OPERATOR'S MONTHLY REPORT

P. O. Box 2088, Santa Fe 87501

ORIGINAL TO OCC SANTA FE
ONE COPY TO OCC DIST. OFFICE
ONE COPY TO TRANSPORTER(S)

(Rev. 8-1-77)

(Company or Operator) C & K Petroleum, Inc. (Address) P.O. Drawer 3546, Midland, Texas (Zip) 79701 (For Month, Year) December 1977 Page 2 of 3

POOL NAME (Underline) *Lease Name / WELL NO UNIT SEC TWP RNG	WELL STATUS	INJECTION VOLUME	INJECTION PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS SOLD	DISPOSITION OF GAS TRANSPORTER	DISPOSITION OF GAS OTHER	DISPOSITION OF GAS CODE	DISPOSITION OF OIL OIL ON HAND AT BEG. OF MONTH	DISPOSITION OF OIL BARRELS TO TRANSPORTER	DISPOSITION OF OIL TRANSPORTER	DISPOSITION OF OIL OTHER	DISPOSITION OF OIL CODE	DISPOSITION OF OIL OIL ON HAND AT END OF MONTH
*LEASE NAME - Include State Lead Lease Number or Federal Lease Number																		
South Carlsbad																		
Allied Chem. Fed. #2 2 E 3 24 26	F	NM-05507822			0	0	9853	30	9853	EPG			0	0	---			0
Carlsbad 7-1 1 M 7 22 27	F				25	6	11,445	28	11,445	TWP			0	0	PER			25
Carlsbad 12-1 Com. 1 O 12 22 26	F				0	628	25,572	30	25,572	TWP			0	0	---			0
Carlsbad 13-1 Com. 1 G 13 22 26	F				0	49	49,304	30	49,304	TWP			0	0	---			0
Harold Olive 1 O 14 22 26	F				0	0	1238 4186	30	1,186	EPG			40	0	PER			40
(Eddy Co.)																		
West Atoka Morrow																		
Vandiver 1 M 18 18 26	F				110	8	38,222	30	38,222	TWP			37	0	NRC			147
West Knowles (Drinkard)																		
Shipp 34 1 K 34 16 37	F				4367	0	5250	29	5250	TRC			252	4246	WCI			374
2 M 34 16 37	F				653	145	785	30	785				38	634				56
TOTAL					5020	145	6035		6035				290	4880				430
White City Penn																		
Exxon Federal 1 F 17 24 26	F				0	9	24 919	30	24,919	EPG			0	0	---			0

STATUS CODE
F.....FLOWING
P.....PUMPING
G.....GAS LIFT
S.....SHUT IN
T.....TEMP ABANDONED
I.....INJECTION
D.....DISCONTINUED

"OTHER" GAS DISPOSITION CODE
X.....USED OFF LEASE } DETAIL ON FORM C-111
D.....USED FOR DRILLING }
G.....GAS LIFT
L.....LOST (MCF ESTIMATED)
E.....EXPLANATION ATTACHED
R.....REPRESSURING OR
.....PRESSURE MAINTENANCE

"OTHER" OIL DISPOSITION CODE
C.....CIRCULATING OIL
L.....LOST
S.....SEDIMENTATION (BS&W)
E.....EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE

Juanita R. Hosier (NAME)

Production Clerk (POSITION)

P. O. Box 2088, Santa Fe 87501

Letter — ONE COPY TO OCC DIST. OFFICE; ONE COPY TO TRANSPORTER(S)

(Operator) C & K Petroleum, Inc. (Address) P.O. Drawer 3546, Midland, Texas (Zip) 79701 (For Month, Year) January-1978 Page 2 of

POOL NAME (Underline) *Lease Name / WELL NO UNIT SEC TWP RNG	WELL STATUS	INJECTION VOLUME	INJECTION PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS SOLD	DISPOSITION OF GAS TRANSPORTER	DISPOSITION OF GAS OTHER	DISPOSITION OF GAS CODE	DISPOSITION OF OIL OIL ON HAND AT BEG. OF MONTH	DISPOSITION OF OIL BARRELS TO TRANSPORTER	DISPOSITION OF OIL TRANSPORTER	DISPOSITION OF OIL OTHER	DISPOSITION OF OIL CODE	DISPOSITION OF OIL OIL ON HAND AT END OF MONTH
*LEASE NAME - Include State Land Lease Number or Federal Lease Number																		
South Carlsbad																		
Allied Chem. Fed. #2 NM-05507822																		
2 E 3 24 26 079030	F			775	0	0	9404	29	9404	EPG			0	0	---			0
Carlsbad 7-1											Disp. Drilling (3)							25
1 M 7 22 27 079050	F				0	3	816	7	816	TWP			25	0	PER			(22)
Carlsbad 12-1 Com.																		
1 O 12 22 26 079070	F				0	687	21,009	31	21,009	TWP			0	0	---			0
Carlsbad 13-1 Com.																		
1 G 13 22 26 079090	F				0	53	49,065	31	49,065	TWP			0	0	---			0
*Harold Olive																		
1 O 14 22 26 079110	F				0	0	2,113	31	2,113	EPG			40	0	PER			40
(Eddy Co.)																		
West Atoka Morrow																		
Vandiver																		
1 M 18 18 26 079010	F				56	8	37,055	31	37,055	TWP			147	166	NRC			37
West Knowles (Drinkard)																		
Shipp 34																		
1 K 34 16 37 078980	F			6324	4317	0	5025	31	5025	TRC			378	4647	WCT			428
2 M 34 16 37 078990	F				589	141	685	31	685				52	535				86
TOTAL					4906	141	5710		5710				430	4622				714
White City Penn																		
Exxon Federal																		
1 F 17 24 26 079110	F				0	13	26092	31	26092	EPG			0	0	---			0

* Under Carlsbad South Wolfcamp gas pool on other list.

STATUS CODE
F.....FLOWING
P.....PUMPING
G.....GAS LIFT
S.....SHUT-IN
T.....TEMP ABANDONED
I.....INJECTION
D.....DISCONTINUED

"OTHER" GAS DISPOSITION CODE
X.....USED OFF LEASE
D.....USED FOR DRILLING } DETAIL ON FORM C-111
G.....GAS LIFT
L.....LOST (MCF ESTIMATED)
E.....EXPLANATION ATTACHED
R.....REPRESSURING OR PRESSURE MAINTENANCE
V.....VENTED
U.....USED ON LEASE

"OTHER" OIL DISPOSITION CODE
C.....CIRCULATING OIL
L.....LOST
S.....SEDIMENTATION (BS&W)
E.....EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE

Juanita R. Hosier (NAME)

Production Clerk (POSITION)

Juanita R. Hosier (SIGNATURE) 2/22/78

USE COPY TO OCC DIST. OFFICE
ONE COPY TO TRANSPORTER(S)

(Company or Operator) C & K Petroleum, Inc. (Address) P.O. Drawer 3546, Midland, Texas (Zip) 79701 (Month, Year) February 1978 Page 2 of 3

POOL NAME (Underline) *Lease Name WELL NO UNIT SEC TWP RNG	WELL STATUS	INJECTION VOLUME	INJECTION PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS SOLD	DISPOSITION OF GAS TRANSPORTER	DISPOSITION OF GAS OTHER	DISPOSITION OF GAS CODE	DISPOSITION OF OIL OIL ON HAND AT BEG. OF MONTH	DISPOSITION OF OIL BARRELS TO TRANSPORTER	DISPOSITION OF OIL TRANSPORTER	DISPOSITION OF OIL OTHER	DISPOSITION OF OIL CODE	DISPOSITION OF OIL OIL ON HAND AT END OF MONTH
*LEASE NAME - Include State Lead Lease Number or Federal Lease Number																		
South Carlsbad																		
Allied Chem. Fed. #2		NM-05507822																
2 E 3 24 26 79320	F				0	0	7931	28	7931	EPG			0	0	---			0
		In Process to P&A.																
Carlsbad 7-1																		
1 M 7 22 27	F				0	0	0	0	0	TWP			22	0	PER			22
Carlsbad 12-1 Com.																		
1 O 12 22 26	F				0	525	15,568	28	15,568	TWP			0	0	---			0
Carlsbad 13-1 Com.																		
1 G 13 22 26	F				0	62	43,330	28	43,330	TWP			0	0	---			0
Harold Olive																		
1 O 14 22 26	F				0	0	1,229	28	1,229	EPG			40	0	PER			40
(Eddy Co.)																		
West Atoka Morrow 79300																		
Vandiver																		
1 M 18 18 26	F				107	7	32,372	28	32,372	TWP			37	0	NRC			144
West Knowles (Drinkard)																		
Shipp 34																		
1 K 34 16 37 79270	F			5712	3421	0	4789	28	4789	TRC			643	4193	WCI			371
2 M 34 16 37	F				436	129	532	28	532				71	466				41
TOTAL					4357	129	5321		5321				714	4659				412
White City Penn																		
Exxon Federal																		
1 F 17 24 26 79460	F				0	0	22398	28	22,398	EPG			0	0	---			0

STATUS CODE
F.....FLOWING
P.....PUMPING
G.....GAS LIFT
S.....SHUT IN
T.....TEMP ABANDONED
I.....INJECTION
D.....DISCONTINUED

"OTHER" GAS DISPOSITION CODE
X.....USED OFF LEASE } DETAIL ON FORM C-111
D.....USED FOR DRILLING }
G.....GAS LIFT
L.....LOST (MCF ESTIMATED)
E.....EXPLANATION ATTACHED
R.....REPRESSURING OR PRESSURE MAINTENANCE
Y.....

"OTHER" OIL DISPOSITION CODE
C.....CIRCULATING OIL
L.....LOST
S.....SEDIMENTATION (BS&W)
E.....EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE

Juanita R. Hosier (Name)

Production Clerk (Position)

Juanita R. Hosier 03/22/78

P. O. Box 2088, Santa Fe 87501

ORIGINAL TO OCC SANTA FE
ONE COPY TO OCC DIST. OFFICE
ONE COPY TO TRANSPORTER(S)

(Rev. 8-1-77

(Company or Operator) C & K Petroleum, Inc. (Address) P.O. Drawer 3546, Midland, Texas (Zip) 79701 (For Month, Year) March-1978 Page 2 of

POOL NAME (Underline) *Lease Name / WELL NO UNIT SEC TWP RNG	WELL STATUS	INJECTION VOLUME	INJECTION PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS SOLD	TRANSPORTER	OTHER	CODE	DISPOSITION OF OIL OIL ON HAND AT BEG. OF MONTH	BARRELS TO TRANSPORTER	TRANSPORTER	OTHER	CODE	OIL ON HAND AT END OF MONTH
*LEASE NAME - Include State Land Lease Number or Federal Lease Number																		
South Carlsbad																		
Allied Chem. Fed. #2		NM-05507822																
2 E 3 24 26 79376	F				0	0	9450	31	9450	EPG			0	0	---			0
Carlsbad 7-1																		
1 M 7 22 27	F				0	0	0	0	0	TWP			22	0	PER	22	S	0
Carlsbad 12-1 Com.																		
1 O 12 22 26	F				0	0	15,274	31	15,274	TWP			0	0	---			0
Carlsbad 13-1 Com.																		
1 G 13 22 26	F				0	0	44,971	31	44,971	TWP			0	0	---			0
Harold Olive																		
1 O 14 22 26	F				0	0	936	29	936	EPG			40	0	PER			40
(Eddy Co.)																		
West Atoka Morrow																		
Vandiver																		
1 M 18 18 26 79350	F				95	8	34,338	31	34,338	TWP			144	169	NRC			70
West Knowles (Drinkard)																		
Shipp 34																		
1 K 34 16 37 79327	F		632	3989	0	5430	31	5430	TRC			371	4034	WCI			326
2 M 34 16 37	F			443	144	603	31	603				41	448				36
TOTAL				4432	144	6033		6033				412	4482				362
White City Penn																		
Exxon Federal 79510																		
1 F 17 24 26	F				0	0	22868	31	22868	EPG			0	0	---			0

STATUS CODE
F.....FLOWING
P.....PUMPING
G.....GAS LIFT
S.....SHUT IN
T.....TEMP ABANDONED
I.....INJECTION
D.....DISCONTINUED

"OTHER" GAS DISPOSITION CODE
X.....USED OFF LEASE } DETAIL ON FORM C-111
D.....USED FOR DRILLING }
G.....GAS LIFT
L.....LOST (MCF ESTIMATED)
E.....EXPLANATION ATTACHED
R.....REPRESSURING OR PRESSURE MAINTENANCE
V.....VENTED

"OTHER" OIL DISPOSITION CODE
C.....CIRCULATING OIL
L.....LOST
S.....SEDIMENTATION (BS&W)
E.....EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE

Juanita R. Hosier
(NAME)

Production Clerk
(POSITION)

Juanita R Hosier 4/25/78

P. O. Box 2088, Santa Fe 87501

OPERATOR'S MONTHLY REPORT

ORIGINAL TO OCC SANTA FE
ONE COPY TO OCC DIST. OFFICE
ONE COPY TO TRANSPORTER(S)

Form C-115
(Rev. 8-1-77)

(Company or Operator) C & K Petroleum, Inc. (Address) P.O. Drawer 3546, Midland, Texas (Zip) 79701 (For Month, Year) April 1978 Page 2 of 3

POOL NAME (Underline) *Lease Name WELL NO UNIT SEC TWP RNG	WELL STATUS	INJECTION VOLUME	INJECTION PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS SOLD	DISPOSITION OF GAS TRANSPORTER	DISPOSITION OF GAS OTHER	DISPOSITION OF GAS CODE	DISPOSITION OF OIL OIL ON HAND AT BEG. OF MONTH	DISPOSITION OF OIL BARRELS TO TRANSPORTER	DISPOSITION OF OIL TRANSPORTER	DISPOSITION OF OIL OTHER	DISPOSITION OF OIL CODE	DISPOSITION OF OIL OIL ON HAND AT END OF MONTH
*LEASE NAME - Include State Land Lease Number or Federal Lease Number																		
South Carlsbad																		
Allied Chem. Fed. #2		NM-05507822																
2 E 3 24 26 79900	F				0	0	8901	30	8901	EPG			0	0	---			0
Carlsbad 7-1		Final Report - Plugged & Abandoned 4-78																
1 M 7 22 27	F				0	0	0	0	0	TWP			0	0	PER			0
Carlsbad 12-1 Com.																		
1 O 12 22 26	F				0	0	15,096	30	15,096	TWP			0	0	---			0
Carlsbad 13-1 Com.																		
1 G 13 22 26	F				0	0	40,456	30	40,456	TWP			0	0	---			0
Harold Olive																		
1 O 14 22 26	F				0	0	906	29	906	EPG			40	0	PER			40
(Eddy Co.)																		
West Atoka Morrow																		
Vandiver																		
1 M 18 18 26 79880	F				52	6	25,575	30	25,575	TWP			70	0	NRC			122
West Knowles (Drinkard)																		
Shipp 34																		
1 K 34 16 37 79850	F		6120		3506	0	4925	30	4925	TRC			322	3317	WCI			411
2 M 34 16 37	F				433	135	609	30	609				40	422				51
TOTAL					3939	135	5534		5534				362	3839				462
White City Penn																		
Exxon Federal																		
1 F 17 24 26 80040	F				0	0	2040	30	2040	EPG			0	0	---			0

STATUS CODE
F.....FLOWING
P.....PUMPING
G.....GAS LIFT
S.....SHUT IN
T.....TEMP ABANDONED
I.....INJECTION
D.....DISCONTINUED

"OTHER" GAS DISPOSITION CODE
X.....USED OFF LEASE
D.....USED FOR DRILLING } DETAIL ON FORM C-115
G.....GAS LIFT
L.....LOST (MCF ESTIMATED)
E.....EXPLANATION ATTACHED
R.....REPRESSURING OR PRESSURE MAINTENANCE
V.....VENTED
U.....USED ON LEASE

"OTHER" OIL DISPOSITION CODE
C.....CIRCULATING OIL
L.....LOST
S.....SEDIMENTATION (BS&W)
E.....EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE

Juanita R. Hosier
(NAME)

Production Clerk
(POSITION)

Juanita R Hosier

63'Xmn Letter or Eddy

(Name) G & K Petroleum, Inc. (Address) P.O. Drawer 3546, Midland, Texas (Zip) 79701 (For) May-1998 Page 2 of 3

ONE COPY TO TRANSPORTER(S)

POOL NAME (Underline) *Lease Name WELL NO UNIT SEC TWP RNG	WELL STATUS	INJECTION VOLUME	INJECTION PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS SOLD	DISPOSITION OF GAS TRANSPORTER	DISPOSITION OF GAS OTHER	DISPOSITION OF GAS CODE	DISPOSITION OF OIL OIL ON HAND AT BEG. OF MONTH	DISPOSITION OF OIL BARRELS TO TRANSPORTER	DISPOSITION OF OIL TRANSPORTER	DISPOSITION OF OIL OTHER	DISPOSITION OF OIL CODE	DISPOSITION OF OIL OIL ON HAND AT END OF MONTH
BASE RANGE - Include State Leas Lease Number or Federal Lease Number																		
South Carlsbad																		
Allied Chem. Fed. #2		NM-05507822																
2 E 3 24 26 80130	F				0	0	9,055	30	9,055	EPG			0	0	---			0
		100 - 0 Lease								TWP					PER			
Carlsbad 12-1 Com.																		
1 O 12 22 26	F				0	525	10,164	30	10,164	TWP			0	0	---			0
Carlsbad 13-1 Com.																		
1 G 13 22 26	F				0	35	43,189	30	43,189	TWP			0	0	---			0
Harold Olive																		
1 O 14 22 26	F				0	0	981	30	981	EPG			40	0	PER			40
(Eddy Co.)																		
West Atoka Morrow																		
Vandiver																		
1 M 18 18 26 80110	F				7	31,170	30	31,170	TWP				122		NRC			122 (49)
West Knowles (Drinkard)																		
Shipp 34																		
1 K 34 16 37 80080	F		6324	2394	50	3865	26	3865	TRC				393	2344	WCI			442
2 M 34 16 37	F			422	132	99	30	99					69	414				78
TOTAL				2816	182	3964		3964					462	2758				520
White City Penn																		
Exxon Federal																		
1 F 17 24 26 80270	F			0	0	16344	30	16,344	EPG				0	0	---			0

STATUS CODE
F.....FLOWING
P.....PUMPING
G.....GAS LIFT
S.....SHUT IN
T.....TEMP ABANDONED
I.....INJECTION
D.....DISCONTINUED

"OTHER" GAS DISPOSITION CODE
X.....USED OFF LEASE } DETAIL ON FORM C-111
O.....USED FOR DRILLING
G.....GAS LIFT
L.....LOST (MCF ESTIMATED)
E.....[illegible]
R.....[illegible]

"OTHER" OIL DISPOSITION CODE
C.....CIRCULATING OIL
L.....LOST
S.....SEDIMENTATION (BS&W)
E.....EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE

Juanita R. Hosier (Name)

Production Clerk (Position)

6/1/98

(15)

RECD
AUG 2 1977
C & K Petroleum, Inc.

512 Welshire
Carlsbad, NM 88220
August 1, 1977

C & K Petroleum, Inc.
G. C. Tompson
Manager of Products
P.O. Drawer 3546
Midland, TX 79702

Dear Mr. Tompson:

I have received New Mexico Oil Conservation Commission order #R-5451 designating C & K Petroleum, Inc. as operator of a proposed well on the W ½ of Sec. 7, Township 22 South, Range 27 East, NMPM, Eddy County (which you designate as Carlsbad "7" # 1 well).

Enclosed is a check for $408.23, the amount your AFE #00160 establishes as my share of estimated well costs. This complies with the forced pooling provision of the N.M.O.C.C. order #R-5451.

As the N.M.O.C.C. order is interpreted to me, I am obligated for payment upon your presentation of an AFE to myself and the N.M.O.C.C. within 30 days of your beginning drilling operations. Your AFE #00160 for which the check is payment is dated July 14, 1977. My payment of your AFE obligates you to begin drilling operations by August 14, 1977.

Sincerely,

Bill Taylor

Bill Taylor

Enclosure

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

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

TELEPHONE BUSINESS
AREA CODE 505

RECEIVED
NOV 20 1978
CONSERVATION COMM.
Santa Fe

November 16, 1978

Cost file

Mr. W. T. Martin, Jr.
Matkins and Martin
601 North Canal Street
Carlsbad, New Mexico 88220

Re: C & K Petroleum, Inc. - Bill Taylor
Carlsbad "13" Well No. 1, N/2 Sec. 13,
T-22-S, R-26-E, Eddy County, New Mexico

Dear Mr. Martin:

Returned herewith find Bank Draft No. 11678 issued by Carlsbad National Bank in the amount of $73,783.94 dated November 2, 1978, submitted to C & K Petroleum, Inc. in a letter dated November 2, 1978.

Without waiving any rights it may have to pursue further administrative relief or to seek judgment in any court as to the correctness or validity of Oil Conservation Commission of New Mexico Order No. R-5332 or R-5332-A, it is believed that submission of a bank draft payable only upon acceptance of an assignment with provisions contained therein that are unacceptable to C & K Petroleum, Inc. (and which is not required under said Order) does not constitute payment by your client, Bill Taylor, of his proportionate part of actual well costs as permitted under Order No. R-5332-A.

Further, as we understand the situation, unless Order No. R-5332 is determined to be the valid and subsisting order so as to authorize C & K to sell Mr. Taylor's gas under the Gas Contract covering C & K's interest in the well, we assume that all gas heretofore produced from said well to be gas allocable to C & K's interest and that Mr. Taylor's gas has not yet been produced and is still within the reservoir. Mr. Taylor would, we assume, at some time contract for the sale of his gas to a purchaser and at a price acceptable to him and if a split-stream becomes necessary, we would further assume he would desire to install the necessary facilities to accommodate such. If that occurs, C & K would then be willing to enter into an appropriate Gas Balancing Agreement in accord-

amce with common practice in the industry. In this connection, we want to make it crystal clear that it is our opinion that none of the funds currently held in the escrow account established under paragraph (12) of Order No. R-5332 are payable to Mr. Taylor. This for the reason that unless Order No. R-5332 is determined to be valid insofar as authorizing C & K to sell gas allocable to Mr. Taylor's interest and, hence, payable to C & K in payment for costs attributable to Taylor's interest, then none of the Taylor gas has been sold and it is still in the ground.

Yours very truly,

Jason W. Kellahin

JWK:kfm

CC: Oil Conservation Division
Mr. G. C. Tompson
Martin L. Allday, Esquire

SEP 22 1978

September 19, 1978
512 Welshire
Carlsbad, New Mexico 88220

New Mexico Oil Consveration Division
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Case No. 6289

Dear sirs:

I have had opportunity to begin examination of the Brown accounting, C&K Petroleum, Inc. Exhibits 2 through 12. I need to call the NMOCD's attention to what I contend to be errors in the accounting and will begin with:

Mr. IVF Robinson is a supervisor employee of C&K Petroleum, yet the Brown accounting lists him in C&K Exhibit 9,

Page 1,	Line 3	$417.73
Page 2,	Line 48	494.48
Page 3,	Line 9	517.48
Page 4,	Line 47	1,739.64
Total		$3,169.33

Mr. Robinson should be covered under the $1000 per month supervision while drilling and $150 per month while producing, provision 9 of R-5332. The Browns, in C&K Exhibit 2, Sch. 1, have already revised C&K's accounting to claim the full amount allowable to C&K for supervision. Therefore this $3,169.33 is an error in Brown accounting and interpretation and should be disallowed.

I am having problems correlating the Brown accounting on the tubing prices and freight (Exhibit 12) and await the transcript for aid in checking it further. One example: The Browns show an invoice from Atlas Truck (Exhibit 9, Page 1, Line 12) for hauling 65 joints of 10 3/4" casing for $1,230.36. Yet in Exhibit 12, Line 1, Column 11, they claim the freight on this 65 joints to be $1,994.47. Subtracting $1,230.36 from $1,994.47 equals $764.11 difference; then subtracting the other freight credits of $164.29 and $10.41, there is still left an overcharge to the joint account of $589.41 by the Brown acccounting.

C&K Exhibit 9. Page 4, Line 46, indicates C&K purchased the well site property from Mr. E.W. Douglas for $1500. If C&K desires Taylor and Page to pay .1418597 of this cost, then Taylor and Page would own .1418597 of the property. Probably C&K would rather own the property by themselves. If so, they should rescind the property charge.

I appreciate the Browns accounting. Not only did it increase Taylor and Page net income by $2,917 (Browns' net income, Exhibit 6 of $891,285 over Newkirk's net income, Taylor Exhibit 15-7, of $870,721 or $20,564 times .1418597 interest); but it also brings to light another $2,185 of Taylor and Page interest overcharge as costs ($572,593 of Newkirk's, Taylor Exhibit 15-7, less Browns' $557,188, C&K Exhibit 5; or $15,405 times the .1418597 interest) for a total gain to Taylor and Page of $5102 over previous accounting.

I intend this letter to be my objection to the errors noted in the Brown accounting for C&K Petroleum. I anticipate more after reviewing the transcript. I request the NMOCD's action disallowing the noted incorrect accounting.

Sincerely,
Bill Taylor
Bill Taylor

Xerox: C&K attorney, J. Kellahin

NEW MEXICO OIL CONSERVATION COMMISSION

COMMISSION HEARING

SANTA FE, NEW MEXICO

Hearing Date AUGUST 9, 1978 TIME: 9:00 A.M.

NAME	REPRESENTING	LOCATION
Bill Taylor	Self	Carlsbad, NM
Jason Kellahin	Kellahin & for	Santa Fe
BC Tompson	C&K Petroleum, Inc	Midland, Tex
Jack Taylor	~~Self~~	Farmington, N.M.

UNITED STATES POSTAL SERVICE
OFFICIAL BUSINESS

SENDER INSTRUCTIONS

Print your name, address, and ZIP Code in the space below.
- Complete items 1, 2, and 3 on the reverse.
- Moisten gummed ends and attach to front of article if space permits. Otherwise affix to back of article.
- Endorse article "Return Receipt Requested" adjacent to number.

RETURN TO

PENALTY FOR PRIVATE USE TO AVOID PAYMENT OF POSTAGE, $300

OCT 19 1978

U.S. MAIL

OIL CONSERVATION DIVISION
(Name of Sender)

POST OFFICE BOX 2088
(Street or P.O. Box)

SANTA FE, NEW MEXICO 87501
(City, State, and ZIP Code)

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

No.

SENT TO
Bill Taylor

STREET AND NO.
512 Welshire

P.O., STATE AND ZIP CODE
Carlsbad, New Mexico 88220

POSTMARK OR DATE

OPTIONAL SERVICES FOR ADDITIONAL FEES

RETURN RECEIPT SERVICES
1. Shows to whom and date delivered ..... 15¢
With delivery to addressee only ..... 65¢
2. Shows to whom, date and where delivered .. 35¢
With delivery to addressee only ..... 85¢

DELIVER TO ADDRESSEE ONLY ..... 50¢

SPECIAL DELIVERY (extra fee required) .....

PS Form 3800 Apr. 1971

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL

(See other side)

★ GPO: 1970 O-387-486

PS Form 3811, Nov. 1976

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

● SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
- [X] Show to whom and date delivered .....25¢
- [ ] Show to whom, date, & address of delivery .....45¢
- [ ] RESTRICTED DELIVERY. Show to whom and date delivered .....85¢
- [ ] RESTRICTED DELIVERY. Show to whom, date, and address of delivery ..$1.05

(Fees shown are in addition to postage charges and other fees).

2. ARTICLE ADDRESSED TO:
Bill Taylor
512 Welshire
Carlsbad, New Mexico 88220

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	540479	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE [ ] Addressee [ ] Authorized agent
Mrs. Bill Taylor

4. DATE OF DELIVERY

POSTMARK
10-18-79

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS
DM

☆ GPO: 1976—O-293-456

No. [illegible]

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

SENT TO
Bill Taylor

STREET AND NO.
512 Welshire

P.O., STATE AND ZIP CODE
Carlsbad, New Mexico 88220

POSTMARK OR DATE

OPTIONAL SERVICES FOR ADDITIONAL FEES

RETURN RECEIPT SERVICES
1. Shows to whom and date delivered ..... 15¢
With delivery to addressee only ..... 65¢
2. Shows to whom, date and where delivered .. 35¢
With delivery to addressee only ..... 85¢

DELIVER TO ADDRESSEE ONLY ..... 50¢

SPECIAL DELIVERY (extra fee required) .....

PS Form 3800 Apr. 1971

NO INSURANCE COVERAGE PROVIDED—NOT FOR INTERNATIONAL MAIL

(See other side)

★ GPO: 1970-397-456

OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 · SANTA FE
87501

DIRECTOR
JOE D. RAMEY

LAND COMMISSIONER
PHIL R. LUCERO

STATE GEOLOGIST
EMERY C. ARNOLD

October 17, 1978

Mr. Bill Taylor
512 Welshire
Carlsbad, New Mexico 88220

Re: CASE NO. 6289
ORDER NO. ~~R-5332-A~~

Applicant:

Bill Taylor

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission 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

Other Jason Kellahin

Rec. 11-6-78 09

RECEIVED
NOV 6 1978
Oil Conservation Commission

File Case 6289

November 2, 1978
512 Welshire
Carlsbad, New Mexico 88220

Mr. D.H. Houston
V.P. Financing
C&K Petroleum, Inc.
1 Houston Center
Suite 2600
Houston, Texas 77002

Dear Mr. Houston:

Please be advised that on October 20, 1978, I again requested payment of my royalty interests of C&K's Carlsbad 13, No. 1 Well (as outlined under NMOCD Order R-5332) from the American Bank of Carlsbad, Carlsbad, New Mexico.

The American Bank answered, acknowledging the sum of $16,969.65 designated to Bill G. and Wanda J. Taylor, but stating: "This institution may only reply to the amount held for your benefit and can only release those funds upon instruction from C&K Petroleum, Inc."

Please be advised that the escrow account as exists continues to be in conflict with Provision 12 of NMOCD Order R-5332 which states: "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;...."

I have presented adequate proof of ownership. I have several times requested American Bank of Carlsbad to release the funds to me. My requests have been denied because your company will not authorize release. This continues C&K Petroleum's violation of Provision 12 of NMOCD Order R-5332.

Please take immediate steps to release the funds in accordance with the terms ordered under Provision 12 of NMOCD Order R-5332.

Sincerely,

Bill Taylor

Bill Taylor

Xerox: NMOCD

C & K Petroleum, Inc.

600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915)683-3311

September 8, 1978

Mr. W. A. Gressett, Supervisor
District II
Oil & Gas Division
Drawer DD
Artesia, New Mexico 88210

Re: C & K Petroleum, Inc.
Carlsbad "13" No. 1 Well
Eddy County, New Mexico

Dear Mr. Gressett:

It has been brought to our attention that there have been some errors and omissions made in forms filed with the Commission concerning the above subject well. In an effort to correct your files we are filing the following amended reports:

Form	Correction
1. Form C-102	On the original report filed 11/23/76 the dedicated acreage was shown as 320 acres. The corrected form shows the dedicated acreage to be 336.60 acres.
2. Form C-103	The original C-103 showed that a 7-7/8" hole was drilled from the 10-3/4" casing point to total depth. Actually, a 9-5/8" hole was drilled to 8747' at which point the hole was reduced to 7-7/8". This conforms with the well plan that was filed.
3. Form C-104	This is filed to show that gas was delivered from the lease to provide drilling fuel for the Carlsbad "7" No. 1. At the time this sale was made this form was apparently not filed.

#46

4. Form C-111	For August and September, 1977. Not only was the authorization form omitted, but apparently no gas purchaser's report was filed. The enclosed forms put the gas used on the Carlsbad "7" of record.
5. Form C-111	For June and July, 1977. These forms show gas used from the Carlsbad "13" to drill the Carlsbad "12" No. 1 well. A form was filed for the month of June using an estimated volume. The amended form for June corrects the volume to actual. We find no record of a form being filed for July. This filing will put the July volume of record.

Corrected Form 115's were filed earlier this week to reflect gas delivered for drilling purposes that was omitted on previous reports. We are submitting these forms through the normal channels. If you have any questions please let us know.

Yours very truly,

C & K PETROLEUM, INC.

GC Tompson

GCT/meb

G. C. Tompson,
Manager of Production

cc: District I
Oil Conservation Division
P. O. Box 1980
Hobbs, New Mexico 88240
Attn: Mr. Jerry Sexton

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

Though copies are shown to Hobbs and to Santa Fe, we have followed the distribution procedure outlined in the District Rules and Regulations. Santa Fe and Hobbs will find only copies of the form C-111 attached to their letter. We presume the District office will make distribution of the other forms in a normal fashion.

NEW MEXICO OIL CONSERVATION COMMISSION

REC'D

NOV 1 8 1976

WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

Operator	Lease	Well No.
C & K PETROLEUM, INC.	Carlsbad "13" Com C & K Petroleum, Inc.	1

Unit Letter	Section	Township	Range	County
G	13	22 S	26 E	Eddy

Actual Footage Location of Well: 1650 feet from the North line and 2040 feet from the East line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
3145	Morrow	South Carlsbad (Morrow)	320 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

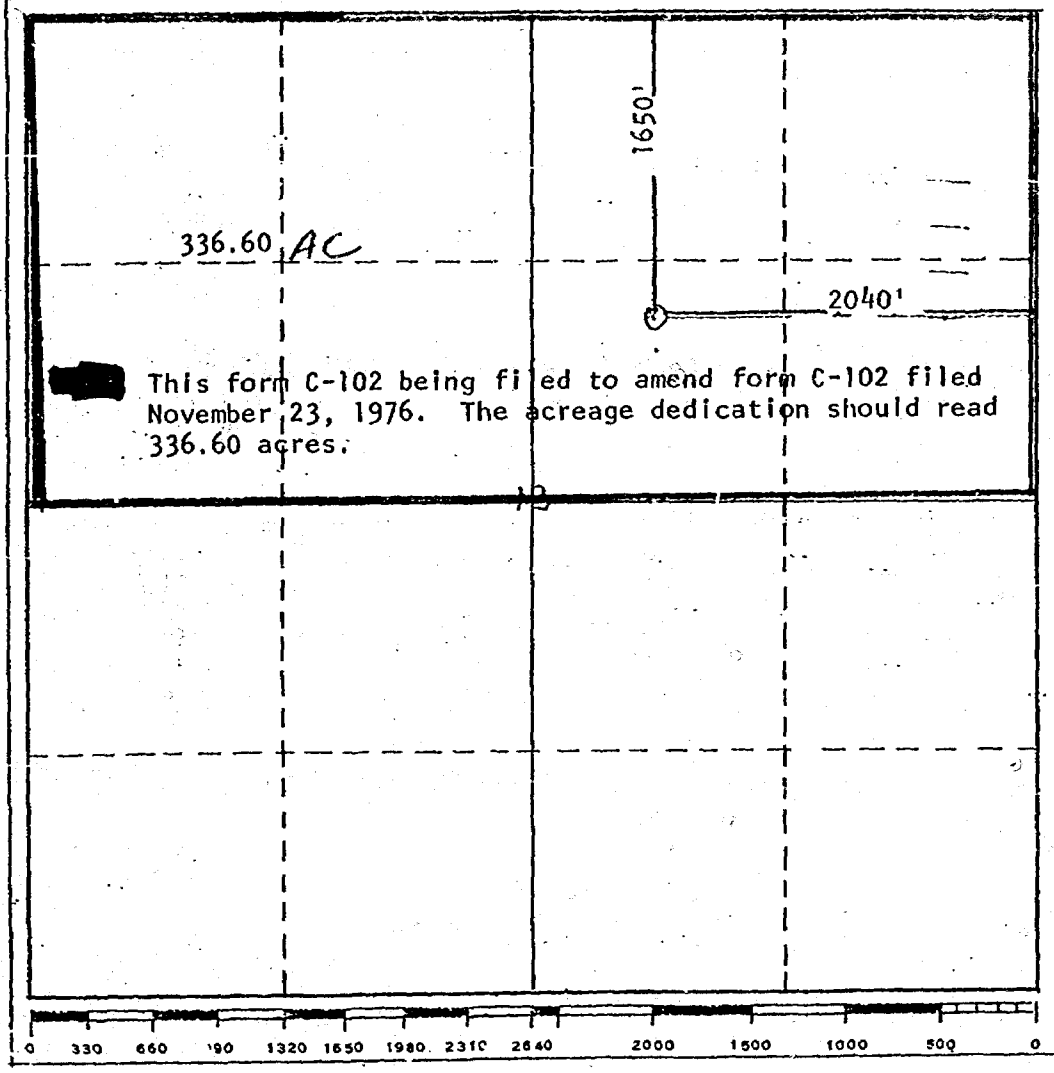
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling. etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



[redacted] This form C-102 being filed to amend form C-102 filed November 23, 1976. The acreage dedication should read 336.60 acres.

CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name: W. C. Cooper

Position: Administrative Supervisor

Company: C & K Petroleum, Inc.

Date: August 21, 1978

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Nov. 17, 1976

Date Surveyed

Registered Professional Engineer and/or Land Surveyor

N. M. 220

Certificate No.

NO. OF COPIES RECEIVED		
DISTRIBUTION		
SANTA FE		
FILE		
U.S.G.S.		
LAND OFFICE		
OPERATOR		

NEW MEXICO OIL CONSERVATION COMMISSION

[redacted]

Form C-103
Supersedes Old C-102 and C-103
Effective 1-1-65

5a. Indicate Type of Lease State ☐ Fee ☒

5. State Oil & Gas Lease No.

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT —" (FORM C-101) FOR SUCH PROPOSALS.)

1. OIL WELL ☐ GAS WELL ☒ OTHER-

7. Unit Agreement Name

2. Name of Operator
C & K Petroleum, Inc.

8. Farm or Lease Name
Carlsbad "13" Com.

3. Address of Operator
P.O. Drawer 3546 Midland, Texas 79701

9. Well No.
1

4. Location of Well
UNIT LETTER G , 2040 FEET FROM THE East LINE AND 1650 FEET FROM THE North LINE, SECTION 13 TOWNSHIP 22-S RANGE 26-E NMPM.

10. Field and Pool, or Wildcat
South Carlsbad (Morrow)

15. Elevation *(Show whether DF, RT, GR, etc.)*
3144 GR.

12. County
Eddy

16.

Check Appropriate Box To Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:				SUBSEQUENT REPORT OF:			
PERFORM REMEDIAL WORK	☐	PLUG AND ABANDON	☐	REMEDIAL WORK	☐	ALTERING CASING	☐
TEMPORARILY ABANDON	☐			COMMENCE DRILLING OPNS.	☐	PLUG AND ABANDONMENT	☐
PULL OR ALTER CASING	☐	CHANGE PLANS	☐	CASING TEST AND CEMENT JOB	☒		
OTHER	☐			OTHER	☐		

17. Describe Proposed or Completed Operations *(Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work)* SEE RULE 1103.

Production Casing: Drilled 9-1/2" hole from 2603' to 8747'. Reduced hole size to 7-7/8" @ 8747'. Drilled 7-7/8" hole from 8747' to 11,700' TD. Set 5-1/2" csg. (1975'-20# N-80, 9711'-17# N-80) @ 11,700'. Cemented iwth 350 sx. Cl-H, 2% Lo-Dense, 1% D-19 followed by 500 sx. Cl-H, 1% D-19. Plug down @ 5:20 PM CST, 2-22-77. Ran temp survey. Found top of cement behind 5-1/2" csg. @ 8430'. WOC in excess of 72 hrs.

Completion: 3-9-77 perf. 9-0.38" holes 11,541; 11,552; 11,556; 11,563; 11,570; 11,580; 11,591 11,640; 11,642'. 3-11-77 acidized with 2000 gals. Swabbed 6 hrs. No continuous flow. Set DR plug in packer with one bailer cement on top to plug off bottom perforations. 3-15-77 perf. 15-0.40" holes 11,298; 11,300; 11,302; 11,348; 11,352 11,356; 11, 360; 11,404; 11,406; 11,408; 11,410; 11,435; 11,437; 11,439'; 11,449. Acidized with 2500 gals.,7-1/2% acid. Flowed well on 1/2" ck. 2-1/2 hrs. Gas volume 1600 MCFGPD (Calculated). FTP 300-350#. Shut in over night. 3-16-77 flow tested 4-1/2 hrs. 11/64" ck., FTP 2350#, gas volume 1200 MCFGPD. Shut in well. Waiting on Transwestern Gas Co. gas sales connection.

[redacted] This amended C-103 being filed to reflect the fact that a 9-5/8" hole size was reduced to a 7-7/8" hole @ 8747".

18. I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNED W. C. Clayton TITLE Administrative Supervisor DATE August 21, 1978

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

NO. OF COPIES RECEIVED		
DISTRIBUTION		
SANTA FE		
FILE		
U.S.G.S.		
LAND OFFICE		
TRANSPORTER OIL		
TRANSPORTER GAS		
OPERATOR		
PRORATION OFFICE		

NEW MEXICO OIL CONSERVATION COMMISSION
REQUEST FOR ALLOWABLE
AND
AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS

Form C-104
Supersedes Old C-104 and C-11
Effective 1-1-65

I. Operator
C & K PETROLEUM, INC.
Address
P.O. Drawer 3546, Midland, Texas 79701

Reason(s) for filing (Check proper box)
- New Well ☐
- Recompletion ☐
- Change in Ownership ☐
- Change in Transporter of: Oil ☐ Dry Gas ☐ Casinghead Gas ☐ Condensate ☐

Other (Please explain) To cover delivery of fuel to C&K's Carlsbad 7 #1 for drilling operation for period Aug.3, 1977 thru Sept.9. 1977.

If change of ownership give name and address of previous owner _____

II. DESCRIPTION OF WELL AND LEASE

Lease Name	Well No.	Pool Name, Including Formation	Kind of Lease	Lease No.
Carlsbad "13" COM.	1	South Carlsbad (Morrow)	State, Federal or Fee FEE	

Location
Unit Letter G ; 2040 Feet From The East Line and 1650 Feet From The North

Line of Section 13 Township 22-S Range 26-E , NMPM, Eddy County

III. DESIGNATION OF TRANSPORTER OF OIL AND NATURAL GAS

Name of Authorized Transporter of Oil ☐ or Condensate ☐	Address (Give address to which approved copy of this form is to be sent)
Name of Authorized Transporter of Casinghead Gas ☐ or Dry Gas ☐	Address (Give address to which approved copy of this form is to be sent)

If well produces oil or liquids, give location of tanks.	Unit	Sec.	Twp.	Rge.	Is gas actually connected?	When

If this production is commingled with that from any other lease or pool, give commingling order number: _____

IV. COMPLETION DATA

Designate Type of Completion – (X)	Oil Well	Gas Well	New Well	Workover	Deepen	Plug Back	Same Res'v.	Diff. Res'v.

Date Spudded	Date Compl. Ready to Prod.	Total Depth	P.B.T.D.
Elevations (DF, RKB, RT, GR, etc.)	Name of Producing Formation	Top Oil/Gas Pay	Tubing Depth
Perforations			Depth Casing Shoe

TUBING, CASING, AND CEMENTING RECORD

HOLE SIZE	CASING & TUBING SIZE	DEPTH SET	SACKS CEMENT

V. TEST DATA AND REQUEST FOR ALLOWABLE (Test must be after recovery of total volume of load oil and must be equal to or exceed top allowable for this depth or be for full 24 hours)

OIL WELL

Date First New Oil Run To Tanks	Date of Test	Producing Method (Flow, pump, gas lift, etc.)	
Length of Test	Tubing Pressure	Casing Pressure	Choke Size
Actual Prod. During Test	Oil-Bbls.	Water-Bbls.	Gas-MCF

GAS WELL

Actual Prod. Test-MCF/D	Length of Test	Bbls. Condensate/MMCF	Gravity of Condensate
Testing Method (pitot, back pr.)	Tubing Pressure (Shut-in)	Casing Pressure (Shut-in)	Choke Size

VI. CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Commission have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

(Signature)
Administrative Supervisor
(Title)
_____ (Date)

OIL CONSERVATION COMMISSION

APPROVED _____, 19 _____

BY _____

TITLE _____

This form is to be filed in compliance with RULE 1104.

If this is a request for allowable for a newly drilled or deepened well, this form must be accompanied by a tabulation of the deviation tests taken on the well in accordance with RULE 111.

All sections of this form must be filled out completely for allowable on new and recompleted wells.

NEW MEXICO OIL CONSERVATION COMMISSION
GAS PURCHASERS MONTHLY REPORT

Form C-111 Sheet No. 1 2
Supersedes old Form C-111 & C-114
Effective 1-1-65

Operator and Address	Plant	Month
C&K Petroleum, Inc.-P.O.Box 3546-Midland, Texas 79701	See Remarks	July-77

REPORT ALL VOLUMES OF GAS IN MCF AT 15.025 PSIA AND 60°F

SECTION I -- Volume of Gas Taken	VOLUME - MCF
Total Gas From Oil Wells (Detail on Sheet 2)	
Total Gas From Gas Wells (Detail on Sheet 2)	2988
Total Gas From Other Sources (Detail on Sheet 2)	
TOTAL TAKES	
Gasoline or Other Extraction Plant Only:	
Deduct Volume That By-Passed Plant and Was Not Processed	
TOTAL PLANT INPUT	

SECTION II -- Disposition		ITEM	UNPROCESSED GAS VOLUME MCF	ITEM	PLANT RESIDUE VOLUME MCF
Lease Use	Detail Below	a.		h.	
Gas Drilling Operation	" "	b.		i.	
Gas Lift	" "	c.		j.	
Fuel System	" "	d.		k.	
Returned to Lease For Fuel	" "	e.		l.	
Returned to Earth	" "	f.		m.	
Sold or Other Disposition	" "	g.		n.	
Plant Fuel					
Vented					
Shrinkage					
Totals					
GRAND TOTAL -- ALL DISPOSITION					

SECTION III -- Detail of Disposition *(Show each individual disposition of items above.) (Attach additional sheets if necessary)*

ITEM	NAME AND ADDRESS OF PURCHASER OR USER	USED FOR	VOLUME - MCF
	C & K Petroleum, Inc.	Drilling operation	2983
	P.O. Box 3546	C & K Petroleum, Inc.	
	Midland, Tx. 79701	Carlsbad "12" #1	

SECTION IV -- Plant Production, Receipts, Deliveries, and Stock in Barrels of 42 U.S. Gallons.

PRODUCT	OPENING STOCK	RECEIPTS	PRODUCTION	DELIVERIES	CLOSING STOCK
Oil					
Condensate					
Gasoline					
Butane					
Propane					
Kerosene					
Other					
TOTAL					

Remarks: This C-111 being filed to report sale of gas from our Carlsbad "13" #1 to our Carlsbad "12" #1; initial sale 6-15-77, final sale 7-29-77. The volume recorded above represents integrated chart volume.

Signature W. C. Cooper Title Administrative Supervisor Date August 10, 1978

2

NEW MEXICO OIL CONSERVATION COMMISSION
GAS PURCHASERS MONTHLY REPORT

Form C-111 Sheet No. 1
Supersedes old Form C-111 & C-114
Effective 1-1-65

THIS IS AMENDED REPORT

Operator and Address	Plant	Month
C & K Petroleum, Inc.-P.O. Box 3546-Midland, Tx. 79701	See Remarks	June-1977

REPORT ALL VOLUMES OF GAS IN MCF AT 15.025 PSIA AND 60°F

SECTION I – Volume of Gas Taken	VOLUME – MCF
Total Gas From Oil Wells (Detail on Sheet 2)	
Total Gas From Gas Wells (Detail on Sheet 2)	2866
Total Gas From Other Sources (Detail on Sheet 2)	
TOTAL TAKES	
Gasoline or Other Extraction Plant Only:	
Deduct Volume That By-Passed Plant and Was Not Processed	
TOTAL PLANT INPUT	

SECTION II – Disposition		ITEM	UNPROCESSED GAS VOLUME MCF	ITEM	PLANT RESIDUE VOLUME MCF
Lease Use	Detail Below	a.		h.	
Gas Drilling Operation	" "	b.		i.	
Gas Lift	" "	c.		j.	
Fuel System	" "	d.		k.	
Returned to Lease For Fuel	" "	e.		l.	
Returned to Earth	" "	f.		m.	
Sold or Other Disposition	" "	g.		n.	
Plant Fuel					
Vented					
Shrinkage					
Totals					
GRAND TOTAL – ALL DISPOSITION					

SECTION III – Detail of Disposition *(Show each individual disposition of items above.) (Attach additional sheets if necessary)*

ITEM	NAME AND ADDRESS OF PURCHASER OR USER	USED FOR	VOLUME – MCF
	C & K Petroleum, Inc.	Drilling operation	2866
	P.O. Box 3546	C & K Petroleum, Inc.	
	Midland, Texas 79701	Carlsbad "12" #1	

SECTION IV – Plant Production, Receipts, Deliveries, and Stock in Barrels of 42 U.S. Gallons.

PRODUCT	OPENING STOCK	RECEIPTS	PRODUCTION	DELIVERIES	CLOSING STOCK
Oil					
Condensate					
Gasoline					
Butane					
Propane					
Kerosene					
Other					
TOTAL					

Remarks: This C-111 being filed to amend original report dated 7-29-77. The volumes reported on original C-111 were estimated. This amended report reflects intergrated chart volumes. Initial sale 6-15-77.

Signature W. E. Coffee Title Administrative Supervisor Date August 10, 1978

NEW MEXICO OIL CONSERVATION COMMISSION
P. O. Box 2088, Santa Fe 87501

OPERATOR'S MONTHLY REPORT

AMENDED REPORT

ORIGINAL TO OCC SANTA FE
ONE COPY TO OCC DIST. OFFICE
ONE COPY TO TRANSPORTER(S)

Form C-115 (Rev. 8-1-77)

(Company or Operator) C & K Petroleum, Inc. (Address) P.O. Drawer 3546-Midland, Texas (Zip) 79701 for (Month, Year) June-1977 Page 1 of 1

POOL NAME (Underline) *Lease Name WELL NO UNIT SEC TWP RNG	WELL STATUS	INJECTION VOLUME	INJECTION PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS SOLD	DISPOSITION OF GAS TRANSPORTER	DISPOSITION OF GAS OTHER	DISPOSITION OF GAS CODE	DISPOSITION OF OIL OIL ON HAND AT BEG. OF MONTH	DISPOSITION OF OIL BARRELS TO TRANSPORTER	DISPOSITION OF OIL TRANSPORTER	DISPOSITION OF OIL OTHER	DISPOSITION OF OIL CODE	DISPOSITION OF OIL OIL ON HAND AT END OF MONTH
*LEASE NAME - Include State Land Lease Number or Federal Lease Number																		
South Carlsbad Carlsbad 13-1 Com 1 G 13 22 26	F						2866-Sold to Carlsbad 9791		2866 9791	TWP	2-1 for drilling operations.				--			

STATUS CODE	"OTHER" GAS DISPOSITION CODE	"OTHER" OIL DISPOSITION CODE
F.....FLOWING	X.....USED OFF LEASE } DETAIL ON FORM C-111	C.....CIRCULATING OIL
P.....PUMPING	D.....USED FOR DRILLING } DETAIL ON FORM C-111	L.....LOST
G.....GAS LIFT	G.....GAS LIFT	S.....SEDIMENTATION (BS&W)
S.....SHUT IN	L.....LOST (MCF ESTIMATED)	E.....EXPLANATION ATTACHED
T.....TEMP ABANDONED	E.....EXPLANATION ATTACHED	
I.....INJECTION	R.....REPRESSURING OR PRESSURE MAINTENANCE	
D.....DISCONTINUED	V.....VENTED	
	U.....USED ON LEASE	

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE

Juanita R. Hosier (NAME)

Production Clerk (POSITION)

Juanita R. Hosier (SIGNATURE) 9-6-78 (DATE)

#17

NEW MEXICO OIL CONSERVATION COMMISSION
P. O. Box 2088, Santa Fe 87501

OPERATOR'S MONTHLY REPORT
AMENDED REPORT

ORIGINAL TO OCC SANTA FE
ONE COPY TO OCC DIST. OFFICE
ONE COPY TO TRANSPORTER(S)

Form C-115
(Rev. 8-1-77)

(Operator) C & K Petroleum, Inc. (Address) P.O. Drawer 3546-Midland, Tx. (Zip) 79701 For (Month, Year) July-1977 Page 1 of 1

POOL NAME (Underline) *Lease Name / WELL NO UNIT SEC TWP RNG	WELL STATUS	INJECTION VOLUME	INJECTION PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS SOLD	DISPOSITION OF GAS TRANSPORTER	DISPOSITION OF GAS OTHER	DISPOSITION OF GAS CODE	DISPOSITION OF OIL ON HAND AT BEG. OF MONTH	DISPOSITION OF OIL BARRELS TO TRANSPORTER	DISPOSITION OF OIL TRANSPORTER	DISPOSITION OF OIL OTHER	DISPOSITION OF OIL CODE	DISPOSITION OF OIL ON HAND AT END OF MONTH
*LEASE NAME - Include State Lead Lease Number or Federal Lease Number																		
South Carlsbad Carlsbad 13-1 Com 1 G 13 22 26	F						2988 49536		2988-Sold 49536	To Carlsbad TWP			12-1 for drilling operations.		--			

STATUS CODE
F.....FLOWING
P.....PUMPING
G.....GAS LIFT
S.....SHUT IN
T.....TEMP ABANDONED
I.....INJECTION
D.....DISCONTINUED

"OTHER" GAS DISPOSITION CODE
X.....USED OFF LEASE } DETAIL ON FORM C-111
D.....USED FOR DRILLING }
G.....GAS LIFT
L.....LOST (MCF ESTIMATED)
E.....EXPLANATION ATTACHED
R.....REPRESSURING OR PRESSURE MAINTENANCE
V.....VENTED
U.....USED ON LEASE

"OTHER" OIL DISPOSITION CODE
C.....CIRCULATING OIL
L.....LOST
S.....SEDIMENTATION (BS&W)
E.....EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE

Juanita R. Hosler
(NAME)
Production Clerk
(POSITION)
Juanita R Hosler
(SIGNATURE)
9-6-78
(DATE)

#17

NEW MEXICO OIL CONSERVATION COMMISSION
P. O. Box 2088, Santa Fe 87501

OPERATOR'S MONTHLY REPORT

AMENDED REPORT

ORIGINAL TO OCC SANTA FE
ONE COPY TO OCC DIST. OFFICE
ONE COPY TO TRANSPORTER(S)

Form C-115
(Rev. 8-1-77)

(Company or Operator) C & K Petroleum, Inc. (Address) P.O. Drawer 3546-Midland, Texas (Zip) 79701 For (Month, Year) August-1977 Page 1 of 1

POOL NAME (Underline) *Lease Name WELL NO UNIT SEC TWP RNG	WELL STATUS	INJECTION VOLUME	INJECTION PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS SOLD	DISPOSITION OF GAS TRANSPORTER	DISPOSITION OF GAS OTHER	DISPOSITION OF GAS CODE	DISPOSITION OF OIL OIL ON HAND AT BEG. OF MONTH	DISPOSITION OF OIL BARRELS TO TRANSPORTER	DISPOSITION OF OIL TRANSPORTER	DISPOSITION OF OIL OTHER	DISPOSITION OF OIL CODE	DISPOSITION OF OIL OIL ON HAND AT END OF MONTH
*LEASE NAME - Include State Land Lease Number or Federal Lease Number																		
South Carlsbad Carlsbad 13-1 Com. I G 13 22 26	F						4055 54188		4055-54188	Sold TWP	to Carlsbad 7-1		for drilling operations.		---			

STATUS CODE
F.....FLOWING
P.....PUMPING
G.....GAS LIFT
S.....SHUT IN
T.....TEMP ABANDONED
I.....INJECTION
D.....DISCONTINUED

"OTHER" GAS DISPOSITION CODE
X.....USED OFF LEASE } DETAIL ON FORM C-111
D.....USED FOR DRILLING }
G.....GAS LIFT
L.....LOST (MCF ESTIMATED)
E.....EXPLANATION ATTACHED
R.....REPRESSURING OR PRESSURE MAINTENANCE
V.....VENTED
U.....USED ON LEASE

"OTHER" OIL DISPOSITION CODE
C.....CIRCULATING OIL
L.....LOST
S.....SEDIMENTATION (BS&W)
E.....EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE

Juanita R. Hosier
(NAME)

Production Clerk
(POSITION)

Juanita R Hosier
(SIGNATURE)

9-6-78
(DATE)

NEW MEXICO OIL CONSERVATION COMMISSION

P. O. Box 2088, Santa Fe 87501

OPERATOR'S MONTHLY REPORT

AMENDED REPORT

ORIGINAL TO OCC SANTA FE
ONE COPY TO OCC DIST. OFFICE
ONE COPY TO TRANSPORTER(S)

Form C-115
(Rev. 8-1-77)

(Company or Operator) C & K Petroleum, Inc. (Address) P.O. Drawer 3546-Midland, Texas (Zip) 79701 (Month, Year) September-1977 Page 1 of 1

POOL NAME (Underline) *Lease Name / WELL NO UNIT SEC TWP RNG	WELL STATUS	INJECTION VOLUME	INJECTION PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS SOLD	DISPOSITION OF GAS TRANSPORTER	DISPOSITION OF GAS OTHER	DISPOSITION OF GAS CODE	DISPOSITION OF OIL OIL ON HAND AT BEG. OF MONTH	DISPOSITION OF OIL BARRELS TO TRANSPORTER	DISPOSITION OF OIL TRANSPORTER	DISPOSITION OF OIL OTHER	DISPOSITION OF OIL CODE	DISPOSITION OF OIL OIL ON HAND AT END OF MONTH
*LEASE NAME - Include State Land Lease Number or Federal Lease Number																		
South Carlsbad Carlsbad 13-1 Com. 1 G 13 22 26	F						949 53621		949-sold to Carisbad /-1 for drilling operations. 53621	TWP					---			

STATUS CODE	"OTHER" GAS DISPOSITION CODE	"OTHER" OIL DISPOSITION CODE
F.....FLOWING	X.....USED OFF LEASE } DETAIL ON FORM C-111	C.....CIRCULATING OIL
P.....PUMPING	D.....USED FOR DRILLING } DETAIL ON FORM C-111	L.....LOST
G.....GAS LIFT	G.....GAS LIFT	S.....SEDIMENTATION (BS&W)
S.....SHUT IN	L.....LOST (MCF ESTIMATED)	E.....EXPLANATION ATTACHED
T.....TEMP ABANDONED	E.....EXPLANATION ATTACHED	
I.....INJECTION	R.....REPRESSURING OR PRESSURE MAINTENANCE	
D.....DISCONTINUED	V.....VENTED	
	U.....USED ON LEASE	

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE

Juanita R. Hosier
(NAME)

Production Clerk
(POSITION)

Juanita R. Hosier
(SIGNATURE)

9-6-78
(DATE)

ROUGH

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

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

CASE NO. 6289

Order No. R-5332-A

APPLICATION OF BILL TAYLOR FOR ENFORCEMENT AND AMENDMENT OF ORDER NO. R-5332, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 A.M. on August 9, 1978, and / September 11, 1978, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this _____ day of September, 1978, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

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

Florene. Send Bill Taylor his
copy by registered mail
return receipt requested.

(2) That on November 30, 1976, upon the application of C & K Petroleum, Inc., hereinafter referred to as "C & K", the Commission issued its Order No. R-5332 ~~force~~ pooling the N/2 of Section 13, Township 22 South, Range 26 East, NMPM, South Carlsbad Field, Eddy County, New Mexico.

(3) That this acreage was dedicated to the Carlsbad "13" Well No. 1 located in Unit G of said section.

(4) That C & K was appointed the operator of the well by Order No. R-5332, and Bill Taylor, hereinafter referred to as "Taylor", was and is an interest owner in said well.

(5) That on July 5, 1978, Taylor filed an application for "operator's accounting, regulation and order compliance; operator removal; protection of royalty and interest owner's correlative rights; and Commission amendment of Order No. R-5332."

(6) That this cause came on for hearing on August 9, 1978, and September 11, 1978.

(7) That C & K failed to furnish the Commission and each known working interest owner an itemized schedule of estimated well costs after the effective date of Order No. R-5332 and within 30 days prior to commencing the well in accordance with Order (3) of said order.

(8) That Taylor was therefore not afforded the opportunity to pay his share of estimated well costs to the operator in accordance with the terms of said Order No. R-5332 in lieu of paying his share of reasonable well costs out of production.

(9) That Taylor should be afforded the opportunity to pay his share of reasonable well costs now in lieu of paying the same out of production.

(2) That on November 30, 1976, upon the application of C & K Petroleum, Inc., hereinafter referred to as "C & K", the Commission issued its Order No. R-5332 ~~force~~ pooling the N/2 of Section 13, Township 22 South, Range 26 East, NMPM, South Carlsbad Field, Eddy County, New Mexico.

(3) That this acreage was dedicated to the Carlsbad "13" Well No. 1 located in Unit G of said section.

(4) That C & K was appointed the operator of the well by Order No. R-5332, and Bill Taylor, hereinafter referred to as "Taylor", was and is an interest owner in said well.

(5) That on July 5, 1978, Taylor filed an application for "operator's accounting, regulation and order compliance; operator removal; protection of royalty and interest owner's correlative rights; and Commission amendment of Order No. R-5332."

(6) That this cause came on for hearing on August 9, 1978, and September 11, 1978.

(7) That C & K failed to furnish the Commission and each known working interest owner an itemized schedule of estimated well costs after the effective date of Order No. R-5332 and within 30 days prior to commencing the well in accordance with Order (3) of said order.

(8) That Taylor was therefore not afforded the opportunity to pay his share of estimated well costs to the operator in accordance with the terms of said Order No. R-5332 in lieu of paying his share of reasonable well costs out of production.

(9) That Taylor should be afforded the opportunity to pay his share of reasonable well costs now in lieu of paying the same out of production.

(10) That although Taylor objected to well costs as submitted by C & K, including tubing costs, the evidence presented shows that actual well costs total $551,903.87.

(11) That said well costs of $551,903.87 are reasonable costs for the subject well.

(12) That within 30 days from the effective date of this order, Taylor should have the right to pay his share of the actual well costs to the operator in lieu of paying his share of said costs out of production; further, that if he pays his share as provided herein, he should remain liable for operating costs but should not be liable for risk charges.

(13) That no evidence was presented showing that C & K has failed to afford Taylor or other interest owners in the unit the opportunity to recover ~~his~~ their just and fair share of the gas from the Carlsbad "13" Well No. 1, and there is no evidence that correlative rights have been impaired.

(14) That no evidence was presented showing that C & K has caused waste by its operation of the well.

(15) That although certain of the accounting and operational procedures employed by C & K in the past appear to have been less than satisfactory, these have apparently now been corrected.

(16) That although the evidence in this case establishes that C & K has been grossly lax in the observance of certain Division rules and orders, particularly as they relate to the filing of forms and reports, and the establishment of an escrow account in accordance with Order (12) of Order No. R-5332, the Commission cannot find this to be grounds for removal of C & K as operator of the well at this time, and it should be permitted to continue as operator, ~~at least for now.~~ pending further order of the Commission or Division.

(17) That Taylor's request that C & K be removed as operator should therefore be denied.

IT IS THEREFORE ORDERED:

(1) That the application of Bill Taylor for removal of C & K Petroleum, Inc., as operator of the Carlsbad "13" Well

No. 1 located in Unit G of Section 13, Township 22 South, Range 26 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, is hereby denied.

(2) That within 30 days from the effective date of this Order, Bill Taylor shall have the right to pay his share of the actual well costs of $551,903.87 to the operator of said Carlsbad "13" Well No. 1 in lieu of paying his share of said costs out of production, and should he pay his share as provided above, he shall remain liable for operating costs but shall not be liable for risk charges.

(3) That all provisions of Order No. R-5332 not in conflict herewith shall remain in full force and effect.

(4) 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.

15.025

	TW C-111	C+K C-111	Corrected C+K C-115	(TW) Acct'g. Com.
		2350		10,042
June '77	9,791		9,791	49,538
July	49,538		49,536	54,191
Aug	54,191		54,188	53,623
Sept	53,623		53,621	55,110
Oct	55,110		55,108	48,960
Nov	48,960		48,958	42,073
Dec	48,073		42,071	47,840
Jan	47,840		47,838	42,249
Feb	42,249		42,247	43,849
Mar	43,849		43,847	40,548
April	40,548		40,456	
May	43,190		43,189	
June	40,515		40,513	

14.65

	C&K C-115	(C&K) Acct'g Com'n	Check stubs RI
June '77	10,042	10,042	10,042
July	50,806	50,806	50,806
Aug	55,578	61,432	55,578 (5854)
Sept	54,996	54,996	54,996
Oct	56,521	56,521	56,521 (5004)
Nov	50,213	50,213	50,213
Dec	49,304	49,304	49,304
Jan	49,065	49,065	49,065
Feb	43,330	43,330	43,330
Mar	44,971	44,971	44,971
April	40,856	41,586	41,586
May	43,189		44,296
June	40,513		41,552

corrected to 15,025

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

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

COMMISSION HEARING

IN THE MATTER OF:

Application of Bill Taylor for enforcement and amendment of Order Number R-5332, Eddy County, New Mexico.

CASE 6289

BEFORE: Commissioner Ramey and Commissioner Arnold

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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

COMMISSIONER RAMEY: Call first Case 6289.

MS. TESCHENDORF: Case 6289. Application of Bill Taylor for enforcement and amendment of Order Number R-5332, Eddy County, New Mexico.

We request that the case be continued to the Commission Hearing to be held September 11th.

COMMISSIONER RAMEY: Case 6289 will be continued until September 11th at this same place, same time, 1978.

(Hearing concluded.)

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

REPORTER'S CERTIFICATE

I, SALLY WALTON BOYD, a Certified Shorthand Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Commission was reported by me; that the 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 W. Boyd CSR

Sally W. Boyd, C.S.R.

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

MADDOX v. GULF OIL CORPORATION

Kansas Supreme Court
July 29, 1977—No. 48388
567 P.2d 1326
(Certiorari denied 98 S.Ct. 1242)

Division Orders: Inclusion of Provision for Suspension of Royalty Payments and Waiver of Interest—Effect of Division Orders.

Payment of royalties to the class of royalty owners represented by Plaintiff had been suspended by Defendant pending FPC action on gas rate increases. Various issues were raised concerning the [illegible] royalty amounts retained until completion of FPC action, all of which were decided in the opinion issued by the Kansas Supreme Court in Shutts v. Phillips Petroleum Co., 567 P.2d 1292 (1977), during the pendency of this appeal. In this case the Defendant asserted an additional defense based upon execution by more than one-half of the Plaintiffs of division orders which included authorization for Defendant to withhold royalty payments without interest accruing while such monies were held in suspense. The trial court held the waiver of interest provision in the division orders ineffective. Held: Affirmed but remanded for modification with regard to computation of interest. Division orders cannot unilaterally alter the terms of oil and gas leases as they are intended to protect purchasers in the matter of verifying to whom royalty payments are to be made. In the absence of consideration, they cannot be considered a contract between the seller and the buyer of gas.

SYLLABUS BY THE COURT

1. In an action by royalty owners against their producer for interest on royalties held in "suspense," it is *held:* The trial court's judgment is affirmed as to (1) the certification of the plaintiff class action, (2) its determination that the gas producers were liable for interest on the theory of unjust enrichment, and (3) its determination that the class members had not waived any claim for interest. The trial

court's judgment is modified as to the computation of the interest to be recovered. (Following Shutts, Executor v. Phillips Petroleum Co., 222 Kan. 527, 567 P.2d 1292.)

2. A division order is an instrument required by the purchaser of oil or gas in order that it may have a record showing to whom and in what proportions the purchase price is to be paid. Its execution is procured primarily to protect the purchaser in the matter of payment for the oil or gas, and may be considered a contract between the sellers on the one hand and the purchaser on the other.

3. Where a division order prepared by the lessee of an oil and gas lease for the lessor's signature unilaterally attempts to amend the oil and gas lease to deprive the royalty owner of interest on royalties held in suspense, to which the royalty owner is otherwise entitled under the leasing contract, and the lessor signs the division order without consideration from the lessee, the provision waiving interest is null and void.

Appeal from Seward district court; Keaton G. Duckworth, judge. Affirmed in part, modified in part and remanded for further proceedings.

SCHROEDER, Justice.

This is a class action brought by Lawrence E. Maddox (plaintiff-appellee and cross-appellant) individually and on behalf of some 1,971 royalty owners, including those who do not reside in Kansas or have leases covering lands in Kansas or both, against their producer, Gulf Oil Corporation (defendant-appellant and cross-appellee), for recovery of interest on "suspense royalties." The total amount of suspense royalties held from 1965 through the fall of 1972 was almost $988,000 which Gulf commingled with its other funds and used in its business operations. Except for the smaller size of the class membership, the starting of withholding in 1965, the payout by Gulf in the fall of 1972, the judgment of the trial court on January 9, 1976, and the point hereafter discussed concerning division orders, this

case is identical in legal issues and factual situations to those presented in Shutts, Executor v. Phillips Petroleum Co., 222 Kan. 527, 567 P.2d 1292 (No. 47,917, decided July 11, 1977). The same FPC Hugoton-Anadarko area and FPC Opinion No. 586 are involved.

More than one-half of the royalty owners signed gas division orders which expressly authorized Gulf to withhold, without interest, monies collected subject to refund until Gulf's refund obligations were finally determined or until satisfactory indemnity was furnished. It is undisputed that Gulf's refund obligations were not finally determined until FPC Opinion No. 586 [36 O&GR 505] became final. The trial court held the waiver of interest provision in the division orders ineffective. In its conclusion of law No. 9 the trial court ruled:

> "Division orders and unitization orders cannot be construed to modify the lease obligations of the defendant, *being instruments reflecting royalty owners interests in proceeds from production* and unitization of acreage for allowables respectively. No consideration is reflected in these instruments which would support defendant's contention that these instruments, executed subsequent to the original leases herein, were contracts to modify the royalty provisions of said leases." (Emphasis added.)

The only testimony concerning the division orders at the time of trial was the deposition testimony of Jack Watkins (Gulf's supervisor of oil and gas records and accounting) who admitted that he had no knowledge or information as to why the paragraph concerning interest was inserted in the division orders. He further testified he knew of no consideration for the royalty owners signing these division orders, which had inserted in them the FPC suspense royalty paragraph pertaining to the waiver of interest.

These division orders were obtained by Gulf in the late 1960's and early 1970's as deaths or transfers of royalty owners occurred.

It is the contention of Gulf on appeal that the gas royalty owners who were paid under signed division orders authorizing Gulf to hold such monies, without interest, are bound by such division orders until such orders are revoked. (Citing Phillips Petroleum Co. v. Williams, 158 F.2d 723 [5th Cir. 1946].)

This court has said a division order is an instrument required by the purchaser of oil or gas in order that it may have a record showing to whom and in what proportions the purchase price is to be paid. Its execution is procured primarily to protect the purchaser in the matter of payment for the oil or gas, and may be considered a contract between the sellers on the one hand and the purchaser on the other. (Wagner v. Sunray Mid-Continent Oil Co., 182 Kan. 81, 92, 318 P.2d [8 O&GR 377] and authorities cited therein.) Generally speaking, a division order is not a contract between sellers themselves, especially in view of the fact that each of the parties having an interest in production may in fact execute separate division orders. (Wagner v. Sunray Mid-Continent Oil Co., supra.)

It was the duty of Gulf under the lease contracts it had with its royalty owners to market the gas at the best prices obtainable at the place where the gas was produced. The insertion in the division orders of matters contrary to the oil and gas leases, or contrary to the law, cannot be unilaterally imposed upon the lessor by the lessee or the purchaser. Here the unilateral attempt by Gulf in the division orders to amend the oil and gas leases, and thereby deprive the royalty owners of interest to which they were otherwise entitled, was without consideration. Therefore, the provisions in the division order regarding waiver of interest are null and void as determined by the trial court.

As held in *Shutts*, (1) this action was properly tried as a class action even though involving nonresident plaintiffs, (2) the producer was liable for interest on a theory of unjust enrichment and contractual principles, and (3) the

class members had not waived any claim for interest. However, the computation of the award of interest by the trial court should be modified to conform to the *Shutts* case which held:

"We therefore hold on equitable principles Phillips is required to pay its royalty owners herein seven percent (7%) per annum simple interest on suspense royalties from the date of receipt of suspense royalties by Phillips until October 1, 1970 (the effective date of FPC Opinion No. 586), and eight percent (8%) simple interest per annum thereafter until the payout to the royalty owners on or about December 7, 1972. Applying the 'United States Rule' on partial payments, after the payout there was still an unpaid principal sum due equal to the total principal due plus accrued interest, less the payout. Assuming proper calculations, this amount, although principal, would equal the accrued interest on the date of the payout. From December 7, 1972, on until the date of judgment (July 29, 1976) equitable principles and Phillips' contractual undertaking require Phillips to pay its royalty owners herein eight percent (8%) per annum simple interest on the unpaid principal sum (accrued interest on date of payout) plus the unpaid principal sum; and thereafter our post-judgment interest statute, K.S.A. 16-204, requires payment of eight percent (8%) per annum simple interest for the benefit of the royalty owners on the total amount of the judgment until paid."

The judgment of the lower court is affirmed in part and modified in part, and the case is remanded for further proceedings consistent with the foregoing opinion.

DISCUSSION NOTES

Division Orders: Inclusion of Provision for Suspension of Royalty Payments and Waiver of Interest—Effect of Division Orders.

Shutts v. Phillips Petroleum Co., 567 P.2d 1292 (Kan. 1977), cert. denied 98 S. Ct. 1246 (1978), applied the substantive law enunciated in Lightcap v. Mobil Oil Corp., 562 P.2d 1, 57 O&GR 487 (Kan. 1977). In addition, *Shutts* presents an exhaustive analysis of the legal issues related to jurisdiction, class actions, conflict of laws, and other procedural matters involved in the determination of the right of royalty owners to interest on monies received for gas sales and held by producers pending the approval of higher gas purchase rates by the FPC. Similar fact situations and issues are decided in Nix v. Northern Natural Gas Producing Co., 567 P.2d 1322 (Kan. 1977), cert. denied 98 S. Ct. 1246 (1978); Sterling v. Superior Oil Co., 567 P.2d 1325 (Kan. 1977), cert. denied 98 S. Ct. 1246 (1978); Helmley v. Ashland Oil, Inc., 571 P.2d 345 (Kan. App. 1977); and Gray v. Amoco Production Co., 573 P.2d 1080, 59 O&GR 30 (Kan. 1978).

This case renders ineffective an effort to avoid interest payments to royalty owners by inserting a waiver provisions in division orders.

J. R. G.

MADDOX v. GULF OIL CORPORATION

Kansas Supreme Court
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This case renders ineffective an effort to avoid interest payments to royalty owners by inserting a waiver provisions in division orders.

J. R. G.

MIDLAND PIPE CORPORATION
SUITE 201 226 CARONDELET ST.
NEW ORLEANS, LA. 70130 U.S.A.

C & K PETROLEUM, INC.
POST OFFICE BOX 3546
MIDLAND, TEXAS 79701

INVOICE NUMBER	00515	INVOICE DATE	2/28/77	PAGE 1	OF 1
ORDER NO.	ORDERED BY:	DATE ORDERED	DATE SHIPPED		

SOLD TO Same
SHIPPED TO Same
AT c/o Atlas Truck
Odessa, Texas

LEASE AND WELL NO., RIG OR LOCATION

OUR RELEASE NUMBER 77-0176

VIA Atlas Truck

F.O.B. Lone Star

QUANTITY	UNITS	DESCRIPTION	CASH DISC.	UNIT PRICE	TOTAL
7,520'	CFT	2-7/8" OD 6.50# N-80 Tubing EUE T&C R-2			
		241 Joints		$237.40	$21,612.48
49,386#	CWT	Plus equalized freight Lone Star to Odessa.	NO	$ 1.53	$ 755.61
		Less 2% of Mill base of our Credit memo 0148 from base value of tubing.			$ 432.25

704-302 000
Carlsbad 13-1
Big Stone
2-4-77 D.T

CASH DISCOUNT Net IF PAID IN
☒ 10 DAYS ☐ DAYS ☐ 20th PROX. Texas
OR IN ACCORDANCE WITH DISCOUNT TERMS

SIGNATURE OF PERSON RECEIVING MATERIAL

SALES TAXES 4%	$ 847.21
CITY OR PARISH TAXES	
TOTAL	$22,783.05

+1

C & K Petroleum, Inc.

600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915) 683-3311

August 15, 1978

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

Re: Case No. 6289

Dear Mr. Ramey:

As requested at the recent hearing (Case No. 6289) on Wednesday, August 9, 1978, I herewith furnish the Commission a copy of the bill of lading for the 2-7/8" tubing installed in the Carlsbad "13" No. 1 well. Please note that there is nothing on the bill of lading that refers to the price of the tubing itself.

Yours very truly,

C & K PETROLEUM, INC.

G. C. Tompson,
Manager of Production

GCT/meb

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

Bill Taylor
512 Welshire
Carlsbad, New Mexico 88220

1-A

No. 077628
77628

STRAIGHT BILL OF LADING ORIGINAL NOT NEGOTIABLE

RECEIVED, subject to the classifications and tariffs in effect on the date of the issue of this Bill of Lading, per MFICC No. 1 Oil Field Haulers Assn. Rules Tariff 1—G, Item-90.

Date 3-1-77

For Office Use Only

Truck No.	
Trailer No.	
Driver No. 1	
Driver Name	
Driver No. 2	
Weight	Rate
Intra/Inter	
Unit Meas.	
Shipper's Order Number	

FROM: C-K PETRO.
& ASY
ODESSA, TEXAS

DESTINATION: C-K PETRO.
& CARLSBAD 13-1
CARLSBAD N.M.--PLUS MILES

PAD: 3-1-77 DELIVER: 3-2-77

QUANTITY	DESCRIPTION OF ARTICLES	WEIGHT	RATE	FREIGHT
14	JTS. 2 7/8 6.50 LB. N-80 EUE 8RD TBG. 11,700 FT.			
1	SET PIPE RACKS			

SHIPPER C-K PETRO.
ROBERT TAYLOR

ATLAS TRUCK LINES, INC.
LEE MAYO

Delivering Carrier ATLAS TRUCK LINES

PREPAID
COLLECT

Marks

Material Received In Good Order

FOR ACCOUNTING USE ONLY

	CODE	AMOUNT
State Origin		
State Destination		
Commodity		
Sur-Charge		
Loading Charge		

Robert Taylor

HOUSTON, TEXAS

ate 2-28-77 F/B or Inv. No. 77628

Customer's Order No.

ime 4pm Order by Robert Taylor

ip From C-K Petro Phone No.

To BSY

Odessa Tex

ip To C-K Petro

To Carlsbad 13-1

Carlsbad nm

te To Load Tuesday 2-1-77

te To Deliver Monday - 9pm - 2-2-77

JOINTS LOADED	TRUCK	TRAILER	DRIVER
	1. 10181	91298	T. Pettet
	2.		
	3.		
	4.		
	5.		
	6.		
	7.		
	8.		

NO. PIECES	DESCRIPTION OF COMMODITY OR SERVICE PERFORMED	ON HAND JOINTS	ON HAND RACK LOCATION
370	2 7/8 6.50 N-80 EUE-8R TBG-	481	5-4
	11,700		
	11756.81		
	1 Set Pipe Rake		
	76,050#		
	Met Sundown Flt 9pm - 3-2-77 Monday		

arge to: C-K Petro

der Received By: Lupino Loaded By:

CX 602

(2)

CARLSBAD #13-1
IDC & LEASE & WELL EQUIPMENT CHARGES

JIB Date Voucher No.	Exceptions	Credit Due
	1. Overhead Rate Adjusted to agree with rate stipulated in Order. Schedule I	
	Credit Due	$ 895.88
#0864 4/77	2. Grant Oil Tool Company Invoice #16356 dated 4/25/77 Miscoded invoice	
	Credit Due	$2,068.46
#0353 8/77	3. Dowell Invoice #05072773 dated 8/02/77 Miscoded invoice	
	Credit Due	$10,351.97
#1010 3/77	4. Gilbert C. Thompson Expense Report Telephone expense covered by Overhead	
	Credit Due	$ 15.28
	5. Storage and Handling Charges These charges were added to various C & K material transfers in error. Schedule II	
	Credit Due	$4,801.84
#0752 3/77	6. Union Oil of California Delay Rental Should Not Apply to Payout	
	Credit Due	$ 2.78
	7. Various Recording Fees and Abstract Costs Should not apply to payout. Schedule III	
	Credit Due	$1,008.75

JIB Date / Voucher No.	Exceptions	Credit Due
	8. Various Legal Fees Should not apply to payout. Schedule IV Credit Due	$ 525.68
	9. Bethlehem Steel Corporation Invoice #2986-4837-88 dated 5/03/77 Additional invoice for freight on material which was originally charged directly to Warehouse Credit Due	$ 623.93
	TOTAL CREDIT DUE IDC & LEASE & WELL EQUIPMENT	$20,294.57

CARLSBAD #13-1
LEASE OPERATING COSTS

JIB DATE Voucher No.	Exceptions	Credit Due
Various 6/77	1. Minimum Royalties Should Not Apply to Payout Credit Due	$ 717.31
	2. Various Recording Fees & Abstract Costs Should Not Apply to Payout. Schedule III Credit Due	560.27
	TOTAL CREDIT DUE LEASE OPERATING COSTS	$1,277.58

CARLSBAD #13-1
OVERHEAD - FOR PAYOUT

VOUCHER NUMBER	Days	MONTH	AS CHARGED DRILLING OVERHEAD	AS CHARGED PRODUCING OVERHEAD	AS S/B CHARGED DRILLING OVERHEAD	AS S/B CHARGED PRODUCING OVERHEAD
	16	January 1977			516.13	
JV 7606	28	February (Jan. & Feb.)	2,407.60		1,000.00	
	15	March			483.87	
		April				
		May		190.00		150.00
JV 7602		June		190.00		150.00
07-7602		July				150.00
		August		380.00		150.00
09-7602		September		190.00		150.00
10-7602		October		190.00		150.00
11-7602		November		380.00		150.00
12-7602		December		380.00		150.00
01-7602		January 1978		380.00		150.00
02-7602		February		380.00		150.00
03-7602		March		380.00		150.00
04-7602		April		229.14		150.00
05-7605		May (April & May)		209.57		150.00
06-7605		June		(950.00)		150.00
06-7502		June (Correct O/H 1978)		209.57		150.00
07-7602		July				
		Total As charged	$2,407.60	$2,738.28		
		Total As Should Be Charged			$2,000.00	$2,250.00
		Over (Under) Charged				
		Drilling Overhead	$ 407.60			
		Producing Overhead	488.28			
		Total	$ 895.88			

Drilling Rig - MI 1-16-77
MO 2-23-77

Completion Rig - MI 3-01-77
MO 3-15-77

Drilling Rate: $1,000/Mo. Through 4/1/78 Producing Rate: $150/Mo.

SCHEDULE I

CARLSBAD #13-1
TUBULAR PRICE RECONCILIATION

JOINT BILLING REFERENCE #	DATE	DESCRIPTION	INVOICE NUMBER	INVOICE DATE	FOOTAGE	STORAGE & HANDLING CHARGES
7527	1/77	10 3/4" 45.50 K-55 ST & C	M-0021	1-20-77	2865'	$ 123.00
7534	1/77	10 3/4" 45.50 K-55 ST & C	M-0028	1-25-77	(236')	-0-
7534	1/77	10 3/4" 45.50 K-55 ST&C Cuttoff	M-0028	1-25-77	(23')	-0-
7521	3/77	5 1/2" 17# N-80 LTC	M-0076	3-09-77	2305'	2,065.28
7521	3/77	5 1/2" 17# N-80 Butt	M-0076	3-09-77	1048'	816.18
7521	3/77	5 1/2" 20# N-80 LTC	M-0076	3-09-77	1535'	790.83
7521	3/77	5 1/2" 20# N-80 LTC Ruff Coat	M-0076	3-09-77	452'	345.55
7511	3/77	5 1/2" 17# N-80 Butt	M-0061	3-03-77	(93')	-0-
7511	3/77	5 1/2" 17# N-80 Butt	M-0061	3-03-77	(21')	-0-
7511	3/77	5 1/2" 17# N-80 LTC	M-0061	3-03-77	(234')	-0-
7510	6/77	5 1/2" 17# S-95 LTC	M-0150	6-29-77	2151'	-0-
7541	1/78	5 1/2" 17# S-95 LTC	M-0512	1-13-78	2151'	-0-
7505	3/77	2 7/8" 6.5# N-80	M-0055	3-03-77	159'	-0-
7509	3/77	2 7/8" 6.5# N-80	M-0059	3-03-77	4197'	661.03
7516	4/77	2 7/8" 6.5# N-80	M-0098	4-05-77	596'	-0-
		TOTAL				$4,801.87

SCHEDULE II

CARLSBAD #13-1
CHARGES RELATED TO LEASES - NOT CHARGEABLE TO JOINT ACCOUNT

JOINT REFERENCE NUMBER	DATE	VENDOR	VENDOR INVOICE NUMBER	VENDOR INVOICE DATE	AMOUNT	DESCRIPTION
0060	1/77	Eddy County Abstract Co.		1-14-77	$ 993.50	Abstract #34152
1119	8/77	Eddy County Abstract Co.		8-31-77	546.27*	Abstract #34307
1660	3/78	Eddy County	3066	3-31-78	5.00*	Recording Fees
0800	12/77	Eddy County	2926	12-01-77	6.00*	Recording Fees
0857	11/77	Eddy County	2913	11-11-77	3.00*	Recording Fees
0982	6/77	Eddy County	2699	6-27-77	2.50	Recording Fees
0687	3/77	Eddy County	2482	3-21-77	12.75	Recording Fees
		TOTAL			$1,569.02	

*Charges Appear on Lease Operating Expense

TOTAL LEASE OPERATING EXPENSE	$ 560.27
TOTAL IDC & LEASE & WELL EQUIPMENT	$1,008.75

SCHEDULE III

CARLSBAD #13-1
LEGAL FEES NOT CHARGEABLE TO JOINT ACCOUNT

Joint Billing Ref. #	Date	Vendor	Vendor Invoice Date	Amount	Description
0980	1/77	Lynch, Chappel, Allday & Aldridge	12/21/76	$ 200.00	Conferences Concerning Title and Release of Right-of-way
1095	4/77	Lynch, Chappel, Allday & Aldridge	3/21/77	50.00	Office Conference
0104	12/76	Kellahin and Fox	12/21/76	225.68	Case No. 5807 Application for Compulsory Pooling & Non-standard Unit
0402	7/77	Lynch, Chappel, Allday & Aldridge	6/21/77	50.00	Conference Concerning Shut-in Gas Royalties
		TOTAL		$ 525.68	

Schedule IV

CARLSBAD #13-1
IDC & LEASE & WELL EQUIPMENT CHARGES
BY EXPENSE CLASSIFICATION

Ex. 3

Code	Description	Amount Charged To Joint Account	Exceptions	Amount Should Be Charged To Joint Account
91	Location, Pits & Roads	$ 6,393.36	-0-	$ 6,393.36
95	Damages, Permits & Right-of ways	3,001.20	-0-	3,001.20
97	Rig Expenses	206,230.45	-0-	206,230.45
107	Cement & Cementing Services	21,195.89	-0-	21,195.89
103	Fluids, Mud & Chemicals	17,531.01	-0-	17,531.01
110	Formation Evaluation	22,120.94	-0-	22,120.94
117	Perforating	5,362.29	-0-	5,362.29
119	Stimulation	23,457.05	($10,351.97)	13,105.08
041	Transportation Expense	7,779.39	-0-	7,779.39
035	Tool & Equipment Rental	12,853.46	($ 2,068.46)	10,785.00
093	Water	8,091.62	-0-	8,091.62
105	Power & Fuel	8,896.69	-0-	8,896.69
073	Misc. Labor, Services & Supplies	13,787.73	-0-	13,787.73
213	Overhead	2,407.60	($ 895.88)	1,511.72
125	Supervision & Professional	5,361.47	($ 540.96)	4,820.51
490	Other	3,380.53	($ 1,008.75)	2,371.78
301	Casing	122,422.12	($ 5,425.77)	116,996.35
302	Tubing	28,372.90	-0-	28,372.90
318	Auxiliary Casing Equipment	2,604.32	-0-	2,604.32
309	Packers & Anchors	7,777.72	-0-	7,777.72
307	Wellhead Equipment	16,709.35	-0-	16,709.35
317	Production Equipment	8,538.74	-0-	8,538.74
315	Flowline & Misc. Equipment	561.72	-0-	561.72
347	Installation Costs	8,650.37	-0-	8,650.37
	Sub-Total	$563,487.92	$20,294.57	$543,193.35
	Well Control Insurance 11,701 Feet @ $ .476/Ft.			5,570.00
	TOTAL IDC & LEASE & WELL EQUIPMENT To Be Recovered			$548,763.35

CARLSBAD #13-1
LEASE OPERATING EXPENSE

MONTH	OVERHEAD 01	PUMPING 02	MISC. SERVICE 03	MINIMUM ROYALTIES 04	LEGAL EXPENSES 05	SALT WATER DISPOSAL 06	COMPANY LABOR 07
June 1977	$ 190.00			$ 719.31			
July	190.00	$ 173.37		(2.00)			
August		130.00	$2,915.27		$ 546.27		
September	380.00		88.87				
October	190.00	130.00	226.09				
November	190.00	130.00			3.00	$ 72.80	
December	380.00	130.00			6.00		
January 1978	380.00	130.00					
February	380.00	130.00				72.28	
March	380.00	130.00			5.00	72.80	
April	380.00	130.00	68.64				
May	229.14	130.00	305.97				$ 18.05
June	(740.43)	130.00					(15.23)
July	209.57	129.69				72.80	185.12
Totals	$2,738.28	$1,603.06	$3,604.84	$ 717.31	$ 560.27	$ 290.68	$187.94
TOTAL	$9,702.38						
Less Exceptions	$1,277.58						
CORRECTED TOTAL	$8,424.80						

CARLSBAD #13-1
LEASE OPERATING EXPENSE

OVERHEAD 01	PUMPING 02	MISC. SERVICE 03	MINIMUM ROYALTIES 04	LEGAL EXPENSES 05	SALT WATER DISPOSAL 06	COMPANY LABOR 07
$ 190.00			$ 719.31			
190.00	$ 173.37		(2.00)			
	130.00	$2,915.27		$ 546.27		
380.00		88.87				
190.00	130.00	226.09				
190.00	130.00			3.00	$ 72.80	
380.00	130.00			6.00		
380.00	130.00					
380.00	130.00				72.28	
380.00	130.00			5.00	72.80	
380.00	130.00	68.64				
229.14	130.00	305.9				$ 18.05
(740.43)	130.00					(15.23)
209.57	129.69				72.80	185.12
$2,738.28	$1,603.06	$3,604.84	$ 717.31	$ 560.27	$ 290.68	$187.94

$9,702.38

ons $1,277.58

L $6,424.80

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CARLSBAD # 13-1

TOTAL COSTS

MONTH	IDC L&W EQUIPT	LEASE OPER. EXPENSE	TOTAL
November, 1976	$ 651.73		$ 651.73
December	6,129.60		6,129.60
January, 1977	90,649.44		90,649.44
February	255,264.21		255,264.21
March	(72.93)		(72.93)
March	176,410.10		176,410.10
April	16,948.09		16,948.09
May	5,594.31		5,594.31
June	9,157.24	$ 909.31	10,066.55
July	257.74	361.37	619.11
August	11,656.59	3,591.54	15,248.13
September	564.00	468.87	1,032.87
October	342.87	361.09	703.96
November		395.80	395.80
December		516.00	516.00
January, 1978	(17,137.80)	510.00	(16,627.80)
February	7,052.73	582.28	7,635.01
March	205.00	587.80	792.80
April		578.64	578.64
May		683.16	683.16
June		(625.66)	(625.66)
July		597.18	597.18
October, 1977 (Adjustment)	(185.00)	185.00	-0-
	$563,487.92	$9,702.38	$573,190.30
WELL CONTROL INSURANCE 11,701 feet @ $.476/ft	$ 5,570.00		$ 5,570.00
LESS EXCEPTIONS	$(20,294.57)	$(1,277.58)	$(21,572.15)
TOTAL COSTS	$548,763.35	$ 8,424.80	$557,188.15

Carlsbad #13-1 Income As Reported on New Mexico Tax Commission Reports

	1 Volume MCF	2 Value Gross	3 Taxes	4 Value Net
Date				
June, 1977 (Amended)	10042	$ 15,822.02	$ 1,205.50	$ 14,616.52
July, 1977 (Amended)	50806	80,601.18	5,658.95	74,942.23
August, 1977 (Amended)	61432	97,774.42	6,727.71	91,046.71
September, 1977	54996	86,772.03	6,074.84	80,697.19
October, 1977	56521	89,768.80	6,267.47	83,501.33
November, 1977	50213	79,659.26	5,564.50	74,094.76
December, 1977	49304	78,210.19	5,463.76	72,753.43
January, 1978	49065	77,801.63	5435.13	72,366.50
February, 1978	43330	68,840.88	4,805.63	64,035.25
March, 1978	41586	66,501.87	4,628.75	61,873.12
April, 1978	44296	70,835.54	4,990.74	65,844.80
May, 1978	41552	66,447.50	4,681.58	61,765.92
June, 1978	41880	67,471.85	4,680.64	62,791.21
July, 1978	5004	7,843.78	557.59	7,286.19
July, 1978 (Oct. 1977 Amended)				
Total	644,998	$ 1,026,005.98	$ 71,929.40	$ 954,076.58

Carlsbad #13-1

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Correct Income as Shown on Purchaser's Statements

	1	2	3	4	5	6	7	8	9
		Actual Prod. Per State Report		Sales From Purchaser's statement					
	Date	MCF (14.06)	MCF (15.025)	MCF (14.06)	MCF $ Price	Gross Value	Taxes	Net Value	MCF (14.06)	MCF $ Price
1	June, 1977	10042	9791	10042	1.567502	$ 15,740.84	$ 1205.50	$ 14,535.36		
2	July, 1977	50806	49536	50806	1.567502	79,638.51	9658.95	73,979.56		
3	August, 1977	55578	54188	55578	1.567502	87,126.13	11,978.47	80,928.16	5854	1.567502
4	September, 1977	54996	53621	54996	1.567837	86,224.76	6074.84	80,149.92		
5	October, 1977	56521	55108	56521	1.577642	89,170.70	6267.47	82,903.23	5004	1.567502
6	November, 1977	50213	48958	50213	1.576072	79,139.60	5564.50	73,575.10		
7	December, 1977	49304	48071	49304	1.576072	77,706.95	5463.76	72,243.19		
8	January, 1978	49065	47838	49065	1.576441	77,339.21	5435.13	72,404.58		
9	February, 1978	43330	42247	43330	1.576441	68,294.36	4805.63	63,988.73		
10	March, 1978	44971	43847	44971	1.576441	70,881.24	4987.61	65,893.63		
11	April, 1978	41586	40556	41586	1.596844	66,406.44	4673.75	61,732.69		
12	May, 1978	44094	43006	44094	1.596844	70,388.89	4994.14	65,743.15		
13	June, 1978	41552	40573	41552	1.598437	66,418.25	4681.56	61,736.69		
14	July, 1978	41880	40833	41880	1.614619	67,624.60	4680.64	62,813.96		
15										
16	Totals	634140	618196	634140		$ 1,003,718.60	$ 10,635.57	$ 933,083.02	10858	
17										
18	Approximate overpayment of Taxes						<190.00>			
19										
20	Corrected Totals					$ 1,003718.60	10445.57	$ 933,273.03		

* Gross Value reported To Tax Commission as $ 9802.70

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.s Shown on Purchaser's Statements

3	4	5	6	7	8	9	10	11	12	13
Sales From Purchaser's Statement					Rio Fuel					Total
MCF (14.06)	MCF @ Price	Gross Value	Taxes	Net Value	MCF (14.06)	MCF @ Price	Gross Value	Taxes	Net Value	Net Value
10942	1.5617502	15,740.86	1205.50	14,535.36						14,535.36
5808.4	1.561502	79,638.51	965.8.95	73,979.56						73,979.56
55578	1.561502	87,118.63	6190.47	80,928.16	5854	1.561502	9,176.16	736.24	8,439.92	89,368.08
5499.6	1.561837	86,204.76	6054.84	80,149.92						80,149.92
5652.1	1.561749	89,170.30	6267.17	82,903.13	5004	1.561501	7,843.78	557.59	7,286.19	90,189.32
5021.3	1.561078	77,139.60	5564.50	73,575.10						73,575.10
4934.4	1.561078	77,206.25	5463.76	72,743.19						72,743.19
4906.5	1.561441	77,830.21	5425.63	72,404.58						72,404.58
4333.0	1.561441	68,741.36	4805.63	63,935.73						63,935.73
4497.1	1.561441	71,341.74	4987.61	66,354.13						66,354.13
4158.6	1.561441	66,406.44	4627.75	61,777.69						61,777.69
4429.6	1.561441	70,738.89	4994.74	65,743.15						65,743.15
4155.2	1.561437	66,418.25	4681.58	61,736.67						61,736.67
4188.0	1.561419	67,494.60	4680.64	62,813.96						62,813.96
63446		1,003,718.60	10435.57	933,083.03	10958		17,019.94	1,293.83	15,726.11	948,809.14
			<190.00>					<47.06>		237.06
		1,003,718.60	10445.57	933,273.03			17,019.94	1,246.77	15,773.17	949,046.20

02.70

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Prepared By | Initials | Date
Approved By

Carlsbad #13-1

Comparison of Income as Reported To Commission and Actually Received

	Date	1 Gross Value Per Tax Statements	2 Gross Value Per Transmission	3 Gross Value Gas Used for Rig Fuel	4 Difference
1	June, 1977	$ 15,822.00	15,740.86		81.16
2	July, 1977	80,604.18	77,638.51		962.67
3	August, 1977	97,974.42	87,118.63	9,802.70	1,053.09
4	September, 1977	86,772.03	86,224.76		547.27
5	October, 1977	87,612.58	87,120.30	7,843.78	598.50
6	November, 1977	79,659.26	79,139.60		519.66
7	December, 1977	78,217.19	77,706.95		510.24
8	January, 1978	70,801.63	70,839.71		(38.08)
9	February, 1978	68,840.88	68,741.36		99.52
10	March, 1978	71,448.03	71,344.74		103.29
11	April, 1978	66,501.87	66,406.44		95.43
12	May, 1978	70,835.54	70,733.89		101.65
13	June, 1978	66,447.50	66,418.25		29.25
14	July, 1978	67,471.85	67,494.60		(22.75)
15					
16	Total	$ 1,026,005.98	1,003,718.60	$ 17,646.48	$ 4,640.90
17					
18					
19					
20					
21					
22					
23			Taxes overpaid on		
24			$ 4640.90 approx.		$ 120.00
25					
26					
27					
28	Value of Rig Fuel				
29	reported in August as	$ 9802.70			
30	Should have been	$ 9176.16			$ 626.54
31	Value overstated				
32					
33					
34					
35	Total Gross Value Overstated				
36	To Commission				$ 5276.44
37					
38					
39					
40					
41					
42					
43					
44					
45					
46					
47					
48					
49					
50					

DIMSUN JONES COMPANY U.S.A. • YELLOW WHITE GREEN PADDLE WORKS WIRING BOUND

	C1K Billing No	Vendor	Vendor Inv #	Vendor Inv Date	C1K Ref #	Expense Classification	Inv. Amount			Description
1	11-76	John Lewis Jr.		11-17-76	11-0062	91	130.00			Well Location
2	11-76	John Lewis Jr.		10-29-76	11-0060	91	104.00			Well Location
3	11-76	I.V.F. Robinson		11-23-76	M1-7801	105	71.63			Trucking & Labor Location
4	12-76	Construction Enterprises - Lov	5179	12-22-76	120058	91	3373.93			Clear & Lev Location
5	12-76	John Lewis Jr.		12-14-76	11-0062	91	130.00			Well Location
6	12-76	Mr. & Mrs. E.W. Douglas	E1K C.V. 0345	12-17-76	12-0077	85	2500.00			Release of damages and easement
7	12-76	Kellahin and Fox		12-31-76	120104	105	665.68			Legal Fees case #5807
8	1-77	OD Rentals	1-2140	1-24-77	CV-1005	35	78.00			16" 600 Companion Flg 16" 8rd
9	1-77	B&E Inc Part I	1-1484	1-19-77	CV-0335	41	20.95			Transfer water to Gramhnk
10	1-77	B&F Walker Dewer	6-141/144	1-20-77	CV-0679	41	372.61			240 Jts @ 2⅜" 4.70# Tubing - Trucking
11	1-77	Atlas Trucking Inc	77197	1-25-77	CV-0893	41	164.81			6 Jts 10¾" 45.50# 5 Jts 22" 470# T&G - Trucking
12	1-77	Atlas Trucking Inc.	77195	1-19-77	CV-0891	41	1232.25			15 Jts 10¾" 45.50# K-55 Stl - Trucking
13	1-77	Atlas Trucking Inc.	77196	1-19-77	CV-0835	41	211.50	808.44		Forklift
14	1-77	Atlas Trucking Inc.	65876	1-13-77	CV-0895	41	596.94			10 Jts 16" H 40 Casing
15	1-77	Construction Enterprise	12910	1-20-77	CV-0574	91	709.60			Labor & Equipment cut crosses & dig out Sea water
16	1-77	Man Welding Services	6477	1-17-77	CV-0631	73	187.20	280.80		Track Shoes cut csg - weld
17	1-77	Man Welding Services	6503	1-18-77	CV-0631	73	93.60			
18	1-77	H&R Testers Inc.	27-1009	1-3-77	CV-0938	73	603.20			Hydrostatic Pressure Test
19	1-77	M&W Welding Serv.	4211	1-30-77	CV-0980	73	99.00			Rig up M&W Separator
20	1-77	Construction Enterprise	12650	1-6-77	CV-0041	73	99.94			Cut off on cellar
21	1-77	Construction Enterprise	12830	1-17-77	CV-0041	73	4047.81			Install plastic pit liner
22	1-77	B&E Part I	1-1514	1-20-77	CV-0395	93	722.45	1054.91		Haul Water
23	1-77	B&E Part I				93	152.91			Haul Water
24	1-77	B&E Part I	1-1475	1-18-77	CV-0385	93	306.42			Haul Water
25	1-77	B&E Part I	1-1473	1-18-77	CV-0385	93	820.38			Haul Water
26	1-77	B&E Part I	1-1474	1-18-77	CV-0396	93	292.45	705.02		Haul Water
27	1-77	B&E Part I	1-1508	1-19-77	CV-0386	93	519.60			Haul water
28	1-77	B&E Part I	1-1517	1-26-77	CV-0557	93	154.81			Haul water
29	1-77	Stevenson Roach Tank Co.	2032	1-25-77	CV-0666	93	130.30			String water line
30	1-77	ARMCO National Supply	559919	1-21-77	CV-0554	103	1533.17			Calgon x 10.50# Pkg - 330 405#
31	1-77	ARMCO National Supply	560610	1-28-77	CV-0833	103	345.04			Chemical Corrinson Inhibitor
32	1-77	Drilling Mud Inc	1326	1-28-77	CV-0903	103	4102.56			Various Chemicals
33	1-77	BJ Hughes	30-12099	1-31-77	CV-0991	107	1456.29	9,860.13		Bulk Materials 1408 cu. ft. Cement
34	1-77	BJ Hughes	30-11580	1-31-77	CV-0993	107	4401.44			Bulk Material 604 cu. ft.
35	1-77	Eddins-Walcher Company	0508390	1-17-77	CV-0345	105	601.91			Petroleum Gas
36	1-77	Eddins-Walcher Company	0528613	1-14-77	CV-0316	105	431.99			Petroleum Gas
37	1-77	Eddins-Walcher Company	0528709	1-18-77	CV-0345	105	304.77	784.73		Petroleum Gas
38	1-77	Eddins-Walcher Company	0528575	1-14-77	CV-0316	105	120.32			Petroleum Gas
39	1-77	Eddins-Walcher Company	0528617	1-17-77	CV-0345	105	435.81			Petroleum Gas
40	1-77	Eddins-Walcher Company	0528573	1-14-77	CV-0346	105	121.34			Petroleum Gas
41	1-77	Eddins-Walcher Company	0528806	1-19-77	CV-0688	105	694.37			Petroleum Gas
42	1-77	Eddins-Walcher Company	0528869	1-21-77	CV-0539	105	430.90	1119.94		Petroleum Gas
43	1-77	Eddins-Walcher Company	0528860	1-20-77	CV-0538	105	93.44			Petroleum Gas
44	1-77	Eddins-Walcher Company	0528896	1-20-77	CV-0539	105	703.31			Petroleum Gas
45	1-77	Stevenson Roach Tank Co.	2032	1-25-77	CV-0666	93	733.95			Laying Pit Liner
46	1-77	C1K	MT0035	1-25-77	MT0035	73	4541.99			Tubing Sub L.P. 2⅜" H.70 EUE
47	1-77	BJ Hughes	30-12098	1-31-77	CV-0949	107	769.47			Cement csg
48	1-77	BJ Hughes	30-11579	1-31-77	CV-950	107	819.32			Pump Truck
49	1-77	OPI Inc	59473	1-12-77	CV-1006	118	1700.60			Float Collar - Centralizers - 16"
50	1-77	Rose Gravel Company	41104	2-3-77	CV-1055	107	39.52	182.52		CRLA Gravel
	1-77	Rose Gravel Company	41105	2-3-77	CV-1055	107	143.00			Ready Mix Concrete

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	C&K Billing No.	Vendor	Vendor Inv. #	Vendor Inv. Date	C&K Ref. #	Expense Classification	Inv. Amount		Description
1	1-77	Advance Consultants Corp	7745	1-1-77	CV-0139	110	3273 75		Chromatograph Logging Unit
2	1-77	Drillprotco Inc	77011	1-31-77	CV-0904	107	31 001		Volume meter, add determine volume behind 10¾" casing
3	1-77	Oilwell Inc	[illegible]	1-31-77	CV-[illegible]	[illegible]	[illegible]		[illegible]
4	1-77	A-1 Sign Engravers	1-30	1-31-77	CV-0545	73	21 00		Direction Sign For Lease
5	1-77	Bethlehem Steel Corp. Part I	2886-4206	1-24-77	CV-0533	301	7563 00		9⅝" 47# S-95 LT&C-40 Stc Rc
6	1-77	C&K		1-20-77	MT-3527	301	36933 50		10¾" 45.50 K-55 stc casing 65 Jts
7	1-77	C&K		1-25-77	MT-3534	301	(3950 00)		10¾" 45.50 K-55 stc casing 5 Jts.
8	1-77	C&K		1-25-77	MT-3534	301	(1126 99)		10¾" 45.50 K-55 stc casing cut off
9	1-77	C&K		1-25-77	MT-3534	301	(1145 00)		9⅝" wiping 47.00 FJA 5 Jts.
10	1-77	FMC Corp	03816	1-14-77	CV-0911	307	3213 31		Head Plug Flange Etc.
11	1-77	Lynch Chappel Allday	1	12-21-76	CV-0920	195	200 00		Title Release Right of way
12	1-77	Eddy County Abstract Co Inc	1	12-16-76	CV-0610	490	60 00		[illegible]
13									
14	2-77	Sanderson Equipment Co.	1214	3-3-77	CV-0919	41	235 00		Forklift unload trucks
15	2-77	World Plastics	05-1124	2-23-77	CV-1170	35	1249 00		Separator dental
16	2-77	B&E Inc.	01061	2-24-77	CV-0830	91	70 70		Pick up choke & Hoses Delivered to Hobbs N. Mex.
17	2-77	World Plastics	04-1674	1-24-77	CV-0120	73	56 16		Weld bull shoe
18	2-77	World Plastics	04-1677	1-25-77	CV-0120	73	1029 90		Cut off 16 and 10¾" weld on wellhead
19	2-77	Man Welding Service	0315	2-23-77	CV-0833	73	56 16		Cut off 5½" casing
20	2-77	Rose Gravel Co.	478	2-2-77	CV-1139	107	33 80		6 yd mortar sand
21	2-77	World Plastics	05-1771	2-23-77	CV-1170	91	331 94		Trucks and crew to dig down
22	2-77	John Lewis Jr.	2432	2-11-77	CV-0415	91	(1000 00)		Laid in Dec check return
23	2-77	B&E Inc.	1124	2-11-77	CV-0836	93	606 11		
24	2-77	Eddy County Inc	3445	2-18-77	CV-1003	95	110 00		Permit to Drill
25	2-77	Sharp Drilling Co.	3008	2-24-77	CV-0558	91	181708 80		Footage drilled 11,648'
26	2-77	B&E	1619	2-7-77	CV-0053	93	439 73	529.86	Water hauled
27	2-77	B&E	1631	2-2-77	CV-0055	93	89 13		Water hauled
28	2-77	B&E	1606	2-23-77	CV-0089	93	267 90	357.15	Water hauled
29	2-77	B&E	1607	2-23-77	CV-0089	93	89 25		Water hauled
30	2-77	B&E	1645	3-11-77	CV-0836	93	177 17		Water hauled
31	2-77	B&E	1635	3-9-77	CV-0836	93	606 11	189.39	Water hauled
32	2-77	B&E	1650	3-11-77	CV-0836	93	405 11		Water hauled
33	2-77	Armco National Supply	56130	2-14-77	CV-0436	103	345 01		Chemical 50# Drum Inhibitor
34	2-77	Drilling Mud Inc.	1397	2-15-77	CV-0477	103	13036 74		Caustic soda & Bean mud Jnts.
35	2-77	B&E Inc	1626	2-25-77	CV-0619	93	46 20	600-71	Haul water
36	2-77	B&E Inc.	1677	2-25-77	CV-0619	93	554 51		Haul water
37	2-77	Drilling Mud Inc.	1456	2-28-77	CV-0734	103	(1684 10)		Soda Ash
38	2-77	B&E Inc.	1721	3-3-77	CV-0845	93	135 31		Haul water
39	2-77	Union Supply Co Inc.	1-10847	1-31-77	CV-0953	73	215 03		Nipples, V & B Runner Union Etc.
40	2-77	Union Supply Co	KN-1-10847	1-31-77	CV-0953	73	(91 63)		Nipples
41	2-77	Eddins-Walcher Company	05-30003	2-28-77	CV-1059	105	(991 16)	(1,043.12)	Petroleum Gas
42	2-77	Eddins-Walcher Company	05-30003	2-28-77	CV-1059	105	(61 36)		Petroleum Gas
43	2-77	Halliburton Services	5A-537478	1-24-77	CV-0077	313	636 48		Centralizer, Floats, Guide Shoe
44	2-77	Advance Consultants Corp	1	2-24-77	CV-0429	110	1921 60		2 day Hydrocarbon Well Logg
45	2-77	Welex	WL-120412	2-20-77	CV-0836	110	1923 45		Well Logging
46	2-77	Halliburton Services	1771803	2-1-77	CV-1080	110	1904 76		Open hole DST
47	2-77	Earl Gartner - Geol	1	3-5-77	CV-1078	125	1401 70		Consulting Geologist
48	2-77	I.V. Robinson	1	2-14-77	CV-1081	125	494 48		Supervision Running 16" casing
49	2-77	D.L. Miller	1	2-7-77	CV-1079	125	119 48		Lay & Hook Up Gas Line
50	2-77	C&K	1	2-23-77	CV-1606	213	2407 60		Drilling Overhead
	2-77	Armco National Supply	56129	2-23-77	CV-0436	103	1233		Calgon Sample Kit

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	C+K Billing No.		VENDOR	VENDOR Inv. #	VENDOR Inv. Date	C+K Rec. #	Expense Classification	Inv. Amount		DESCRIPTION
1	2	77	C+K (DEPOSIT)			CV-1033	331	(9.28)		SALE OF TUBING PROTECTORS
2	2	77	ATLAS TRUCK LINE INC.	77479	2-22-77	CV-0932	91	43.50		1 JT 5½" 17# N-80 CASING
3	2	77	" " "	77489	2-24-77	CV-1031	91	199.04		5½ CASING
4	2	77	TOMMY WHITE SUPPLY	19159	2-19-77	CV-0881	91	22.95		2 CANS KARTON ENGINE PAINT
5	2	77	CONST. ENTERPRISES OF LOV.	1359 B	2-22-77	CV-1045	91	22.95		CLEAN WELL LOCATION
6	2	77	B. J. HUGHES	30-15102	2-28-77	CV-1085	107	3199.10	9557.84	CLASS A CEMENT AQUATROL (DFM) ETC.
7	2	77	B. J. HUGHES	30-15105	2-28-77	CV-1085	107	2332.76		CEMENT PUMP UNIT
8	2	77	BENNETT WIRE LINE SERVICE	227-87	2-28-77	CV-1039	110	345.38		TEMPERATURE SURVEY
9	2	77	I V ROBINSON		3-24-77	CV-7891	125	51.76		CORRECTED RUNNING 5½" CASING
10	2	77	SUNSHINE IRON WORK			CV-0928	93	20.00		* VILLAGE TO LOCATE EQUIPMENT
11	2	77	MIDLAND PIPE	00445	2-28-77	CV-0757	302	22783.05		2⅞" OD 6.50# N-80 TUBING 2.41 JTS
12	2	77	HALLIBURTON SERVICES	[illegible]	2-1-77	CV-1080	318	3114.16		FLOAT COLLAR CEMENT FT. SHOE
13	3	77	(Misc. Equipment Sold) H W Eq.			CV-7008	301	1107.13		½ Sale of the Protectors
14	3	77	Cameron Iron	940210	3-15-77	CV-0673	35	4123.20		Ventilon Remote Drilling Contractor
15	3	77	Continental Emsco	050815	2-4-77	CV-0717	35	659.36	1,241.45	Rental on Pit Level Rel 413 & PS Counter 208
16	3	77	Continental Emsco	050214	1-28-77	CV-0717	35	465.09		Rental on Mud Prot Reuse
17	3	77	Stevenson-Roach Tank Co	81553	3-7-77	CV-0660	93	1116.43		Labor & Equipment Transfer to Location
18	3	77	Sharp Drilling Co. Inc	3005	3-4-77	CV-0150	93	9384.72		Abbott Bros Rat Hole Service - Third Party Charge
19	3	77	Sharp Drilling Co. Inc	3005	3-11-77	CV-0150	93	356.85		Less Sharp portion (contract)
20	3	77	B&E Inc	0-1780	3-14-77	CV-0187	93	141.19		01/03% KCl
21	3	77	B&E Inc	0-1768	3-14-77	CV-0187	93	102.18		Water Hauled
22	3	77	Sharp Drilling	3039	3-8-77	CV-0498	93	11,961.05	679.77	Dog Work Drilling Well
23	3	77	B&E Inc	0-1746	3-11-77	CV-0133	93	459.38		Haul Water
24	3	77	B&E Inc							Haul Water
25	3	77	Aerrco National Supply	CM-054407	3-17-77	CV-0448	103	50.38		50" Dynamic Valgon Preventer
26	3	77	Drilling Mud Inc.	CM-1592	3-25-77	CV-0135	490	1514.77		Sea Mil
27	3	77	Eddy County Clerk	3458	3-9-77	CV-0687	490	12.75		Recording Fees
28	3	77	Sharp Drilling	3005	3-4-77	CV-0150	93	790.40		Abbott Bros Rat Hole Serv.
29	3	77	Halliburton Services	CM-03-10315	3-16-77	CV-0856	318	46.97		Float Collar Ft. Shoe
30	3	77	Land & Marine Services	3-2669	3-31-77	CV-1235	35	358.06	3,446.09	Rental 1 Shaffer 25" DOA #13995 / Studs
31	3	77	Land & Marine Services	3-3002	3-31-77	CV-1285	35	2048.03		Hanger, Power Swivel, Drilling Spool 16" 900 x 6"
32	3	77	C & K Stock		3-29-77	CV-1510	35	50.00		Pipe Rack Rental mt mod 60
33	3	77	National Trucking Inc.	057714	3-9-77	CV-0159	41	82.40		Haul X-mas Tree
34	3	77	Atlas Truck Line	77408	3-8-77	CV-0851	41	60.78		374 Jts 2⅜" 6.50# N-80 EUE Tubing
35	2	77	Atlas Truck Line	77583	2-21-77	CV-0852	41	153.20	200.25	5½" 17# N-80 Buttress 5½" 17# N-80 Liner Csg
36	3	77	Atlas Truck Line	77513	2-23-77	CV-0859	41	69.05		Storage in Transit 2411 JTS 2⅜" 7.8#
37	3	77	Atlas Truck Line	77517	3-23-77	CV-0804	41	200.95		Haul Heater
38	3	77	Grant Oil Country Tubular	03-0321	3-29-77	CV-1259	73	76.00		Freight Harvey, La. to Midland, Tx.
39	3	77	Cameron Iron	96147	3-14-77	CV-0428	41	55.85		Steel Gasket Ring & Seal
40	3	77	Atlas Trucking	77601-19	3-16-77	CV-0450	41	35.00		Unload Tubing
41	3	77	Stevenson-Roach Tank Co.	0184	3-19-77	CV-0556	73	905.92		Labor to connect well to test unit
42	3	77	Union Supply	12078	3-19-77	CV-0567	41	86.39		Sesame Padlock ⅜" Steel Chain
43	3	77	B&E	1707	3-25-77	CV-0707	93	46.70		Haul Water
44	3	77	Construction Enterprises	1190	3-21-77	CV-0435	91	1099.83		Dozer Work
45	3	77	Rowland Trucking Co	KC-371370	3-25-77	CV-0452	93	47.19		Haul water
46	3	77	C. W. Douglas		4-6-77	CV-0993	490	1600.00		N/2 Section 13 T-22S R-26E Eddy County
47	3	77	Clark Oil Well Serv.		3-30-77	CV-1043	91	9536.48		Service Well During Completion
48	3	77	Vann Tool Co	3306	3-15-77	CV-1168	35	3790.53		Customer Instrument Service, Cement Dump Bailer
49	3	77	Welex	411-12313	3-7-77	CV-1176	110	1273.00		Depth Operation Charge
50	3	77	Western Co.	00438	3-15-77	CV-0755	117	2584.08		Completion
	3	77	Welex	411-12311	3-7-77	CV-1176	117	2838.21		Grease Head, Side Kick Thru Tubing

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1	3-77	Nitrogen Oil Well Service Co.			CV-0933	119	152-12			1
2	3-77	" "	10714S	3-18-77	CV-0933	119	1361 13	Test W.L. Line to 8,000 PSI		2
3	3-77	Dowell			CV-1023	119	1121 73			3
4	3-77	Dowell	05-13-1458	3-10-77	CV-0858	119	323 85	Completion Cost		4
5	3-77	Dowell			CV-1023	119	777 39			5
6	3-77	Gil Thompson		4-00-77	CV-1010	15	14 28			6
7	3-77	Bethlehem Steel Corp.	0155-65413-01	3-29-77	CV-0464	301	43421 44	Expense		7
8	3-77	C+K Material Transfer	M-0041	3-31-77	CV-1511	301	K10 35	223 Jts. 5 1/2" Casing		8
9	3-77	" " "	M-0041	3-31-77	CV-1511	301	13104 45	5 1/2" Pierce N-80		9
10	3-77	" " "	M-0041	3-31-77	CV-1511	301	[illegible]	5 1/2" 80 LTC N-80		10
11	3-77	" " "	M-0076	3-31-77	CV-1521	301	141 11	5 1/2" Buttress N-80		11
12	3-77	" " "	M-0076	3-31-77	CV-1521	301	14973 28	5 1/2" Vam Spec. N-80		12
13	3-77	" " "	M-0076	3-31-77	CV-1521	301	12088 43	5 1/2" 17# N-80 LTC		13
14	3-77	" " "	M-0076	3-31-77	CV-1521	301	9283 90	5 1/2" 20# N-80 LTC		14
15	3-77	" " "	M-0055	3-31-77	CV-1505	302	516 16	5 1/2" 20# N-80 LTC		15
16	3-77	" " "	M-0059	3-31-77	CV-1509	302	13881 58	2 3/8" 4.5 N-80		16
17	3-77	F.M.C.	70301817	3-16-77	CV-0844	307	14241 29	2 3/8" 4.5 N-80		17
18	3-77	Jarrel Services	5239	3-05-77	CV-0044	302	787 64	Christmas Tree Assembly		18
19	3-77	Union Supply Co.	11931	3-14-77	CV-0232	302	148 28	Setting Nipples		19
20	3-77	Hobbs Anchor + Road Boring	2711	2-08-77	CV-0249	309	281 54	9 7/8" + Casing		20
21	3-77	Baker Packers	35415	3-17-77	CV-0592	309	812 25	4 Wing Tiebco Anchors		21
22	3-77	" "	36415	3-17-77	CV-0592	309	1764 00	Sealing Connector W/Box		22
23	3-77	" "	34841	3-14-77	CV-0592	309	1329 00	Baker A-2 O.S.C. Packer		23
24	3-77	" "	34841	3-14-77	CV-0592	309	692 00	Retainer Production Packer		24
25	3-77	" "	35415	3-17-77	CV-0592	309	692 00	Anchor Tubing Seal Assembly		25
26	3-77	Welex	112312	2-02-77	CV-1170	309	1379 92	All Other Charges on Baker Inv.		26
27	3-77	C+K Material Transfer	M-0055	3-31-77	CV-1505	315	556 80	5 1/2" Packer		27
28	3-77	" "	M-0079	3-31-77	CV-1524	317	3380 71	2 3/8" X.O. Elec		28
29	3-77	" "		3-31-77	CV-1524	317	[illegible]	Wire Heater 750 BTU		29
30	3-77	" "	M-0080	3-31-77	CV-1525	317	34 76	Cap Assembly		30
31	3-77	Union Oil Of California		3-31-77	CV-0752	490	5 78	Lease Rental		31
32										32
33	4-77	Grant Oil	16356	4-25-77	CV-0824	35	2068 46	Rental Rotating Drilling		33
34	4-77	C+K Material Transfer	M-0089	4-30-77	CV-1507	35	431 00	Equipment Rental Supply Fuel + Mtg.		34
35	4-77	Sharp Drilling Co.	3098	4-11-77	CV-0879	95	191 90	Time Prep Charges City of Carlsbad New Mexico		35
36	4-77	" " "			CV-1020	105	1731 93	Gas Line for Rig Fuel		36
37	4-77	C+K Material Transfer	M-0089	4-30-77	CV-1507	302	5742 10	2 3/8" Y.10# Elec Trac		37
38	4-77	C+K I.V.	M-0035	4-30-77	CV-1530	73	647 01	Correction On M10035		38
39	4-77	Grant Oil Tubular Country			CV-0212	301	8590 42	12 1/4 OD 65# H-40 Casing Stc.		39
40	4-77	C+K Material Transfer	M-0099	4-30-77	CV-1517	35	50 00	Rental Of Pipe Racks		40
41	4-77	S+R Inoustries	352	4-19-77	CV-0333	349	237 39	Sandblast Usco Pipe In Lines		41
42	4-77	T+C Tank Rental	472	4-13-77	CV-0331	349	105 20	Drilling And Road Time For Anchor Hole		42
43	4-77	E.L. Farmer	3888	4-20-77	CV-0445	41	2044	Loading Casing String		43
44	4-77	At Sign	3-94	3-30-77	CV-0139	73	27 83	Well Sign + Frame		44
45	4-77	Dowell	05-12-1092	3-10-77	CV-0853	119	803 50	Trac Saver Service For Acid-Rail-Co2 Protection		45
46	4-77	Lynch Chappel	—	3-21-77	CV-1095	490	50 00	Legal Services		46
47	4-77	I.V.F. Robinson	—	4-20-77	CV-1081	125	1759 64	Supervise Well Completing		47
48	4-77	C+K Material Transfer	M-0098	4-30-77	CV-1516	302	2274 45	Tubing String Excess		48
49	4-77	Atlas Truck Line	18094	4-09-77	CV-596	41	219 95	Freight On Tubing		49
50	4-77	Stevenson Roach Tank Co.	2008	4-07-77	CV-242	317	1829 16	210 Bbl Tank		50

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Yr Line No	VENDOR	VENDOR INV #	VENDOR INV. DATE	C+K REF #	EXPEND. CLASSIFICATION	INV. AMOUNT	
4-77	STEVENSON ROACH TANK CO.	2258	4-08-77	CV-0212	341	96.74	TANK
4-77	" " "	2258	4-08-77	CV-0212	341	2875.00	SEPARATOR 16 X 10
4-77							SURFACE HOOK-UP
4-77	UNION SUPPLY	I-12757	4-29-77	CV-0881	341	1125.77	SURFACE HOOK-UP
4-77	UNION SUPPLY	I-12751	4-29-77	CV-0881	341	1121.31	SURFACE HOOK-UP
4-77	UNION SUPPLY	I-12225	4-29-77	CV-1004	341	1955.76	READY MIX CONCRETE CY 200
4-77	ROSE GRAVEL	9219	4-04-77	CV-0202	101	1482.00	LABOR
4-77	STEVENSON ROACH	2258	4-08-77	CV-0212	341	2209.20	HAUL WATER
4-77	ROWLAND TRUCKING	54691	3-24-77	CV-0111	93	54.23	
							MISC. - TITLE PARTY CHARGES
5-77	SHARP DRILLING	3130	5-11-77	CV-0733	341	1544.33	UNEARNED RISK TAKEN
5-77	BETHLEHEM STEEL	TT 718	5-16-77	CV-1005	301	154.33	FREIGHT
5-77	" "	0988-1831-88	5-05-77	CV-0930	301	623.93	8 5/8 SCR. 24LB. 90 OPT. WELD EV
5-77	UNION SUPPLY	133541	5-20-77	CV-0954	315	1192	RECUT CLEAN UP
5-77	CONSTRUCTION ENTERPRISES	15346	4-29-77	CV-0140	91	343.20	FINISH CLEAN-UP
5-77	"	5626	5-10-77	CV-0411	91	3120.00	COMPLETION
5-77	DOWELL	05137469	3-14-77	CV-0031	119	345.45	RETURNED 5000# CHOKE
5-77	C+K	M-0120	5-18-77	JV-7516	301	(545.25)	
							RENTAL OF GAS METER
6-77	TRANSWESTERN PIPELINE	80671-43-900	6-14-77	CV-0638	341	350.00	CREDIT 4" USE
	C+K MATERIAL TRANSFER		6-30-77	JV-8201	301	(8590.42)	RENTAL BACK PRESSURE VALVE-CONTROLLER
6-77	PRODUCTION SERVICES	77777	6-27-77	CV-1051	341	360	CHART 4" 4PM
6-77	THURMOND McBLOTHLIN	4811	6-28-77	CV-0904	73	102.90	ASSIST WELDER ON WELLHEAD EQUIP.
6-77	STEVENSON ROACH TANK	2499	6-22-77	CV-0982	490	2.50	RECORDING FEES
6-77	EDDY COUNTY CLERK	M-0150	6-30-77	JV-7510	301	10,137.80	5 1/2" 17# S-95 LTC
6-77	C+K MATERIAL TRANSFER						TO REMOVE HI-LOW VALVES & INSTALL DOWN STREAM
7-77	STEVENSON ROACH	2404	7-05-77	CV-0069	341	1887.00	CY 3/4" GRAVEL
7-77	ROSE GRAVEL	9145	7-25-77	CV-0137	101	18.98	LEGAL FEE - SHUT IN GAS ROYALTIES
7-77	LYNCH CHAPPEL		6-21-77	CV-0490	490	50.00	
							RVR. BOTTOMHOLE PRESSURE TEST
8-77	C. ALLEN DORSEY	R-146	8-02-77	CV-0552	341	1304.62	COMPLETION ACID JOB
8-77	DOWELL	0502-2773	8-01-77	CV-0353	119	10351.97	
8-77	DOWELL	05121104R	7-19-77	CV-0353	119	(803.50)	TREESAVER 2 3/8
8-77	DOWELL	05121104	3-14-77	CV-0853	119	803.50	
							PREMIUMS
9-77	GENERAL LIAB. INS. PREMIUMS		9-30-77	JV-7807	490	564.00	
							CLEAN UP LOCATION
10-77	STEVENSON ROACH	2631	9-28-77	CV-0979	91	1587	
				JV-7641	301	(10,137.80)	RETURNED
1-78	C+K MATERIAL TRANSFER						RIG FUEL FOR DRILLING WELL
2-78	TRANSWESTERN PIPELINE CO.		1-27-78	JV-8609	105	7052.72	
			3-31-77	JV-7903	490	205.00	PREMIUMS
3-78	GENERAL LIAB. INS.						
	TOTAL	203,119.70				36,991.12	

Carlsbad #13-1
IDC & L & W Equipt
Page 5

Carlsbad #13-1

Lease Operating Expense Page 1

	Clk Billing Clk	Vendor	Vendor Inv #	Vendor Inv Date	Clk Doc #	Expense Classification	Inv Amount	Expense Classification	Description
1	6-77	Administrative Overhead			JV-7602		190 00	01	
2	6-77	Minimum Royalties			Various		111 31	04	
3									
4	7-77	Gray Pumping	75-379	7-77	CV-0084		93 37	02	
5	7-77	Gray Pumping	7-456	7-77	CV-1101		130 00	02	
6	7-77	Administrative Overhead			JV-7602		190 00	01	
7	7-77	Minimum Royalties			CV-0134		(2 00)	04	
8									
9	8-77	Durai Fence Co.		7-11-77	CV-0359		89 16 27	03	Fence Post - Gate; etc.
10	8-77	Eddy County Abstract		8-31-77	CV-1119		64 27	05	Abstract #34307
11	8-77	Gray Pumping		8-31-77	CV-0989		130 00	02	
12									
13	9-77	Union Supply	146077	8-9-77	CV-0071		18 87	03	Flow Beam & Beam Wrench
14	9-77	Administrative Overhead		9-77	CV-7602		190 00	01	
15	9-77	Administrative Overhead		9-77	CV-7605		190 00	01	
16									
17	10-77	Gray Pumping Service		10-31-77	CV-1057		130 00	02	
18									Pressure 440-55
19	10-77	Thurmond McGlothlin	14-53360	9-30-77	CV-0214		4 80	03	Chart Vol. 5PV
20	10-77	Administrative Overhead		10-31-77	JV-7602		190 00	01	
21	10-77	Kemkil Company	11-77-1980	9-27-77	CV-0187		185 00	03	Weed Control Around Well
22									
23	11-77	Gray Pumping			CV-0403		130 00	02	
24	11-77	Rowland Trucking Co.	C-1087-534	11-3-77	CV-0561		76 80	06	Disposal
25	11-77	Administrative Overhead			JV-7602		190 00	01	
26	11-77	Eddy County			JV-0857		3 00	05	
27									
28	12-77	Gray Pumping			CV-0213		130 00	02	
29	12-77	Administrative Overhead		12-31-77	CV-7602		190 00	01	
30	12-77	Administrative Overhead		12-31-77	CV-7605		190 00	01	
31	12-77	Eddy County		12-77	CV-0800		6 00	05	Recording Fee
32									
33									
34	1-78	Gray Pumping			CV-0021		130 00	02	
35	1-78	Administrative Overhead			CV-7602		190 00	01	
36	1-78	Administrative Overhead			CV-7605		190 00	01	
37									
38	2-78	Gray Pumping			CV-0523		130 00	02	
39	2-78	Rowland Trucking	19-178-251	1-20-78	CV-0031		72 38	06	Disposal of Water
40	2-78	Administrative Overhead		2-28-78	CV-7602		190 00	01	
41	2-78	Administrative Overhead		2-28-78	CV-7605		190 00	01	
42									
43	3-78	Gray Pumping		3-78	CV-0084		130 00	02	
44	3-78	Rowland Trucking Co.		5-1-78	CV-1519		72 38	06	Water Disposal
45	3-78	Administrative Overhead		3-78	JV-7602		190 00	01	
46	3-78	Administrative Overhead		3-78	JV-7605		190 00	01	
47	3-78	Eddy County Clerk		3-78	JV-1660		3 00	05	Recording Fees
48									
49									

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Lease Operating Expenses Page 2
Carlsbad #13-1

Lease Operating Expenses Page 2

	C&K Billing #	Vendor	Vendor Inv. #	Vendor Inv. Date	CGK Ref. #	Expense Classification	Inv. Amount		Description
1	4-78	Gray Pumping			CV-05112		$ 130.00	03	
2	4-78	Stevenson-Roach Tank	3136	4-6-78	CV-04605		65.64	03	Clean up Location, weeds & trash
3	4-78	Administrative Overhead			CV-7605		190.00	01	
4	4-78	Administrative Overhead			CV-7605		190.00	01	
5									
6									
7	5-78	Gray Pumping			CV-05518		130.00	03	
8	5-78	Administration Service	4911	4-26-78	CV-04604		2.64	03	Office Administration
9	5-78	Stevenson Roach		4-26-78	CV-11189		549.32	03	
10	5-78	Administrative Overhead		5-78	CV-7605		209.57	01	
11	5-78	Administrative Overhead		5-78	CV-7605		19.57	01	
12	5-78	Field Supervisors Midland		5-78	CV-7301		60.18	07	
13	5-78	Field Supervisors Robinson		5-78	7801		(11.12)	07	
14	5-78	Field Supervisors Miller		5-78	7801		(37.99)	07	
15	5-78	Field Supervisors Hurst		5-78	7801		(20.15)	07	
16	5-78	ADJ Prior Supervision Collins		5-78	CV-9202		.38	07	
17	5-78	ADJ Prior Supervision Sanger		5-78	CV-9202		(.61)	07	
18	5-78	ADJ Prior Supervision Allied		5-78			.08	07	
19	5-78	Stock Purchase Plan-Field Sup Midland		5-78	CV-7301		.90	07	
20	5-78	ADJ Prior Superv. Collins		5-78	CV-9202		.09	07	
21	5-78	ADJ Prior Superv. Sanger		5-78	CV-9202		.13	07	
22	5-78	ADJ Prior Superv. Allied		5-78	CV-9202		.05	07	
23	5-78	Payroll Taxes Field Supv. Midland		5-78	CV-7301		3.68	07	
24	5-78	Payroll Taxes Prior Supv.-Allied		5-78	CV-9202		.14	07	
25	5-78	Payroll Taxes Prior Supv.-Sanger		5-78	CV-9202		.42	07	
26	5-78	Payroll Taxes Prior Supv.-Collins		5-78	CV-9202		.24	07	
27	5-78	Payroll Taxes Prior Supv.-Allied		5-78	CV-9202		.01	07	
28	5-78	Payroll Taxes Prior Supv.-Collins		5-78	CV-9202		.12	07	
29	5-78	Payroll Taxes Prior Supv.-Sanger		5-78	CV-9202		.17	07	
30	5-78	Travel Expenses Collins		5-78	CV-9202		(.03)	07	
31	5-78	Auto & Truck Exp. Allied		5-78	CV-9202		.03	07	
32	5-78	Auto & Truck Exp. Sanger		5-78	CV-9202		.17	07	
33	5-78	Auto & Truck Exp. Collins		5-78	CV-9202		.00	07	
34	5-78	Payroll Insurance Midland		5-78	CV-7301		1.10	07	
35	6-78	Gray Pumping Service		6-78	CV-0385		130.00	03	
36	6-78	O.U. Charged 78		6-78	CV-7502		(65.00)	01	Correction
37	6-78	Administrative Overhead		6-78	CV-7605		90.75	01	
38	6-78	Field Supv. Salaries - Midland		6-78	CV-7301		60.18	07	
39	6-78	Field Supv. Salaries - Hurst		6-78	CV-7801		(31.35)	07	
40	6-78	Field Supv. - Robinson		6-78	CV-7801		(29.38)	07	
41	6-78	Field Supv. - Miller		6-78	CV-7801		(31.35)	07	
42	6-78	Stock Plan-Field Supv. Midland		6-78	CV-7301		.90	07	
43	6-78	Payroll Taxes		6-78	CV-7301		3.65	07	
44	6-78	Payroll Ins.		6-78	CV-7301		1.10	07	
45	6-78	Auto & Truck Exp. - Sears Roebuck		6-78	CV-9201		3.77	07	
46	6-78	Auto & Truck Exp. - McKraig Chev. Co.		6-78	CV-9201		2.64	07	
47									

	Initials	Date
Prepared by		
Approved by		

Lease Operating Expenses
Carlsbad #13-1

	C&K Billing Pd	Vendor	Vendor Inv. #	Vendor Inv. Date	C&K Ref	Expense Classification	Inv. Amount		Description
1	7-78	Gray Pumping			CV-04455		169 69	03	
2	7-78	Rowland & Trucking Co.	5711/4396	6-9-78	CV-04121		178 80	06	Water Disposal
3	7-78	Administrative Overhead			CV-77698		209 57	01	
4	7-78	Field Supervision Salaries Midland		6-78	UV-7002		60 18	07	
5	7-78	Field Supervision Salaries W Texas			UV-7001		(48 19)	07	
6	7-78	Direct Supervision Clrg. 1978							
7	7-78	Field Supv. 3/78			UV-9309		60 11	07	
8	7-78	Field Supv. 3/78			UV-9309		(45 93)	07	
9	7-78	Stock Purchase Plan Midland			UV-7301		90	07	
10	7-78	Payroll Taxes Midland			UV-7301		345	07	
11	7-78	Payroll Ins Midland			UV-7301		110	07	
12									
13							97108 38		
14									
15									
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11

CARLSBAD #13-1

PAYOUT

	IDC L & W Equipment	Lease Operator Expense Thru 7/78	Total
Total Costs	$ 548,763.35	$ 8,424.80	$ 557,188.15
Adjusted Material Costs	3,140.52	-0-	
Total Adjusted Costs	551,903.87	8,424.80	
WI Applicable to Payout	.1418597	.1418597	
WI Costs	$ 78,292.92	$ 1,195.14	
120% Cost Recovery	2.2	1	
Total to be Recovered	$ 172,244.42	$ 1,195.14	$ 173,439.56
Income (Net of Taxes and Royalties thru 7/78)	$949,046.20		
NMI Applicable to Payout	.1241272		
Total Income Applicable to Payout	$117,802.45		$ 117,802.45
Balance to be Recovered at July 31, 1978			$ 55,637.11

12

(12)

Carlsbad #13-1 Tubular Price Reconciliation

Joint Billing Ref #	Date	Description	1 M.T. #	2 M.T. Date	3 Condition	4 Footage	5 Unit Price	6 Amt. Charged	7 Storage & Handling Chg.	8 Amt. Chgd By C&K after deducting Handling Chg.	9 Lone Star Price + Tax
7507	1/77	10¾" 45.50 K-55 stc	M-0021	1-20-77	"A"	2865'	$ 12.54	$ 35,935.50	$ 123.00	$ 35,812.50	$ 12.
7531	1/77	10¾" 45.50 K-55 stc	M-0028	1-25-77	"A"	<236>	12.50	<2,950.00>	-0-	<2,950.00>	12.
7534	1/77	10¾" 45.50 K-55 stc cut-off	✓	✓	B-C (65%)	<231>	12.50	<1,86.99>	-0-	<1,86.99>	12.
7521	3/77	5½" 17# N-80 Ltc	M-0076	3-9-77	"A"	2305'	6.50	14,973.28	2065.28	12,908.00	6.
7521	3/77	5½" 17# N-80 Butt	✓	✓	"A"	1048'	7.27	7,617.70	816.18	6,801.52	6.
7521	3/77	5½" 20# N-80 Ltc.	✓	✓	"A"	1535'	7.88	12,088.43	790.83	11,297.60	7.
7521	3/77	5½" 20# N-80 Ltc. Ruff Coat	✓	✓	"A"	452'	11.69	5,282.00	345.55	4,936.45	9.
7511	3/77	5½" 17# N-80 Butt	M-0061	3-3-77	"A"	<931>	6.49	<6,03.57>	-0-	<6,03.57>	6.
7511	3/	5½" 17# N-80 Butt	✓	✓	"D"	<211>	13.40	<7,035>	-0-	<7,035>	6.
7511	3/77	5½" 17# N-80 Ltc.	✓	✓	"A"	<2,347>	5.60	<1,31,0.40>	-0-	<1,31,0.40>	6.
7510	1/77	5½" 17# S-95 Ltc.	M-0150	6-29-77	"A"	2151	7.97	17,137.80	-0-	17,137.80	
7541	1/78	5½" 17# S-95 Ltc.	M-0512	1-13-78	"A"	2151	7.97	<17,137.80>	-0-	<17,137.80>	
7505	3/77	2⅞" 6.5# N-80	M-0055	3-3-77	"A"	159'	3.24	515.16	-0-	515.16	2.
7509	3/77	2⅞" 6.5# N-80	M-0059	3-3-77	"A"	4197'	3.31	13,881.58	661.03	13,220.55	2.
7516	4/77	2⅞" 6.5# N-80	M-0098	4-5-77	"A"	596'	3.15	<1,877.40>	-0-	<1,877.40>	2.
								# 83,294.94	$ 4,801.87	$ 78,493.07	

(12)

2	3	4	5	6	7	8	9	10	11	12	13
Date	Condition	Footage	Unit Price	Amt. Charged	Storage & Handling Chg.	Amt. Chgd By C1K after deducting Handling Chg.	Lone Star Steel Price + Tax	Amt. S/B chg. Per Lone Star Steel	Freight Lone Star to Odessa	Total Amt S/B charged	Amt. over-(under) charged
1-20-77	"A"	2865'	# 12.54	$ 35,935.50	# 123.00	$ 35,812.50	# 12.3742	# 35,452.08	$ 199.47	$ 37,446.55	$ (1,634.05)
1-25-77	"A"	(236)	12.50	(2,950.00)	-0-	(2,950.00)	12.3742	(2,920.31)	(164.29)	(3,084.60)	134.60
✓	B-C (65%)	(23)	12.50	(186.99)	-0-	(186.99)	12.3742	(184.99)	(10.41)	(195.40)	8.41
3-9-77	"A"	2305'	6.50	14,973.28	2065.28	12,908.00	6.1117	14,239.83	599.53	14,839.36	(1,931.36)
✓	"A"	1048'	7.27	7,617.70	816.18	6,801.52	6.6091	6,921.10	272.59	7,193.69	(392.17)
✓	"A"	1535'	7.88	12,088.43	790.83	11,297.60	7.2679	11,156.23	469.71	11,625.94	(328.34)
✓	"A"	452'	11.69	5,282.00	345.55	4,936.45	9.3679	4,234.29	138.31	4,372.60	563.85
3-3-77	"A"	(93)	6.49	(603.57)	-0-	(603.57)	6.6041	(614.18)	(24.19)	(638.37)	34.80
✓	"D"	(21)	13.40	(70.35)	-0-	(70.35)	6.6041	(34.67)	(1.37)	(36.04)	(34.36)
✓	"A"	(1341)	5.60	(13,110.40)	-0-	(13,110.40)	6.1718	1445.61	(60.86)	(1506.47)	196.07
6-29-77	"A"	2151	7.97	17,137.80	-0-	17,137.80					-0-
1-13-78	"A"	2151	7.97	(17,137.80)	-0-	(17,137.80)					-0-
3-3-77	"A"	159'	3.24	515.16	-0-	515.16	2.99	475.41	15.81	491.22	23.94
3-3-77	"A"	4197'	3.31	13,881.58	661.03	13,220.55	2.99	12549.03	417.39	12,966.42	254.13
4-5-77	"A"	596'	3.15	(1,877.40)	-0-	(1,877.40)	2.99	(1782.04)	(59.27)	(1841.31)	(36.09)
				# 83,294.94	$ 4,801.87	$ 78,493.07				# 81,633.59	# (3140.52)

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34589.50 Lubing on Ly

Eddy Co., New Mexico

A G R E E M E N T

C & K Petroleum, Inc., is the applicant for compulsory pooling and a non-standard gas proration unit in Case No. 5807 before the New Mexico Oil Conservation Commission, Wednesday, November 10, 1976. Bill Taylor and William A. Page are owners of interests in the minerals underlying the proposed non-standard unit that would be affected by a pooling order.

Bill Taylor represents that he has the right to bind William A. Page, and E. W. Hooper, Exploration Manager for C & K Petroleum, Inc., represents that he has the right to enter into this agreement on behalf of C & K Petroleum, Inc.

C & K Petroleum, Inc., agrees that at the presentation of this case it will not seek a risk factor in excess of 120%, that is it will seek the right to recover its reasonable costs of drilling, completing and equipping the subject well, plus 120% of that amount as a risk factor for drilling the well, as provided by New Mexico statutes, and the rules and regulations of the Commission.

Bill Taylor acknowledges receipt of estimated well costs in the form of an A.F.E., given to him this date, and C & K Petroleum Inc., agrees that Bill Taylor shall have thirty days from this date in which to pay his share of estimated well costs in lieu of paying such share out of production, and thereby avoid payment of the 120% risk factor.

Bill Taylor shall have the right to take his gas in kind, after payout of the well, provided that he shall make connection at his own expense.

It is agreed that C & K Petroleum, Inc., does not seek compulsory pooling in this case of any formations other than Wolfcamp and Pennsylvanian formations, and does not seek pooling of any formations above the Wolfcamp.

Bill Taylor

BILL TAYLOR, for himself, and for William A. Page

E. W. Hooper

E. W. HOOPER, for C & K Petroleum, Inc.

Dated: November 9, 1976

#13

11-5-76

Bill -

I am sending a copy of both of these letters to the address as shown and also to your address at 512 Welshire, Carlsbad, New Mexico 88220.

John Kennedy

Not Answered

K Petroleum, Inc.

POST OFFICE DRAWER 3546
600 C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701
(915) 683-3311

October 25, 1976

Re: Carlsbad "13" No. 1
S. Carlsbad Field
Eddy County, New Mexico

Mr. Bill G. Taylor
Route 2, Box 74
Satanta, Kansas 67870

Dear Bill:

In response to your letter of October 19, 1976, our thoughts are as follows:

1. Our lease offer of $50/acre with a 3/16th RI and a 3-year term still stands; if someone else who is reputable offers you more, I would recommend that you accept it and we will deal with them.

2. My estimate of $500,000 for the total drilling and completion costs was rough; please find enclosed a more exact estimate, and my offer to participate in the proposed Morrow test still stands.

3. The possibility of going non-consent at 300% still stands; the 230% we discussed was a possibility, not a firm offer and I hope that you did not consider it as such. In reviewing the economics of the deal, we feel that we need a 200% penalty above the costs of the well to come out on it.

4. On the forced pooling possibility, we shall revert to this as a final alternative.

5. I talked with our Production Department people about using your Bucyrus Erie 36L rig, and they do not feel as though this would be the best way to drill the well in their opinion.

6. Gaertner and Gildon were leasing three years ago, and we feel that the prospect does not look as good as it did then. However, we think that the prospect is viable and "drillable" if the economics are there.

#14

7. Number 6 should answer No. 7; Bill, I wish we could offer you a larger RI, but if we did we feel the deal would be too heavily burdened to develop. We prefer taking our chances and putting our money into the well, hopefully this year if things go right.

Bill, I do not want you to think that I am "hard-trading" you, but as I have said previously, we think the prospect to be "drillable" but only if the economics are there. I am sending a copy of this letter to Mr. & Mrs. Page inasmuch as they have agreed to deal on the same terms as you.

Very truly yours,

C & K PETROLEUM, INC.

John L. Kennedy

John L. Kennedy
Petroleum Landman

JLK:kj
Enclosures
cc: Mr. & Mrs. W. A. Page, Jr.
10129 Monaco Drive
El Paso, Texas 79925

P.S.: Gentlemen:

If you do so elect to participate in the drilling and completing of this well, the Carlsbad "13" No. 1, please execute and return one copy of the enclosed A.F.E. You will also find enclosed our letter regarding "Control of Well" Insurance. Please indicate your election and return one copy of this letter along with the A.F.E. if you do elect to participate in the subject venture.

C & K Petroleum, Inc.

P. O. Drawer 3546
600 C&K PETROLEUM BUILDING
MIDLAND, TEXAS 79701
(915) 683-3311

November 5, 1976

Mr. and Mrs. W. A. Page, Jr.
10129 Monaco Drive
El Paso, Texas 79925

Re: Control of Well Insurance
Carlsbad "13" No. 1 Well
Eddy County, New Mexico

Dear Mr. and Mrs. Page:

C & K Petroleum, Inc. carries "Control of Well" insurance through underwriters at Lloyd's of London. The limits of liability total $2,000,000.00 and the assured will bear the first $100,000.00 of any claim; thereafter, underwriters will pay 100% of claims subject to policy limit. We are protected from loss incurred from a well being on fire, cratering or blowing out including the expenses of clean-up or containment, seepage, pollution or contamination and the expense of re-drilling the lost hole.

If you desire this coverage extended under our policy to include your interest in the subject well, please so signify by signing and returning one copy of this letter prior to spud date in order that we may contact our underwriters. In the event our insurance carrier approves extended coverage for you, the premium rate applicable for this well will be $1.3230 per foot drilled, or $15,876.00.

After receipt of a signed copy of this letter indicating your desire for coverage, we will contact our underwriters in an effort to arrange for our coverage to be extended to include your interest. Please understand that this letter does not constitute an offer to sell insurance, and we assume no responsibility for the failure of your interest to be included. You should not assume that you have extended coverage until you receive a "Verification of Insurance Certificate" from our insurance company. You are not eligible for this insurance if you carry a similar type policy.

Yours very truly,

C & K PETROLEUM, INC.

G. C. Tompson
Manager of Production

We DO___ DO NOT___ request that your insurance coverage be extended to include our .816994% interest.

W. A. PAGE, JR., et ux, ADA BETH PAGE

By:_____

Date:_____

Amount: $129.71

C & K Petroleum, Inc.

P. O. Drawer 3546
600 C&K PETROLEUM BUILDING
MIDLAND, TEXAS 79701
(915) 683-3311

November 5, 1976

Mr. Bill G. Taylor
Route 2, Box 74
Satanta, Kansas 67870

Re: Control of Well Insurance
Carlsbad "13" No. 1 Well
Eddy County, New Mexico

Dear Mr. Taylor:

C & K Petroleum, Inc. carries "Control of Well" insurance through underwriters at Lloyd's of London. The limits of liability total $2,000,000.00 and the assured will bear the first $100,000.00 of any claim; thereafter, underwriters will pay 100% of claims subject to policy limit. We are protected from loss incurred from a well being on fire, cratering or blowing out including the expenses of clean-up or containment, seepage, pollution or contamination and the expense of re-drilling the lost hole.

If you desire this coverage extended under our policy to include your interest in the subject well, please so signify by signing and returning one copy of this letter prior to spud date in order that we may contact our underwriters. In the event our insurance carrier approves extended coverage for you, the premium rate applicable for this well will be $1.3230 per foot drilled, or $15,876.00.

After receipt of a signed copy of this letter indicating your desire for coverage, we will contact our underwriters in an effort to arrange for our coverage to be extended to include your interest. Please understand that this letter does not constitute an offer to sell insurance, and we assume no responsibility for the failure of your interest to be included. You should not assume that you have extended coverage until you receive a "Verification of Insurance Certificate" from our insurance company. You are not eligible for this insurance if you carry a similar type policy.

Yours very truly,

C & K PETROLEUM, INC.

G. C. Tompson
Manager of Production

We DO___ DO NOT___ request that your insurance coverage be extended to include our 13.368983% interest.

BILL C. TAYLOR

By:_____

Date:_____

Amount: $2,122.46

C & K PETROLEUM, INC.

AUTHORITY FOR EXPENDITURE

No.

Lease Carlsbad "13" Well No. 1 Field S. Carlsbad Depth 12,000

Location 1680' FNL 1980' FEL, Section 18, T-22-S, R-26-E, Eddy County, New Mexico

Date 11-4-76

Reason for Request To drill and complete

INTANGIBLE DRILLING & DEVELOPMENT	ESTIMATED COST TO CASING POINT	COMPLETION COST AFTER CASING PO
1. Surveying	$ 350.00	$
2. Roads and Location	5,000.00	
3. Damages	2,000.00	
4. Contract Drilling: 12,000' @ $ 12.50/ft.	150,000.00	
Day work: 8 days @ $ 2,850/day	24,000.00	
5. Cement & Cementing Services:		
Surface sax @ $	3,000.00	
Intermediate sax @ $	17,500.00	
Oil String sax @ $		8,100.00
6. Drilling Fluids	60,000.00	500.00
7. Drill Stem Testing: 4 Tests @ $2,000/ea.	8,000.00	
8. Coring & Analysis		
9. Electric Log	14,100.00	
10. Perforating		700.00
11. Acidizing & Fracturing		1,800.00
12. Pulling units		12,000.00
13. Plugging		6,000.00
14. Trucking	5,000.00	
15. Geology	2,500.00	2,000.00
16. Miscellaneous	8,200.00	
17. Tool Rentals, Special Services		
18. Contract Labor	4,000.00	2,000.00
19. Contract Overhead	2,000.00	5,000.00
20. Engineering	3,500.00	800.00
21. Supervision		
22. Insurance	1,000.00	2,500.00
23. Contingencies (10%)		
TOTAL INTANGIBLE DRILLING & DEVELOPMENT	31,850.00	4,600.00
	$ 348,000.00	$ 46,000.00
EQUIPMENT (Itemized)		
24. Casing - Surface	7,200.00	
Intermediate	47,000.00	
Production		80,000.00
25. Tubing		37,000.00
26. Guide Shoes, Float, & Centralizers	1,200.00	1,500.00
27. Well Head	4,600.00	12,000.00
28. Tanks		18,000.00
29. Flow Lines		2,000.00
30. Valves & Fittings		2,000.00
Production Packers		1,800.00
31. Pumping Equipment		
Rods		
32. Other (10%)	6,000.00	15,700.00
TOTAL EQUIPMENT	$ 66,000.00	$170,000.00
TOTALS	$414,000.00	$216,000.00
TOTAL DRILLING & COMPLETION COSTS*		$625,000.00

*does not include "13" plugging

ACCEPTED:

Date

Company BILL G. TAYLOR

By

Your Interest 13.368983% $83,556.14

APPROVED:

C & K PETROLEUM, INC.

By:

Operator's Interest $

C & K PETROLEUM, INC.

AUTHORITY FOR EXPENDITU

Date 11-4-76

Lease Carlsbad "13" Well No. 1 Field S. Carlsbad Depth 12,000'

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Rods		
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TOTALS	$ 414,000.00	$216,000.00
TOTAL DRILLING & COMPLETION COSTS*		$625,000.00

*does not include "13" plugging

ACCEPTED: Date

Company W. A. PAGE, JR. & ADA BETH PAGE

By

Your Interest .816994% $ 5,106.21

APPROVED:

C & K PETROLEUM, INC.

By:

Operator's Interest $

SPECIAL RULES FOR APPLICATIONS FOR WELLHEAD PRICE CEILING CATEGORY DETERMINATIONS

* Adopted July 15, 1980

DEFINITIONS

FERC: The Federal Energy Regulatory Commission.

Division: The Oil Conservation Division of the Energy and Minerals Department.

USGS: United States Geological Survey.

Applicant: The person making the application for a wellhead price ceiling determination. This person shall usually be the operator of the well but under some circumstances could be a non-operating working interest owner.

Director: The Director of the Oil Conservation Division.

NGPA: The Natural Gas Policy Act of 1978.

MCF: Thousand cubic feet of gas reported at a pressure base of 14.73 psia.

GENERAL

Rule 1. An application for Wellhead Price Ceiling Category Determination shall include affidavits of mailing or delivery of the Form C-132 or C-132-A and FERC Form No. 121 to all working interest owners and to all parties to the gas purchase contract, if any.

Rule 2. The application shall be signed by the applicant or his authorized representative or agent.

Rule 3. If a well is located on a State or fee lease, the application shall be filed with the Division. If a well is located on a federal or Indian lease, the application shall be filed with the USGS. If the well is located on a communitized lease, the application shall be filed with the agency having jurisdiction over the lands on which the well is situated.

Rule 4. Two complete copies of the application shall be filed with the Division's Santa Fe office, and a copy of the C-132 or C-132-A with the appropriate district office.

Rule 5. If written objection to the application is filed with the Division's Santa Fe office by any interested party within 15 days after the complete application is filed, or if a hearing is required by the Director, the application shall be set for hearing in accordance with Rules 1201 through 1223 of the Division's general statewide rules and regulations.

Rule 6. If no written objection is received within the time period set out in Rule 5, and no hearing is required, the application may be approved administratively by a Division examiner or the Director.

Rule 7. If a hearing is required, a determination shall not become final until the applicant or other interested party has exhausted his administrative remedies before the Division. If a hearing is not required, a determination shall be final on the date the application is either approved or disapproved.

Rule 8. Within 10 days after making a final determination, notice shall be sent to the applicant, the transporter and, if a hearing was held, to each party who has entered his appearance of record at the hearing.

Rule 9. Within 15 days after making a final determination, notice shall be sent to the FERC.

Rule 10. An examiner or the Director, on a case-by-case basis, may require the filing of additional information other than that required to be submitted by FERC or Division regulations.

Rule 11. The Director may set any application for hearing at his discretion or at the request of an applicant.

Rule 12. The date of application shall be the date on which a complete application is filed with the Division's Santa Fe office. Incomplete applications shall either be returned to the applicant or held, but not docketed for processing.

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FILING REQUIREMENTS

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1. 2.5 mile test

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b. Division Form
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* These Special Rules are as adopted by Order No. R-5878-B on July 7, 1980, effective July 15, 1980, and as amended by Order No. R-5878-B-1 effective March 1, 1981, and Order No. R-5878-B-2 effective May 10, 1981.

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* Adopted July 15, 1980

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munitized lease, the appli-
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Rule 12. The date of application shall be the date on which a complete application is filed with the Division's Santa Fe office. Incomplete applications shall either be returned to the applicant or held, but not docketed for processing.

Rule 13. A proration unit for a given pool shall automatically expire upon the plugging and abandonment or the recompletion in another pool of the last well on the proration unit dedicated to said unit in that pool and the filing with and approval by the Division of Division Form C-103 evidencing such plugging and abandonment or recompletion.

FILING REQUIREMENTS

Section 102 New Natural Gas

Rule 14. An application for a new onshore well [NGPA Section 102(c)(1)(B)] shall include either subpart 1) or 2) or both:

1. 2.5 mile test

   a. FERC Form No. 121

   b. Division Form C-132 and the required attachments

   c. a location plat which locates and identifies the well for which the determination is sought and any other well which produced natural gas after January 1, 1970, and before April 20, 1977, and is within the 2.5 mile radius drawn from the well for which a determination is sought;

   d. a statement by the applicant under oath:

      (1) that he has made, or has caused to be made, pursuant to his instructions, a diligent search of all records (including but not limited to production, severance tax, and royalty payment records) which are reasonably available and contain information relevant to the determination of eligibility;

      (2) describing the search made, the records reviewed, the location of such records, and a description of any records which

(3) which applied to any other well which either produced natural gas in commercial quantities or the surface drilling of which was begun before February 19, 1977, and was thereafter capable of producing natural gas in commercial quantities;

(c) that he has concluded that to the best of his information, knowledge and belief, the natural gas for which he seeks a determination is produced from a new, onshore production well and the basis for such conclusion;

(d) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusions.

6. If the applicant is seeking a determination with respect to a new well drilled into an existing proration unit (except in the Blanco Mesaverde or Basin-Dakota Pools) pursuant to Sections 271.304 and 271.305 of the FERC NGPA regulations, the applicant must, in addition to the filing requirements listed in Sections 1 through 4 of Rule 16 A, file:

(a) copies of those pages of any Division transcript or other documentation demonstrating by appropriate geological and engineering evidence that the new well is necessary to effectively and efficiently drain a portion of the reservoir covered by the proration unit which cannot be effectively and efficiently drained by any existing well within the proration unit, and

(b) a statement by the applicant under oath:

(1) that the surface drilling of the well for which he seeks a determination was begun on or after February 19, 1977;

(2) That the Division has altered or granted a waiver of any applicable well-spacing requirements;

(3) That he has concluded that to the best of his information, knowledge and belief, the natural gas for which he seeks a determination is produced from a new, onshore production well and the basis for such conclusion;

(4) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusions.

Rule 16 B. An application for a new onshore production well [NGPA Section 103] for an infill well in the Blanco Mesaverde Pool or the Basin-Dakota Pool, San Juan, Rio Arriba, and Sandoval Counties, drilled pursuant to Division Order No. R-1670-T or R-1670-V, respectively, shall include:

1. FERC Form No. 121

2. Division Form C-132 and the required attachments

3. The Form C-102 attached to Form C-132 shall locate and identify the proration unit dedicated to the well in accordance with the appropriate Division rules and shall also give the location and identification of all wells within such proration unit and the name of the pool from which each well produces.

4. A statement by the applicant, under oath:

a. That the surface drilling of the well for which he seeks a determination was begun on or after February 19, 1977;

b. that the well a... Federal or Stat...

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d. that the applic... any other inform... the application ... with his conclus...

3. A statement referenc... Conservation Divisio... infill well was dril... if the well is locat... Pool, or Order No. ... located in the Basin...

Section 107 Deep, High-Cost Natural Gas

Rule 17. Applications for deep, high-c... tight formation gas [NGPA Sec...

1. Deep, High-cost Natural G...

a. FERC Form No. 121

b. Division Form C-132 a... ments

c. all well completion r... which a determination...

d. well logs or well ser... or such other informa... the depth of the comp... in the well completio...

e. directional drilling ...

f. a statement by the ap... the surface drilling ...

SPECIAL RULES FOR APPLICATIONS
FOR WELLHEAD PRICE CEILING
CATEGORY DETERMINATIONS

* Adopted July 15, 1980

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* These Special Rules are as adopted by Order No. R-5878-B on July 9, 1980, effective July 15, 1980, and as amended by Order No. R-5878-B-1 effective March 1, 1981, and Order No. R-5878-B-2 effective May 10, 1981.

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FILING REQUIREMENTS

Section 102 New Natural Gas

Rule 14. An application for a new onshore well [NGPA Section 102(c)(1)(b)] shall include either subpart (1) or (2) or both:

1. 2.5 mile test

   a. FERC Form No. 121

   b. Division Form C-132 and the required attachments

   c. a location plat which locates and identifies the well for which the determination is sought and any other well which produced natural gas after January 1, 1970, and before April 20, 1977, and is within the 2.5 mile radius drawn from the well for which a determination is sought;

   d. a statement by the applicant under oath:

      (1) that he has made, or has caused to be made, pursuant to his instructions, a diligent search of all records (including but not limited to production, severance tax, and royalty payment records) which are reasonably available and contain information relevant to the determination of eligibility;

      (2) describing the search made, the records reviewed, the location of such records, and a description of any records which

July 15, 1980

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he believes may contain information relevant to the determination but which he has determined are not reasonably available to him;

(3) that on the basis of the results of this search and examination, he has concluded that to the best of his information, knowledge and belief, there is no marker well within 2.5 miles of the well for which he seeks a determination; and

(4) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusion.

2. 1,000 feet deeper test

a. FERC Form No. 121

b. Division Form C-132 and the required attachments

c. a location plat which locates and identifies the well for which the determination is sought and all wells which produced natural gas after January 1, 1970, and before April 20, 1977, within the 2.5 mile radius drawn from the well for which a determination is sought; including specific identification of all marker wells within the 2.5 mile radius drawn from the well for which a determination is sought;

d. a list of the deepest completion locations for all marker wells identified on the location plat; and

e. a statement by the applicant, under oath:

(1) that he has made, or has caused to be made pursuant to his instructions, a diligent search of all records (including

but not limited to production, State severance tax, and royalty payment records) which are reasonably available and contain information relevant to the determination of eligibility;

(2) describing the search made, the records reviewed, the location of such records, and a description of any records which he believes may contain information relevant to the determination but which he has determined are not reasonably available to him;

(3) that on the basis of the results of this search and examination, he has concluded that to the best of his information, knowledge and belief, there is no marker well within 2.5 miles of the well for which he seeks a determination which has a completion location less than 1,000 feet above the completion location of the new well; and

(4) that he has no knowledge of any other information which is inconsistent with his conclusion.

Rule 15. An application for a new onshore reservoir [NGPA Section 102(c)(1)(C)] shall include:

1. FERC Form No. 121

2. Division Form C-132 and the required attachments

3. geological information sufficient to support a determination that the reservoir is a new onshore reservoir. Such information shall include to the extent reasonably available to the applicant at the time the application is filed:

(a) well logs;

(b) bottom hole o

(c) well potentia

(d) formation str

(e) a subsurface

(f) a gas analysi

(g) a copy of the transcript re establish a r a hearing wa a copy of any hearing which original app

4. a statement by th

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but not limited to production, State severance tax, and royalty payment records) which are reasonably available and contain information relevant to the determination of eligibility;

(2) describing the search made, the records reviewed, the location of such records, and a description of any records which he believes may contain information relevant to the determination but which he has determined are not reasonably available to him;

(3) that on the basis of the results of this search and examination, he has concluded that to the best of his information, knowledge and belief, there is no marker well within 2.5 miles of the well for which he seeks a determination which has a completion location less than 1,000 feet above the completion location of the new well; and

(4) that he has no knowledge of any other information which is inconsistent with his conclusion.

Rule 15. An application for a new onshore reservoir [NGPA Section 102(c)(1)(C)] shall include:

1. FERC Form No. 121

2. Division Form C-132 and the required attachments

3. geological information sufficient to support a determination that the reservoir is a new onshore reservoir. Such information shall include to the extent reasonably available to the applicant at the time the application is filed:

(a) well logs;

(b) bottom hole or surface pressure surveys;

(c) well potential tests;

(d) formation structure maps;

(e) a subsurface cross-section chart;

(f) a gas analysis; and

(g) a copy of the Division order and hearing transcript resulting from the hearing to establish a new onshore reservoir if such a hearing was held by the Division; also a copy of any exhibits presented at the hearing which were not attachments to the original application.

4. a statement by the applicant, under oath:

(a) that he has made, or has caused to be made pursuant to his instructions, a diligent search of all records (including but not limited to production, State severance tax, and royalty payment records) which are reasonably available and contain information relevant to the determination of eligibility;

(b) describing the search made; the records reviewed; the location of such records, and a description of any records which are described in (a) (or which he believes may otherwise contain information relevant to the determination) but which he has determined are not reasonably available to him;

(c) that on the basis of the results of this search and examination, he has concluded that to the best of his information, knowledge and belief the gas to be produced and for which he seeks a determination is from a new onshore reservoir; and

(d) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusion.

5. The applicant in his statement under oath shall also answer, to the best of his information, knowledge and belief and on the basis of the results of his search and examination, the following questions:

a. Was natural gas produced in commercial quantities from the reservoir prior to April 20, 1977?

b. If the question in Subparagraph (a) is answered in the negative, was the reservoir penetrated before April 20, 1977, by an old well from which natural gas or crude oil was produced in commercial quantities from any reservoir?

c. If the question in Subparagraph (b) is answered in the affirmative, could natural gas have been produced in commercial quantities from the reservoir before April 20, 1977, from any such old well described in Subparagraph (b)?

d. If the question in Subparagraph (c) is answered in the negative, were any sales and deliveries of natural gas made from any other reservoir through any such old well described in Subparagraph (b) prior to April 20, 1977, and were any sales and deliveries of natural gas made from the subject reservoir through such old well on or after April 20, 1977, and before November 9, 1978?

e. If the natural gas is to be produced through such old well, were suitable facilities for the production and delivery to a pipeline of such natural gas in existence on April 20, 1977?

f. If the question in Subparagraph (c) is answered in the affirmative, were such suitable facilities installed to carry out sales and deliveries of natural gas under section 6 of the Emergency Natural Gas Act of 1977 or under the emergency sale authority pursuant to Opinion 699-B issued by the Federal Power Commission?

6. If the applicant is unable to answer both questions in Subparagraph (d) above in the negative, he must demonstrate that the Behind-the-Pipe Exclusion in Section 102(c)(1)(C)(ii) of the NGPA does not apply by submitting the following:

a. Proof that a final eligibility determination has been made that the subject reservoir is a new onshore reservoir by identifying a prior determination made by the Division together with the FERC Docket number and the API well number(s), if available, or,

b. Evidence clearly demonstrating that the sale of production from the subject reservoir (net of royalty) through any well described in Subparagraph 5 b at the market price reasonably available as of April 20, 1977 could not have generated revenues sufficient to equal or exceed the sum of (1) 1.6 times the minimum incremental costs properly allocable to such production of installing cost-efficient facilities not in existence as of April 20, 1977, reasonably required to market such production, plus (2) the minimum incremental expenses properly allocable to such production reasonably required to operate such facilities. (All costs, expenses and revenues shall be determined as of April 20, 1977. The applicant shall also provide an explanation of the basis of all estimates accompanied by substantiating workpapers and such other evidence necessary to substantiate fully the conclusion that the Behind-the-Pipe Exclusion does not apply.)

Section 103 New Onshore Production Well

Rule 16 A. An application for a new on
[NGPA Section 103] shall in

1. FERC Form No. 121

2. Division Form C-132
ments

3. Copy of Division ord
well drilling progra
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NGPA Regulations.
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f. If the question in Subparagraph (c) is answered in the affirmative, were such suitable facilities installed to carry out sales and deliveries of natural gas under section 6 of the Emergency Natural Gas Act of 1977 or under the emergency sale authority pursuant to Opinion 699-B issued by the Federal Power Commission?

6. If the applicant is unable to answer both questions in Subparagraph (d) above in the negative, he must demonstrate that the Behind-the-Pipe Exclusion in Section 102(c)(1)(C)(ii) of the NGPA does not apply by submitting the following:

   a. Proof that a final eligibility determination has been made that the subject reservoir is a new onshore reservoir by identifying a prior determination made by the Division together with the FERC Docket number and the API well number(s), if available, or,

   b. Evidence clearly demonstrating that the sale or production from the subject reservoir (net of royalty) through any well described in Subparagraph 5 b at the market price reasonably available as of April 20, 1977 could not have generated revenues sufficient to equal or exceed the sum of (1) 1.6 times the minimum incremental costs properly allocable to such production of installing cost-efficient facilities not in existence as of April 20, 1977, reasonably required to market such production, plus (2) the minimum incremental expenses properly allocable to such production reasonably required to operate such facilities. (All costs, expenses and revenues shall be determined as of April 20, 1977. The applicant shall also provide an explanation of the basis of all estimates accompanied by substantiating workpapers and such other evidence necessary to substantiate fully the conclusion that the Behind-the-Pipe Exclusion does not apply.)

Section 103 New Onshore Production Well

Rule 16 A. An application for a new onshore production well [NGPA Section 103] shall include:

1. FERC Form No. 121

2. Division Form C-132 and the required attachments

3. Copy of Division order authorizing an infill well drilling program on a poolwide basis, if any, or authorizing the drilling of an infill well under Section 271.305 of the FERC NGPA Regulations. (For infill wells in the Blanco Mesaverde or Basin-Dakota Pools, see Rule 16 B.)

4. The C-102 attached to Form C-132 shall locate and identify the well for which a determination is sought and all other wells within the proration unit in which the well for which a determination is sought is located, giving for each well which has or is producing from the same pool or reservoir as the subject well the spud date, cumulative production, and date of plug and abandonment, if any.

5. A statement by the applicant, under oath:

   (a) that the surface drilling of the well for which he seeks a determination was begun on or after February 19, 1977;

   (b) that the well satisfies any applicable federal or state well-spacing requirements; and that the well is not within a proration unit:

      (1) which was in existence at the time the surface drilling of the well began;

      (2) which was applicable to the reservoir from which such natural gas is produced; and

(3) which applied to any other well which either produced natural gas in commercial quantities or the surface drilling of which was begun before February 19, 1977, and was thereafter capable of producing natural gas in commercial quantities;

(c) that he has concluded that to the best of his information, knowledge and belief, the natural gas for which he seeks a determination is produced from a new, onshore production well and the basis for such conclusion;

(d) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusions.

6. If the applicant is seeking a determination with respect to a new well drilled into an existing proration unit (except in the Blanco Mesaverde or Basin-Dakota Pools) pursuant to Sections 271.304 and 271.305 of the FERC NGPA regulations, the applicant must, in addition to the filing requirements listed in Sections 1 through 4 of Rule 16 A, file:

(a) copies of those pages of any Division transcript or other documentation demonstrating by appropriate geological and engineering evidence that the new well is necessary to effectively and efficiently drain a portion of the reservoir covered by the proration unit which cannot be effectively and efficiently drained by any existing well within the proration unit, and

(b) a statement by the applicant under oath:

(1) that the surface drilling of the well for which he seeks a determination was begun on or after February 19, 1977;

(2) That the Division has altered or granted a waiver of any applicable well-spacing requirements;

(3) That he has concluded that to the best of his information, knowledge and belief, the natural gas for which he seeks a determination is produced from a new, onshore production well and the basis for such conclusion;

(4) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusions.

Rule 16 B. An application for a new onshore production well [NGPA Section 103] for an infill well in the Blanco Mesaverde Pool or the Basin-Dakota Pool, San Juan, Rio Arriba, and Sandoval Counties, drilled pursuant to Division Order No. R-1670-T or R-1670-V, respectively, shall include:

1. FERC Form No. 121

2. Division Form C-132 and the required attachments

3. The Form C-102 attached to Form C-132 shall locate and identify the proration unit dedicated to the well in accordance with the appropriate Division rules and shall also give the location and identification of all wells within such proration unit and the name of the pool from which each well produces.

4. A statement by the applicant, under oath:

a. That the surface drilling of the well for which he seeks a determination was begun on or after February 19, 1977;

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Section 107 Deep, High-Cost Natural

Rule 17. Applications for deep, hi
tight formation gas [NGPA

1. Deep, High-cost Natur

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b. Division Form C-1
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(2) That the Division has altered or granted a waiver of any applicable well-spacing requirements;

(3) That he has concluded that to the best of his information, knowledge and belief, the natural gas for which he seeks a determination is produced from a new, onshore production well and the basis for such conclusion;

(4) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusions.

Rule 16 B. An application for a new onshore production well [NGPA Section 103] for an infill well in the Blanco Mesaverde Pool or the Basin-Dakota Pool, San Juan, Rio Arriba, and Sandoval Counties, drilled pursuant to Division Order No. R-1670-T or R-1670-V, respectively, shall include:

1. FERC Form No. 121

2. Division Form C-132 and the required attachments

3. The Form C-102 attached to Form C-132 shall dedicate and identify the proration unit dedicated to the well in accordance with the appropriate Division rules and shall also give the location and identification of all wells within such proration unit and the name of the pool from which each well produces.

4. A statement by the applicant, under oath:

a. That the surface drilling of the well for which he seeks a determination was begun on or after February 19, 1977;

b. that the well satisfies any applicable Federal or State well spacing requirements

c. that the applicant has concluded that to the best of his information, knowledge and belief, the natural gas for which he seeks a determination is produced from a new, onshore production well; and

d. that the applicant has no knowledge of any other information not described in the application which is inconsistent with his conclusion.

5. A statement referencing the New Mexico Oil Conservation Division order under which the infill well was drilled: Order No. R-1670-T if the well is located in the Blanco Mesaverde Pool, or Order No. R-1670-V if the well is located in the Basin-Dakota Pool.

Section 107 Deep, High-Cost Natural Gas and Tight Formation Gas

Rule 17. Applications for deep, high-cost natural gas and new tight formation gas [NGPA Section 107] shall include:

1. Deep, High-cost Natural Gas

a. FERC Form No. 121

b. Division Form C-132 and the required attachments

c. all well completion reports for the well for which a determination is sought;

d. well logs or well servicing company reports or such other information which will corroborate the depth of the completion location reported in the well completion report;

e. directional drilling surveys if available; and

f. a statement by the applicant, under oath, that the surface drilling of the well for which he

seeks a determination began on or after February 19, 1977, and that the well completion location is below a true vertical depth of 15,000 feet; and that he has no knowledge of any information which is inconsistent with his conclusions.

2. New Tight Formation Gas
(Submit either (a) or (b) below)

a. If the gas is produced from a well which qualifies as a new, onshore, production well, an applicant shall submit:

(1) all information required under Rules 16 A or 16 B, except that, with respect to oath statements, subparagraphs 5(a), or 6(b)(1) of Rule 16 A, or subparagraph 4(a) of Rule 16 B, shall be omitted.

b. If the gas qualifies as new natural gas under NGPA Section 102, an applicant shall submit:

(1) all information required under Rule 14(1) or (2) or Rule 15, whichever is applicable.

c. The heading and pertinent portions of the well log or a drilling report identifying the designated tight formation.

d. map which locates and identifies the well for which the determination is sought as being within the designated tight formation.

e. A statement under oath, that:

(1) the surface drilling of the well for which a determination is sought was begun on or after July 16, 1979;

(2) the gas is being produced from a designated tight formation; and

(3) the applicant has no knowledge of any other information not described in the application which is inconsistent with his conclusion.

3. Recompletion Tight Formation Gas

a. FERC Form No. 121

b. Division Form C-132 and the required attachments

c. a map which locates and identifies the well for which the determination is sought as being within the designated tight formation

d. the heading and pertinent portions of the well log, or a drilling report identifying the designated tight formation

e. a statement by the applicant, under oath, that:

(1) the gas is being produced from a designated tight formation,

(2) The well was commenced but not completed for production in the designated tight formation prior to July 16, 1979, and

(3) the applicant has no knowledge of any other information not described in the application which is inconsistent with his conclusions.

4. PRODUCTION ENHANCEMENT GAS

a. FERC Form No. 121;

b. Division Form C-132 and the required attachments;

c. A detailed statement describing the production enhancement work that has been performed on the well, including the dates such work was commenced and completed, or that will be performed on the well;

d. An itemized statement of costs incurred in performing the production enhancement work described in 18 CFR §271.704(d), including copies of invoices and bills for such work or, if the work has not yet been completed, estimates of such cost;

e. A statment estimating, for the five-year period beginning from the month in which application is filed, the units of gas p tion (MMBtu's) that:

(1) would be produced from the well if production enhancement work had bee on the day that the application is

(2) would be produced from the well if tion enhancement work is not perfor had not been performed;

f. The calculation, based on the estimates by subparagraph (e) above, that is requi 18 CFR §271.704(c)(1)(v);

g. The renegotiated price and a copy of the of the sales contract that authorizes co of such price;

h. A statement by the applicant, under oath

(1) The production enhancement work is and can be reasonably expected, to production;

(2) The maximum lawful price that would applicable but for qualification of under 18 CFR §271.704, does not, or provide adequate incentive for the of the production enhancement work;

(3) But for the availability of a price as high as the renegotiated price s in subparagraph (g), the production ment work would not have been or wi performed;

(4) The production enhancement work was commenced before May 29, 1980;

(5) To the best of the applicant's know and belief, the estimates required subparagraph (e) above are reasonab

(6) The applicant has no knowledge of a information not described in the app which is inconsistent with these st and estimates;

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3. Recompletion Tight Formation Gas

a. FERC Form No. 121

b. Division Form C-132 and the required attachments

c. a map which locates and identifies the well for which the determination is sought as being within the designated tight formation

d. the heading and pertinent portions of the well log, or a drilling report identifying the designated tight formation

e. a statement by the applicant, under oath, that:

(1) the gas is being produced from a designated tight formation,

(2) The well was commenced but not completed for production in the designated tight formation prior to July 16, 1979, and

(3) the applicant has no knowledge of any other information not described in the application which is inconsistent with his conclusions.

4. PRODUCTION ENHANCEMENT GAS

a. FERC Form No. 121;

b. Division Form C-132 and the required attachments;

c. A detailed statement describing the production enhancement work that has been performed on the well, including the dates such work was commenced and completed, or that will be performed on the well;

d. An itemized statement of costs incurred in performing the production enhancement work described in 18 CFR §271.704(d), including copies of invoices and bills for such work or, if the work has not yet been completed, estimates of such cost;

e. A statement estimating, for the five-year period beginning from the month in which the application is filed, the units of gas production (MMBtu's) that:

(1) would be produced from the well if the production enhancement work had been completed on the day that the application is filed; and

(2) would be produced from the well if the production enhancement work is not performed or had not been performed;

f. The calculation, based on the estimates required by subparagraph (e) above, that is required by 18 CFR §271.704(c)(1)(v);

g. The renegotiated price and a copy of that portion of the sales contract that authorizes collections of such price;

h. A statement by the applicant, under oath, that:

(1) The production enhancement work is necessary, and can be reasonably expected, to enhance production;

(2) The maximum lawful price that would be applicable but for qualification of the gas under 18 CFR §271.704, does not, or will not, provide adequate incentive for the performance of the production enhancement work;

(3) But for the availability of a price at least as high as the renegotiated price specified in subparagraph (g), the production enhancement work would not have been or will not be performed;

(4) The production enhancement work was not commenced before May 29, 1980;

(5) To the best of the applicant's knowledge and belief, the estimates required by subparagraph (e) above are reasonable; and

(6) The applicant has no knowledge of any other information not described in the application which is inconsistent with these statements and estimates;

i. A statement by the purchaser, under oath, that to the best of the purchaser's knowledge or belief:

(1) There is a reasonable basis for the statements and estimates made by the applicant; and

(2) The purchaser has no knowledge of any information not described in the application which is inconsistent with such statements and estimates.

Section 108 Stripper Well Natural Gas

Rule 18.

1. Initial Determinations

a. An application for an initial determination that a well qualifies as a stripper gas well shall include:

(1) FERC Form No. 121

(2) Division Form C-132 and the required attachments.

(3) A copy of Division Form C-116 (Gas-Oil Ratio test form). If unavailable, indicate reason.

(4) A summary or tabulation of production records which indicates the following:

(a) the total crude oil (if any) and natural gas production for the 90-day period upon which the application is based, together with the average daily production of crude oil and natural gas for the 90-day period.

(b) the total amount of gas production for a 12-month production period ending concurrently with the 90-day production period, together with the daily average production for the 12-month period.

(c) the number of days natural gas was not produced during the 90-day production period.

(d) the number of days natural gas was produced during the 90-day production period.

(5) If necessary, a statement or description of the state law or conservation practice, or other explanation, stating the reason why the well did not produce during any day(s) applicable to the 90-day production period.

(6) Results of any tests which establish maximum efficient rate of flow under Section 271.807(a) of the FERC rules and regulations applicable to NGPA may be submitted in lieu of 12 months of production data to establish maximum efficient rate of flow for a well. (However, the Division shall accept this alternate information only where unusual circumstances are exhibited and 12 months of production are unavailable.)

(7) Copies of production records, tax records, or verified copies of billing statements may be submitted in support of an application.

(8) A statement under oath:

(a) that the applicant has made, or has caused to be made pursuant to his instructions, a diligent search of all records which are reasonably available and contain information relevant to the determination describing the search made, the records reviewed, and the results of this search and examination upon which he has concluded that to the best of his information, knowledge and belief, the well qualifies as a stripper; and

(b) that the summary or tabulation of production or other records relied upon in the application are correct; and

(c) that the a
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2. Deferred Determinations

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b. Production data to c
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Rule 19. An application for determina
resulting from the use of en
shall include:

1. Division Form C-132-A an
Form C-132

2. A copy of the purchaser'
the average daily produc
production period has ex

3. Copy of Form C-105, "Well
pletion Report and Log."

4. A description of all proc
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5. An inventory of the leas
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(c) the number of days natural gas was not produced during the 90-day production period.

(d) the number of days natural gas was produced during the 90-day production period.

(5) If necessary, a statement or description of the state law or conservation practice, or other explanation, stating the reason why the well did not produce during any day(s) applicable to the 90-day production period.

(6) Results of any tests which establish maximum efficient rate of flow under Section 271.807(a) of the FERC rules and regulations applicable to NGPA may be submitted in lieu of 12 months of production data to establish maximum efficient rate of flow for a well. (However, the Division shall accept this alternate information only where unusual circumstances are exhibited and 12 months of production are unavailable.)

(7) Copies of production records, tax records, or verified copies of billing statements may be submitted in support of an application.

(8) A statement under oath:

(a) that the applicant has made, or has caused to be made pursuant to his instructions, a diligent search of all records which are reasonably available and contain information relevant to the determination describing the search made, the records reviewed, and the results of this search and examination upon which he has concluded that to the best of his information, knowledge and belief, the well qualifies as a stripper; and

(b) that the summary or tabulation of production or other records relied upon in the application are correct; and

(c) that the applicant has no knowledge of any other information which is inconsistent with his conclusion that the well qualifies as a stripper well.

2. Deferred Determinations

a. The same information required for Section 108 initial determination applications shall be filed for deferred determinations except to the extent that prior production data to establish a maximum efficient rate of flow is not available or is insufficient, or deferral is necessary pursuant to Section 271.807(h)(1)(ii) of the FERC rules and regulations applicable to NGPA (12 month production data submitted did not exceed an average of 70 mcf per day).

b. Production data to complete twelve months of production shall be submitted to the Division within 90 days after the end of the 12-month period designated by the Division.

Rule 19. An application for determination of increased production resulting from the use of enhanced recovery techniques shall include:

1. Division Form C-132-A and an approved copy of Form C-132

2. A copy of the purchaser's notice, if any, that the average daily production for any 90-day production period has exceeded 60 Mcf.

3. Copy of Form C-105, "Well Completion or Recompletion Report and Log."

4. A description of all processes used or equipment installed together with all dates of use or installation which constitute enhanced recovery techniques.

5. An inventory of the lease and production equipment used such as compression facilities, pumps, chokes, and intermitters for the well for the past 24 months or, if less, the period the well has been in production prior to the institution of an enhanced recovery technique.

6. A statement, under oath, that to the best of the applicant's information, knowledge and belief, the information supplied and the conclusions drawn are true; that the operator has no knowledge of any information not described in the application which is inconsistent with any of his conclusions; and that the notice has been served on the appropriate entities specified in Section 271.804 of the FERC NGPA regulations.

Rule 20. An application for a designation that a well is seasonally affected shall include:

1. Division Form C-132-A and an approved copy of Form C-132, if an initial stripper well determination has been made under Rule 18.

2. FERC Form No. 121 and Division Form C-132 if an enhanced stripper determination has not previously been made under Rule 18.

3. A copy of the purchaser's notice, if any, that the average daily production for any 90-day production period has exceeded 60 Mcf, or that the well which has been designated a seasonally affected well produces at an average rate in excess of 60 Mcf per day for a 12-month production period.

4. A summary or tabulation of production records for a period of 24 months, including the 90-day or 12-month production period which is the subject of the notice by the operator or the purchaser;

5. A 24-month production curve;

6. A description of the nature of the seasonal fluctuations as inferred from the data supplied; and

7. A statement, under oath, that the summary or tabulation of production records is correct; that the operator has no knowledge of any information contrary to any conclusions drawn by him; and that the notice has been served on the appropriate entities specified in Section 271.805 of the FERC NGPA regulations.

Rule 21. An application for determination that increased production is the result of temporary pressure buildup shall include:

1. Division Form C-132-A and, if applicable, an approved copy of Form C-132 qualifying the well as a stripper well.

2. A copy of the purchaser's notice, if any, that the average daily production of the well for the relevant 90-day production period has exceeded 60 Mcf.

3. A summary or tabulation of production records for the 90-day production period during which the well's average daily production period exceeded 60 Mcf.

4. A statement of the total production for the period in question, and the average production per production day.

5. A statement of the number of days the well was shut-in and a description of the reason for the shut-in.

6. Engineering, geological and/or production data to support a finding that the increased rate of production was the result of a pressure buildup which occurred when the well was shut-in.

7. A statement, under oath, that to the best of his information, knowledge and belief

a. the well would have produced at an average rate not exceeding 60 Mcf per production day during the relevant 90-day production period had the well been continuously open to the line during such period,

b. the information supplied is true, and

c. the petition for this determination has been served on the Division, the FERC and any purchaser.

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7. A statement, under oath, that the summary or tabulation of production records is correct; that the operator has no knowledge of any information contrary to any conclusions drawn by him; and that the notice has been served on the appropriate entities specified in Section 271.805 of the FERC NGPA regulations.

Rule 21. An application for determination that increased production is the result of temporary pressure buildup shall include:

1. Division Form C-132-A and, if applicable, an approved copy of Form C-132 qualifying the well as a stripper well.

2. A copy of the purchaser's notice, if any, that the average daily production of the well for the relevant 90-day production period has exceeded 60 Mcf.

3. A summary or tabulation of production records for the 90-day production period during which the well's average daily production period exceeded 60 Mcf.

4. A statement of the total production for the period in question, and the average production per production day.

5. A statement of the number of days the well was shut-in and a description of the reason for the shut-in.

6. Engineering, geological and/or production data to support a finding that the increased rate of production was the result of a pressure buildup which occurred when the well was shut-in.

7. A statement, under oath, that to the best of his information, knowledge and belief,

a. the well would have produced at an average rate not exceeding 60 Mcf per production day during the relevant 90-day production period had the well been continuously open to the line during such period,

b. the information supplied is true, and

c. the petition for this determination has been served on the Division, the FERC, and any purchaser.

OIL CONSERVATION DIVISION

STATE OF NEW MEXICO
ENERGY and MINERALS DEPARTMENT

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-132
Revised 8-10-81

APPLICATION FOR WELLHEAD
PRICE CEILING CATEGORY DETERMINATION

FOR DIVISION USE ONLY:
DATE COMPLETE APPLICATION FILED_____
DATE DETERMINATION MADE_____
WAS APPLICATION CONTESTED? YES_____NO_____
NAME(S) OF INTERVENOR(S), IF ANY:

5A. Indicate Type of Lease: State ☐ Fee ☐
5. State Oil & Gas Lease No.
7. Unit Agreement Name
8. Farm or Lease Name
1. Name of Operator
9. Well No.
2. Address of Operator
10. Field and Pool, or Wildcat
4. Location of Well: Unit Letter_____ Located_____ Feet From The_____ Line
_____ Feet From The_____ Line of Sec._____ Twp._____ Rge._____ NMPM
12. County
11. Name and Address of Purchaser(s)

WELL CATEGORY INFORMATION

Check appropriate box for category sought and information submitted.

1. Category(ies) Sought (By NGPA Section No.)_____
2. All Applications must contain:
   - ☐ a. C-101 APPLICATION FOR PERMIT TO DRILL, DEEPEN OR PLUG BACK
   - ☐ b. C-105 WELL COMPLETION OR RECOMPLETION REPORT
   - ☐ c. DIRECTIONAL DRILLING SURVEY, IF REQUIRED UNDER RULE 111
   - ☐ d. AFFIDAVITS OF MAILING OR DELIVERY
3. In addition to the above, all applications must contain the items required by the applicable rule of the Division's "Special Rules for Applications For Wellhead Price Ceiling Category Determinations" as follows:
   - A. NEW NATURAL GAS UNDER SEC. 102(c)(1)(B) (using 2.5 Mile or 1000 Feet Deeper Test)
     - ☐ All items required by Rule 14(1) and/or Rule 14(2)
   - B. NEW NATURAL GAS UNDER SEC. 102(c)(1)(C) (new onshore reservoir)
     - ☐ All items required by Rule 15
   - C. NEW OFFSHORE PRODUCTION WELL
     - ☐ All items required by Rule 16A or Rule 16B
   - D. DEEP, HIGH-COST NATURAL GAS, TIGHT FORMATION NATURAL GAS, AND PRODUCTION ENHANCEMENT NATURAL GAS
     - ☐ All items required by Rule 17(1), Rule 17(2) or Rule 17(3), or Rule 17(4)
   - E. STRIPPER WELL NATURAL GAS
     - ☐ All items required by Rule 18

I HEREBY CERTIFY THAT THE INFORMATION CONTAINED HEREIN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE AND BELIEF.

NAME OF APPLICANT (Type or Print)

SIGNATURE OF APPLICANT

Title_____

Date_____

FOR DIVISION USE ONLY

☐ Approved

☐ Disapproved

The information contained herein includes all of the information required to be filed by the applicant under Subpart B of Part 274 of the FERC regulations.

EXAMINER

OIL CONSERVATION DIVISION

STATE OF NEW MEXICO
ENERGY and MINERALS DEPARTMENT

P O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-132-A
Revised 8-10-81

APPLICATION FOR CONTINUED
STRIPPER CLASSIFICATION

FOR DIVISION USE ONLY:
DATE COMPLETE APPLICATION FILED_____
DATE DETERMINATION MADE_____
WAS APPLICATION CONTESTED? YES_____NO_____
NAME(S) OF INTERVENOR(S), IF ANY:

5A. Indicate Type of Lease: State ☐ Fee ☐
5. State Oil & Gas Lease No.
7. Unit Agreement Name
8. Farm or Lease Name
1. Name of Operator
9. Well No.
2. Address of Operator
10. Field and Pool, or Wildcat
4. Location of Well: Unit Letter_____ Located_____ Feet From The_____ Line
_____ Feet From The_____ Line of Sec._____ Twp._____ Rge._____ NMPM
12. County
11. Name and Address of Purchaser(s)

CLASSIFICATION

1. Check appropriate box for category sought and information submitted.
2. All applications must contain the items required by the applicable rule of the Division's "Special Rules For Applications For Wellhead Price Ceiling Category Determinations" as follows:
   - A. Increased production resulting from recognized enhanced recovery techniques
     - ☐ All items required by Rule 19
   - B. Well is seasonally affected
     - ☐ All items required by Rule 20
   - C. Increased production resulting from temporary pressure buildup
     - ☐ All items required by Rule 21

I HEREBY CERTIFY THAT THE INFORMATION CONTAINED HEREIN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE AND BELIEF.

NAME OF APPLICANT (Type or Print)

SIGNATURE OF APPLICANT

Title_____

Date_____

FOR DIVISION USE ONLY

☐ Approved

☐ Disapproved

The information contained herein includes all of the information required to be filed by the applicant under Subpart B of Part 274 of the FERC regulations.

EXAMINER

These are reduced-size copies of Forms C-132 and C-132-A, currently in use by the N.M.O.C.D. They are presented here for informational purposes only. The originals are 8½" x 11".

ERVATION DIVISION
P. O. BOX 2088
E, NEW MEXICO 87501
TION FOR WELLHEAD
CATEGORY DETERMINATION

Form C-132
Revised 8-10-81

NO

3A. Indicate Type of Lease
STATE ☐ FEE ☐

5. State Oil & Gas Lease No.

7. Unit Agreement Name

8. Farm or Lease Name

9. Well No.

10. Field and Pool, or Wildcat

12. County

ELL CATEGORY INFORMATION

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GPA Section No.] _____

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PERMIT TO DRILL, DEEPEN OR PLUG BACK

OR RECOMPLETION REPORT

SUNDRY, IF REQUIRED WHEN WELL IS

OR DELIVERY

All applications must contain the items required by the Division's "Special Rules for Applications For Wellhead Determinations" as follows:

R SEC. 102(c)(1)(B) (using 2.5 Mile or 1000 Foot Deeper Test)

red by Rule 14(1) and/or Rule 14(2)

R SEC. 102(c)(1)(C) (new onshore reservoir)

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ION WELL

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URAL GAS, TIGHT FORMATION NATURAL GAS, AND PRODUCTION ENHANCEMENT NATURAL GAS

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red by Rule 18

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FOR DIVISION USE ONLY

☐ Approved

☐ Disapproved

The information contained herein includes all of the information required to be filed by the applicant under Subpart B of Part 274 of the FERC regulations.

EXAMINER

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-132-A
Revised 8-10-81

APPLICATION FOR CONTINUED STRIPPER CLASSIFICATION

1. FOR DIVISION USE ONLY:
DATE COMPLETE APPLICATION FILED_____
DATE DETERMINATION MADE_____
WAS APPLICATION CONTESTED? YES_____NO_____
NAME(S) OF INTERVENOR(S), IF ANY:

2. Name of Operator

3. Address of Operator

4. Location of Well UNIT LETTER _____ LOCATED _____ FEET FROM THE _____ LINE AND _____ FEET FROM THE _____ LINE OF SEC. _____ TWP. _____ RGE. _____ NMPM

5A. Indicate Type of Lease
STATE ☐ FEE ☐

6. State Oil & Gas Lease No.

7. Unit Agreement Name

8. Farm or Lease Name

9. Well No.

10. Field and Pool, or Wildcat

12. County

13. Name and Address of Purchaser(s)

CLASSIFICATION

1. Check appropriate box for category sought and information submitted.

2. All applications must contain the items required by the applicable rule of the Division's "Special Rules For Applications For Wellhead Price Ceiling Category Determinations" as follows:

A. Increased production resulting from recognized enhanced recovery techniques

☐ All items required by Rule 19

B. Well is seasonally affected

☐ All items required by Rule 20

C. Increased production resulting from temporary pressure buildup

☐ All items required by Rule 21

I HEREBY CERTIFY THAT THE INFORMATION CONTAINED HEREIN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE AND BELIEF.

_____
NAME OF APPLICANT (Type or Print)

_____
SIGNATURE OF APPLICANT

Title_____

Date_____

FOR DIVISION USE ONLY

☐ Approved

☐ Disapproved

The information contained herein includes all of the information required to be filed by the applicant under Subpart B of Part 274 of the FERC regulations.

EXAMINER

These are reduced-size copies of Forms C-132 and C-132-A, currently in use by the N.M.O.C.D. They are presented here for informational purposes only. The originals are 8½" x 11".

SPECIAL RULES FOR APPLICATIONS
FOR WELLHEAD PRICE CEILING
CATEGORY DETERMINATIONS

* Adopted July 15, 1980

DEFINITIONS

FERC: The Federal Energy Regulatory Commission.

Division: The Oil Conservation Division of the Energy and Minerals Department.

USGS: United States Geological Survey.

Applicant: The person making the application for a wellhead price ceiling determination. This person shall usually be the operator of the well but under some circumstances could be a non-operating working interest owner.

Director: The Director of the Oil Conservation Division.

NGPA: The Natural Gas Policy Act of 1978.

MCF: Thousand cubic feet of gas reported at a pressure base of 14.73 psia.

GENERAL

Rule 1. An application for Wellhead Price Ceiling Category Determination shall include affidavits of mailing or delivery of the Form C-132 or C-132-A and FERC Form No. 121 to all working interest owners and to all parties to the gas purchase contract, if any.

Rule 2. The application shall be signed by the applicant or his authorized representative or agent.

Rule 3. If a well is located on a State or fee lease, the application shall be filed with the Division. If a well is located on a federal or Indian lease, the application shall be filed with the USGS. If the well is located on a communitized lease, the application shall be filed with the agency having jurisdiction over the lands on which the well is situated.

Rule 4. Two complete copies of the application shall be filed with the Division's Santa Fe office, and a copy of the C-132 or C-132-A with the appropriate district office.

Rule 5. If written objection to the application is filed with the Division's Santa Fe office by any interested party within 15 days after the complete application is filed, or if a hearing is required by the Director, the application shall be set for hearing in accordance with Rules 1201 through 1223 of the Division's general statewide rules and regulations.

Rule 6. If no written objection is received within the time period set out in Rule 5, and no hearing is required, the application may be approved administratively by a Division examiner or the Director.

Rule 7. If a hearing is required, a determination shall not become final until the applicant or other interested party has exhausted his administrative remedies before the Division. If a hearing is not required, a determination shall be final on the date the application is either approved or disapproved.

Rule 8. Within 10 days after making a final determination, notice shall be sent to the applicant, the transporter and, if a hearing was held, to each party who has entered his appearance of record at the hearing.

Rule 9. Within 15 days after making a final determination, notice shall be sent to the FERC.

Rule 10. An examiner or the Director, on a case-by-case basis, may require the filing of additional information other than that required to be submitted by FERC or Division regulations.

Rule 11. The Director may set any application for hearing at his discretion or at the request of an applicant.

Rule 12. The date of application shall be the date on which a complete application is filed with the Division's Santa Fe office. Incomplete applications shall either be returned to the applicant or held, but not docketed for processing.

Rule 13. A proration unit for a given p
expire upon the plugging and a
pletion in another pool of the
proration unit dedicated to sa
and the filing with and approv
Division Form C-103 evidencing
abandonment or recompletion.

FILING REQUIREMENTS

Section 102 New Natural Gas

Rule 14. An application for a new onsho
102(c)(1)(b)] shall include ei
or both:

1. 2.5 mile test

a. FERC Form No. 121

b. Division Form C-132
ments

c. a location plat whic
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eligibility;

(2) describing the
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* These Special Rules are as adopted by Order No. R-5878-B on July 7, 1980, effective July 15, 1980, and as amended by Order No. R-5878-B-1 effective March 1, 1981, and Order No. R-5878-B-2 effective May 10, 1981.

July 15, 1980

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Rule 5. If written objection to the application is filed with the Division's Santa Fe office by any interested party within 15 days after the complete application is filed, or if a hearing is required by the Director, the application shall be set for hearing in accordance with Rules 1201 through 1223 of the Division's general statewide rules and regulations.

Rule 6. If no written objection is received within the time period set out in Rule 5, and no hearing is required, the application may be approved administratively by a Division examiner or the Director.

Rule 7. If a hearing is required, a determination shall not become final until the applicant or other interested party has exhausted his administrative remedies before the Division. If a hearing is not required, a determination shall be final on the date the application is either approved or disapproved.

Rule 8. Within 10 days after making a final determination, notice shall be sent to the applicant, the transporter and, if a hearing was held, to each party who has entered his appearance of record at the hearing.

Rule 9. Within 15 days after making a final determination, notice shall be sent to the FERC.

Rule 10. An examiner or the Director, on a case-by-case basis, may require the filing of additional information other than that required to be submitted by FERC or Division regulations.

Rule 11. The Director may set any application for hearing at his discretion or at the request of an applicant.

Rule 12. The date of application shall be the date on which a complete application is filed with the Division's Santa Fe office. Incomplete applications shall either be returned to the applicant or held, but not docketed for processing.

Rule 13. A proration unit for a given pool shall automatically expire upon the plugging and abandonment or the recompletion in another pool of the last well on the proration unit dedicated to said unit in that pool and the filing with and approval by the Division of Division Form C-103 evidencing such plugging and abandonment or recompletion.

FILING REQUIREMENTS

Section 102 New Natural Gas

Rule 14. An application for a new onshore well [NGPA Section 102(c)(1)(b)] shall include either subpart (1) or (2) or both:

1. 2.5 mile test

   a. FERC Form No. 121

   b. Division Form C-132 and the required attachments

   c. a location plat which locates and identifies the well for which the determination is sought and any other well which produced natural gas after January 1, 1970, and before April 20, 1977, and is within the 2.5 mile radius drawn from the well for which a determination is sought;

   d. a statement by the applicant under oath:

      (1) that he has made, or has caused to be made, pursuant to his instructions, a diligent search of all records (including but not limited to production, severance tax, and royalty payment records) which are reasonably available and contain information relevant to the determination of eligibility;

      (2) describing the search made, the records reviewed, the location of such records, and a description of any records which

he believes may contain information relevant to the determination but which he has determined are not reasonably available to him;

(3) that on the basis of the results of this search and examination, he has concluded that to the best of his information, knowledge and belief, there is no marker well within 2.5 miles of the well for which he seeks a determination; and

(4) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusion.

2. 1,000 feet deeper test

a. FERC Form No. 121

b. Division Form C-132 and the required attachments

c. a location plat which locates and identifies the well for which the determination is sought and all wells which produced natural gas after January 1, 1970, and before April 20, 1977, within the 2.5 mile radius drawn from the well for which a determination is sought; including specific identification of all marker wells within the 2.5 mile radius drawn from the well for which a determination is sought;

d. a list of the deepest completion locations for all marker wells identified on the location plat; and

e. a statement by the applicant, under oath:

(1) that he has made, or has caused to be made pursuant to his instructions, a diligent search of all records (including

but not limited to production, State severance tax, and royalty payment records) which are reasonably available and contain information relevant to the determination of eligibility;

(2) describing the search made, the records reviewed, the location of such records, and a description of any records which he believes may contain information relevant to the determination but which he has determined are not reasonably available to him;

(3) that on the basis of the results of this search and examination, he has concluded that to the best of his information, knowledge and belief, there is no marker well within 2.5 miles of the well for which he seeks a determination which has a completion location less than 1,000 feet above the completion location of the new well; and

(4) that he has no knowledge of any other information which is inconsistent with his conclusion.

Rule 15. An application for a new onshore reservoir [NGPA Section 102(c)(1)(C)] shall include:

1. FERC Form No. 121

2. Division Form C-132 and the required attachments

3. geological information sufficient to support a determination that the reservoir is a new onshore reservoir. Such information shall include to the extent reasonably available to the applicant at the time the application is filed:

(a) well logs;

(b) bottom hole or su

(c) well potential te

(d) formation structu

(e) a subsurface cros

(f) a gas analysis; a

(g) a copy of the Div transcript result establish a new o a hearing was hel a copy of any exh hearing which wer original applicat

4. a statement by the app

(a) that he has made, made pursuant to diligent search o but not limited t severance tax, an which are reasonal information relev of eligibility;

(b) describing the se reviewed; the loc and a description are described in believes may othe relevant to the d he has determined available to him;

(c) that on the basis search and examin that to the best knowledge and beli and for which he from a new onshor

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but not limited to production, State severance tax, and royalty payment records) which are reasonably available and contain information relevant to the determination of eligibility;

(2) describing the search made, the records reviewed, the location of such records, and a description of any records which he believes may contain information relevant to the determination but which he has determined are not reasonably available to him;

(3) that on the basis of the results of this search and examination, he has concluded that to the best of his information, knowledge and belief, there is no marker well within 2.5 miles of the well for which he seeks a determination which has a completion location less than 1,000 feet above the completion location of the new well; and

(4) that he has no knowledge of any other information which is inconsistent with his conclusion.

Rule 15. An application for a new onshore reservoir [NGPA Section 102(c)(1)(C)] shall include:

1. FERC Form No. 121

2. Division Form C-132 and the required attachments

3. geological information sufficient to support a determination that the reservoir is a new onshore reservoir. Such information shall include to the extent reasonably available to the applicant at the time the application is filed:

(a) well logs;

(b) bottom hole or surface pressure surveys;

(c) well potential tests;

(d) formation structure maps;

(e) a subsurface cross-section chart;

(f) a gas analysis; and

(g) a copy of the Division order and hearing transcript resulting from the hearing to establish a new onshore reservoir if such a hearing was held by the Division; also a copy of any exhibits presented at the hearing which were not attachments to the original application.

4. a statement by the applicant, under oath:

(a) that he has made, or has caused to be made pursuant to his instructions, a diligent search of all records (including but not limited to production, State severance tax, and royalty payment records) which are reasonably available and contain information relevant to the determination of eligibility;

(b) describing the search made; the records reviewed; the location of such records, and a description of any records which are described in (a) (or which he believes may otherwise contain information relevant to the determination) but which he has determined are not reasonably available to him;

(c) that on the basis of the results of this search and examination, he has concluded that to the best of his information, knowledge and belief the gas to be produced and for which he seeks a determination is from a new onshore reservoir; and

(d) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusion.

5. The applicant in his statement under oath shall also answer, to the best of his information, knowledge and belief and on the basis of the results of his search and examination, the following questions:

a. Was natural gas produced in commercial quantities from the reservoir prior to April 20, 1977?

b. If the question in Subparagraph (a) is answered in the negative, was the reservoir penetrated before April 20, 1977, by an old well from which natural gas or crude oil was produced in commercial quantities from any reservoir?

c. If the question in Subparagraph (b) is answered in the affirmative, could natural gas have been produced in commercial quantities from the reservoir before April 20, 1977, from any such old well described in Subparagraph (b)?

d. If the question in Subparagraph (c) is answered in the negative, were any sales and deliveries of natural gas made from any other reservoir through any such old well described in Subparagraph (b) prior to April 20, 1977, and were any sales and deliveries of natural gas made from the subject reservoir through such old well on or after April 20, 1977, and before November 9, 1978?

e. If the natural gas is to be produced through such old well, were suitable facilities for the production and delivery to a pipeline of such natural gas in existence on April 20, 1977?

f. If the question in Subparagraph (c) is answered in the affirmative, were such suitable facilities installed to carry out sales and deliveries of natural gas under section 6 of the Emergency Natural Gas Act of 1977 or under the emergency sale authority pursuant to Opinion 699-B issued by the Federal Power Commission?

6. If the applicant is unable to answer both questions in Subparagraph (d) above in the negative, he must demonstrate that the Behind-the-Pipe Exclusion in Section 102(c)(1)(C)(ii) of the NGPA does not apply by submitting the following:

a. Proof that a final eligibility determination has been made that the subject reservoir is a new onshore reservoir by identifying a prior determination made by the Division together with the FERC Docket number and the API well number(s), if available, or,

b. Evidence clearly demonstrating that the sale of production from the subject reservoir (net of royalty) through any well described in Subparagraph 5 b at the market price reasonably available as of April 20, 1977 could not have generated revenues sufficient to equal or exceed the sum of (1) 1.5 times the minimum incremental costs properly allocable to such production of installing cost-efficient facilities not in existence as of April 20, 1977, reasonably required to market such production, plus (2) the minimum incremental expenses properly allocable to such production reasonably required to operate such facilities. (All costs, expenses and revenues shall be determined as of April 20, 1977. The applicant shall also provide an explanation of the basis of all estimates accompanied by substantiating workpapers and such other evidence necessary to substantiate fully the conclusion that the Behind-the-Pipe Exclusion does not apply.)

Section 103 New Onshore Production Well

Rule 16 A. An application for a new onshore [NGPA Section 103] shall include:

1. FERC Form No. 121

2. Division Form C-132 and the ments

3. Copy of Division order auth well drilling program on a if any, or authorizing the infill well under Section NGPA Regulations. (For in Blanco Mesaverde or Basin-D Rule 16 B.)

4. The C-102 attached to Form and identify the well for w is sought and all other wel ration unit in which the we determination is sought is for each well which has or the same pool or reservoir well the spud date, cumulat and date of plug and abando

5. A statement by the applican

(a) that the surface drill for which he seeks a d begun on or after Febr

(b) that the well satisfie federal or state well- ments; and that the we a proration unit:

(1) which was in exis the surface drill began;

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f. If the question in Subparagraph (c) is answered in the affirmative, were such suitable facilities installed to carry out sales and deliveries of natural gas under section 6 of the Emergency Natural Gas Act of 1977 or under the emergency sale authority pursuant to Opinion 699-B issued by the Federal Power Commission?

6. If the applicant is unable to answer both questions in Subparagraph (d) above in the negative, he must demonstrate that the Behind-the-Pipe Exclusion in Section 102(c)(1)(C)(ii) of the NGPA does not apply by submitting the following:

   a. Proof that a final eligibility determination has been made that the subject reservoir is a new onshore reservoir by identifying a prior determination made by the Division together with the FERC Docket number and the API well number(s), if available, or,

   b. Evidence clearly demonstrating that the sale of production from the subject reservoir (net of royalty) through any well described in Subparagraph 5 b at the market price reasonably available as of April 20, 1977 could not have generated revenues sufficient to equal or exceed the sum of (1) 1.6 times the minimum incremental costs properly allocable to such production of installing cost-efficient facilities not in existence as of April 20, 1977, reasonably required to market such production, plus (2) the minimum incremental expenses properly allocable to such production reasonably required to operate such facilities. (All costs, expenses and revenues shall be determined as of April 20, 1977. The applicant shall also provide an explanation of the basis of all estimates accompanied by substantiating workpapers and such other evidence necessary to substantiate fully the conclusion that the Behind-the-Pipe Exclusion does not apply.)

Section 103 New Onshore Production Well

Rule 16 A. An application for a new onshore production well [NGPA Section 103] shall include:

1. FERC Form No. 121

2. Division Form C-132 and the required attachments

3. Copy of Division order authorizing an infill well drilling program on a poolwide basis, if any, or authorizing the drilling of an infill well under Section 271.305 of the FERC NGPA Regulations. (For infill wells in the Blanco Mesaverde or Basin-Dakota Pools, see Rule 16 B.)

4. The C-102 attached to Form C-132 shall locate and identify the well for which a determination is sought and all other wells within the proration unit in which the well for which a determination is sought is located, giving for each well which has or is producing from the same pool or reservoir as the subject well the spud date, cumulative production, and date of plug and abandonment, if any.

5. A statement by the applicant, under oath:

   (a) that the surface drilling of the well for which he seeks a determination was begun on or after February 19, 1977;

   (b) that the well satisfies any applicable federal or state well-spacing requirements; and that the well is not within a proration unit:

      (1) which was in existence at the time the surface drilling of the well began;

      (2) which was applicable to the reservoir from which such natural gas is produced; and

(3) which applied to any other well which either produced natural gas in commercial quantities or the surface drilling of which was begun before February 19, 1977, and was thereafter capable of producing natural gas in commercial quantities;

(c) that he has concluded that to the best of his information, knowledge and belief, the natural gas for which he seeks a determination is produced from a new, onshore production well and the basis for such conclusion;

(d) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusions.

c. If the applicant is seeking a determination with respect to a new well drilled into an existing proration unit (except in the Blanco Mesaverde or Basin-Dakota Pools) pursuant to Sections 271.304 and 271.305 of the FERC NGPA regulations, the applicant must, in addition to the filing requirements listed in Sections 1 through 4 of Rule 16 A, file:

(a) copies of those pages of any Division transcript or other documentation demonstrating by appropriate geological and engineering evidence that the new well is necessary to effectively and efficiently drain a portion of the reservoir covered by the proration unit which cannot be effectively and efficiently drained by any existing well within the proration unit, and

(b) a statement by the applicant under oath:

(1) that the surface drilling of the well for which he seeks a determination was begun on or after February 19, 1977;

(2) That the Division has altered or granted a waiver of any applicable well-spacing requirements;

(3) That he has concluded that to the best of his information, knowledge and belief, the natural gas for which he seeks a determination is produced from a new, onshore production well and the basis for such conclusion;

(4) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusions.

Rule 16 B. An application for a new onshore production well [NGPA Section 103] for an infill well in the Blanco Mesaverde Pool or the Basin-Dakota Pool, San Juan, Rio Arriba, and Sandoval Counties, drilled pursuant to Division Order No. R-1670-T or R-1670-V, respectively, shall include:

1. FERC Form No. 121

2. Division Form C-132 and the required attachments

3. The Form C-102 attached to Form C-132 shall locate and identify the proration unit dedicated to the well in accordance with the appropriate Division rules and shall also give the location and identification of all wells within such proration unit and the name of the pool from which each well produces.

4. A statement by the applicant, under oath:

a. That the surface drilling of the well for which he seeks a determination was begun on or after February 19, 1977;

b. that the well satisfies Federal or State well sp

c. that the applicant has c the best of his informat and belief, the natural seeks a determination is new, onshore production

d. that the applicant has n any other information no the application which is with his conclusion.

5. A statement referencing the Conservation Division order infill well was drilled: Or if the well is located in th Pool, or Order No. R-1670-V located in the Basin-Dakota

Section 107 Deep, High-Cost Natural Gas and Tig

Rule 17. Applications for deep, high-cost natu tight formation gas [NGPA Section 107]

1. Deep, High-cost Natural Gas

a. FERC Form No. 121

b. Division Form C-132 and the re ments

c. all well completion reports fo which a determination is sough

d. well logs or well servicing co or such other information whic the depth of the completion lo in the well completion report;

e. directional drilling surveys i

f. a statement by the applicant, the surface drilling of the we

other well
natural gas
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77;

(2) That the Division has altered or granted a waiver of any applicable well-spacing requirements;

(3) That he has concluded that to the best of his information, knowledge and belief, the natural gas for which he seeks a determination is produced from a new, onshore production well and the basis for such conclusion;

(4) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusions.

Rule 16 B. An application for a new onshore production well [NGPA Section 103] for an infill well in the Blanco Mesaverde Pool or the Basin-Dakota Pool, San Juan, Rio Arriba, and Sandoval Counties, drilled pursuant to Division Order No. R-1670-T or R-1670-V, respectively, shall include:

1. FERC Form No. 121

2. Division Form C-132 and the required attachments

3. The Form C-102 attached to Form C-132 shall locate and identify the proration unit dedicated to the well in accordance with the appropriate Division rules and shall also give the location and identification of all wells within such proration unit and the name of the pool from which each well produces.

4. A statement by the applicant, under oath:

   a. That the surface drilling of the well for which he seeks a determination was begun on or after February 19, 1977;

   b. that the well satisfies any applicable Federal or State well spacing requirements

   c. that the applicant has concluded that to the best of his information, knowledge and belief, the natural gas for which he seeks a determination is produced from a new, onshore production well; and

   d. that the applicant has no knowledge of any other information not described in the application which is inconsistent with his conclusion.

5. A statement referencing the New Mexico Oil Conservation Division order under which the infill well was drilled: Order No. R-1670-T if the well is located in the Blanco Mesaverde Pool, or Order No. R-1670-V if the well is located in the Basin-Dakota Pool.

Section 107 Deep, High-Cost Natural Gas and Tight Formation Gas

Rule 17. Applications for deep, high-cost natural gas and new tight formation gas [NGPA Section 107] shall include:

1. Deep, High-cost Natural Gas

   a. FERC Form No. 121

   b. Division Form C-132 and the required attachments

   c. all well completion reports for the well for which a determination is sought;

   d. well logs or well servicing company reports or such other information which will corroborate the depth of the completion location reported in the well completion report;

   e. directional drilling surveys if available; and

   f. a statement by the applicant, under oath, that the surface drilling of the well for which he

seeks a determination began on or after February 19, 1977, and that the well completion location is below a true vertical depth of 15,000 feet; and that he has no knowledge of any information which is inconsistent with his conclusions.

2. New Tight Formation Gas
(Submit either (a) or (b) below)

a. If the gas is produced from a well which qualifies as a new, onshore, production well, an applicant shall submit:

(1) all information required under Rules 16 A or 16 B, except that, with respect to oath statements, subparagraphs 5(a), or 6(b)(1) of Rule 16 A, or subparagraph 4(a) of Rule 16 B, shall be omitted.

b. If the gas qualifies as new natural gas under NGPA Section 102, an applicant shall submit:

(1) all information required under Rule 14(1) or (2) or Rule 15, whichever is applicable.

c. The heading and pertinent portions of the well log or a drilling report identifying the designated tight formation.

d. map which locates and identifies the well for which the determination is sought as being within the designated tight formation.

e. A statement under oath, that:

(1) the surface drilling of the well for which a determination is sought was begun on or after July 16, 1979;

(2) the gas is being produced from a designated tight formation; and

(3) the applicant has no knowledge of any other information not described in the application which is inconsistent with his conclusion.

3. Recompletion Tight Formation Gas

a. FERC Form No. 121

b. Division Form C-132 and the required attachments

c. a map which locates and identifies the well for which the determination is sought as being within the designated tight formation

d. the heading and pertinent portions of the well log, or a drilling report identifying the designated tight formation

e. a statement by the applicant, under oath, that:

(1) the gas is being produced from a designated tight formation,

(2) The well was commenced but not completed for production in the designated tight formation prior to July 16, 1979, and

(3) the applicant has no knowledge of any other information not described in the application which is inconsistent with his conclusions.

4. PRODUCTION ENHANCEMENT GAS

a. FERC Form No. 121;

b. Division Form C-132 and the required attachments;

c. A detailed statement describing the production enhancement work that has been performed on the well, including the dates such work was commenced and completed, or that will be performed on the well;

d. An itemized statement of costs incurred in performing the production enhancement work described in 18 CFR §271.704(c), including copies of invoices and bills for such work or, if the work has not yet been completed, estimates of such cost;

e. A statement estimating, for the five-year period beginning from the month in which the application is filed, the units of gas production (MMBtu's) that:

(1) would be produced from the well if the production enhancement work had been complete on the day that the application is filed; and

(2) would be produced from the well if the production enhancement work is not performed or had not been performed;

f. The calculation, based on the estimates required by subparagraph (e) above, that is required by 18 CFR §271.704(c)(1)(v);

g. The renegotiated price and a copy of that portion of the sales contract that authorizes collections of such price;

h. A statement by the applicant, under oath, that:

(1) The production enhancement work is necessary, and can be reasonably expected, to enhance production;

(2) The maximum lawful price that would be applicable but for qualification of the gas under 18 CFR §271.704, does not, or will not, provide adequate incentive for the performance of the production enhancement work;

(3) But for the availability of a price at least as high as the renegotiated price specified in subparagraph (g), the production enhancement work would not have been or will not be performed;

(4) The production enhancement work was not commenced before May 29, 1980;

(5) To the best of the applicant's knowledge and belief, the estimates required by subparagraph (e) above are reasonable; and

(6) The applicant has no knowledge of any other information not described in the application which is inconsistent with these statements and estimates;

3. Recompletion Tight Formation Gas

a. FERC Form No. 121

b. Division Form C-132 and the required attachments

c. a map which locates and identifies the well for which the determination is sought as being within the designated tight formation

d. the heading and pertinent portions of the well log, or a drilling report identifying the designated tight formation

e. a statement by the applicant, under oath, that:

(1) the gas is being produced from a designated tight formation,

(2) The well was commenced but not completed for production in the designated tight formation prior to July 16, 1979, and

(3) the applicant has no knowledge of any other information not described in the application which is inconsistent with his conclusions.

4. PRODUCTION ENHANCEMENT GAS

a. FERC Form No. 121;

b. Division Form C-132 and the required attachments;

c. A detailed statement describing the production enhancement work that has been performed on the well, including the dates such work was commenced and completed, or that will be performed on the well;

d. An itemized statement of costs incurred in performing the production enhancement work described in 18 CFR §271.704(d), including copies of invoices and bills for such work or, if the work has not yet been completed, estimates of such cost;

e. A statement estimating, for the five-year period beginning from the month in which the application is filed, the units of gas production (MMBtu's) that:

(1) would be produced from the well if the production enhancement work had been completed on the day that the application is filed; and

(2) would be produced from the well if the production enhancement work is not performed or had not been performed;

f. The calculation, based on the estimates required by subparagraph (e) above, that is required by 18 CFR §271.704(c)(1)(v);

g. The renegotiated price and a copy of that portion of the sales contract that authorizes collections of such price;

h. A statement by the applicant, under oath, that:

(1) The production enhancement work is necessary, and can be reasonably expected, to enhance production;

(2) The maximum lawful price that would be applicable but for qualification of the gas under 18 CFR §271.704, does not, or will not, provide adequate incentive for the performance of the production enhancement work;

(3) But for the availability of a price at least as high as the renegotiated price specified in subparagraph (g), the production enhancement work would not have been or will not be performed;

(4) The production enhancement work was not commenced before May 29, 1980;

(5) To the best of the applicant's knowledge and belief, the estimates required by subparagraph (e) above are reasonable; and

(6) The applicant has no knowledge of any other information not described in the application which is inconsistent with these statements and estimates;

1. A statement by the purchaser, under oath, that to the best of the purchaser's knowledge or belief:

   (1) There is a reasonable basis for the statements and estimates made by the applicant; and

   (2) The purchaser has no knowledge of any information not described in the application which is inconsistent with such statements and estimates.

Section 108 Stripper Well Natural Gas

Rule 18.

1. Initial Determinations

   a. An application for an initial determination that a well qualifies as a stripper gas well shall include:

      (1) FERC Form No. 121

      (2) Division Form C-132 and the required attachments.

      (3) A copy of Division Form C-116 (Gas-Oil Ratio test form). If unavailable, indicate reason.

      (4) A summary or tabulation of production records which indicates the following:

         (a) the total crude oil (if any) and natural gas production for the 90-day period upon which the application is based, together with the average daily production of crude oil and natural gas for the 90-day period.

         (b) the total amount of gas production for a 12-month production period ending concurrently with the 90-day production period, together with the daily average production for the 12-month period.

         (c) the number of days natural gas was not produced during the 90-day production period.

         (d) the number of days natural gas was produced during the 90-day production period.

      (5) If necessary, a statement or description of the state law or conservation practice, or other explanation, stating the reason why the well did not produce during any day(s) applicable to the 90-day production period.

      (6) Results of any tests which establish maximum efficient rate of flow under Section 271.807(a) of the FERC rules and regulations applicable to NGPA may be submitted in lieu of 12 months of production data to establish maximum efficient rate of flow for a well. (However, the Division shall accept this alternate information only where unusual circumstances are exhibited and 12 months of production are unavailable.)

      (7) Copies of production records, tax records, or verified copies of billing statements may be submitted in support of an application.

      (8) A statement under oath:

         (a) that the applicant has made, or has caused to be made pursuant to his instructions, a diligent search of all records which are reasonably available and contain information relevant to the determination describing the search made, the records reviewed, and the results of this search and examination upon which he has concluded that to the best of his information, knowledge and belief, the well qualifies as a stripper; and

         (b) that the summary or tabulation of production or other records relied upon in the application are correct; and

         (c) that the applicant any other informati sistent with his co well qualifies as a

   2. Deferred Determinations

      a. The same information required initial determination applica filed for deferred determinat the extent that prior product establish a maximum efficient not available or is insuffici is necessary pursuant to Sect (ii) of the FERC rules and re cable to NGPA (12 month produ mitted did not exceed an aver per day).

      b. Production data to complete t production shall be submitted within 90 days after the end period designated by the Divi

Rule 19. An application for determination of i resulting from the use of enhanced re shall include:

1. Division Form C-132-A and an appr Form C-132

2. A copy of the purchaser's notice the average daily production for production period has exceeded 60

3. Copy of Form C-105, "Well Comple pletion Report and Log."

4. A description of all processes us installed together with all dates installation which constitute enh techniques.

5. An inventory of the lease and pro ment used such as compression fac chokes, and intermitters for the past 24 months or, if less, the has been in production prior to of an enhanced recovery techniqu

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121

C-132 and the required attach-

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(c) the number of days natural gas was not produced during the 90-day production period.

(d) the number of days natural gas was produced during the 90-day production period.

(5) If necessary, a statement or description of the state law or conservation practice, or other explanation, stating the reason why the well did not produce during any day(s) applicable to the 90-day production period.

(6) Results of any tests which establish maximum efficient rate of flow under Section 271.807(a) of the FERC rules and regulations applicable to NGPA may be submitted in lieu of 12 months of production data to establish maximum efficient rate of flow for a well. (However, the Division shall accept this alternate information only where unusual circumstances are exhibited and 12 months of production are unavailable.)

(7) Copies of production records, tax records, or verified copies of billing statements may be submitted in support of an application.

(8) A statement under oath:

(a) that the applicant has made, or has caused to be made pursuant to his instructions, a diligent search of all records which are reasonably available and contain information relevant to the determination describing the search made, the records reviewed, and the results of this search and examination upon which he has concluded that to the best of his information, knowledge and belief, the well qualifies as a stripper; and

(b) that the summary or tabulation of production or other records relied upon in the application are correct; and

(c) that the applicant has no knowledge of any other information which is inconsistent with his conclusion that the well qualifies as a stripper well.

2. Deferred Determinations

a. The same information required for Section 108 initial determination applications shall be filed for deferred determinations except to the extent that prior production data to establish a maximum efficient rate of flow is not available or is insufficient, or deferral is necessary pursuant to Section 271.807(b)(1)(ii) of the FERC rules and regulations applicable to NGPA (12 month production data submitted did not exceed an average of 70 mcf per day).

b. Production data to complete twelve months of production shall be submitted to the Division within 90 days after the end of the 12-month period designated by the Division.

Rule 19. An application for determination of increased production resulting from the use of enhanced recovery techniques shall include:

1. Division Form C-132-A and an approved copy of Form C-132

2. A copy of the purchaser's notice, if any, that the average daily production for any 90-day production period has exceeded 60 Mcf.

3. Copy of Form C-105, "Well Completion or Recompletion Report and Log."

4. A description of all processes used or equipment installed together with all dates of use or installation which constitute enhanced recovery techniques.

5. An inventory of the lease and production equipment used such as compression facilities, pumps, chokes, and intermitters for the well for the past 24 months or, if less, the period the well has been in production prior to the institution of an enhanced recovery technique.

6. A statement, under oath, that to the best of the applicant's information, knowledge and belief, the information supplied and the conclusions drawn are true; that the operator has no knowledge of any information not described in the application which is inconsistent with any of his conclusions; and that the notice has been served on the appropriate entities specified in Section 271.804 of the FERC NGPA regulations.

Rule 20. An application for a designation that a well is seasonally affected shall include:

1. Division Form C-132-A and an approved copy of Form C-132, if an initial stripper well determination has been made under Rule 18.

2. FERC Form No. 121 and Division Form C-132 if an initial stripper determination has not previously been made under Rule 18.

3. A copy of the purchaser's notice, if any, that the average daily production for any 90-day production period has exceeded 60 Mcf, or that the well which has been designated a seasonally affected well produces at an average rate in excess of 60 Mcf per day for a 12-month production period.

4. A summary or tabulation of production records for a period of 24 months, including the 90-day or 12-month production period which is the subject of the notice by the operator or the purchaser;

5. A 24-month production curve;

6. A description of the nature of the seasonal fluctuations as inferred from the data supplied; and

7. A statement, under oath, that the summary or tabulation of production records is correct; that the operator has no knowledge of any information contrary to any conclusions drawn by him; and that the notice has been served on the appropriate entities specified in Section 271.805 of the FERC NGPA regulations.

Rule 21. An application for determination that increased production is the result of temporary pressure buildup shall include:

1. Division Form C-132-A and, if applicable, an approved copy of Form C-132 qualifying the well as a stripper well.

2. A copy of the purchaser's notice, if any, that the average daily production of the well for the relevant 90-day production period has exceeded 60 Mcf.

3. A summary or tabulation of production records for the 90-day production period during which the well's average daily production period exceeded 60 Mcf.

4. A statement of the total production for the period in question, and the average production per production day.

5. A statement of the number of days the well was shut-in and a description of the reason for the shut-in.

6. Engineering, geological and/or production data to support a finding that the increased rate of production was the result of a pressure buildup which occurred when the well was shut-in.

7. A statement, under oath, that to the be of his information, knowledge and belie

a. the well would have produced at an average rate not exceeding 60 Mcf p production day during the relevant 90-day production period had the we been continuously open to the line during such period,

b. the information supplied is true, a

c. the petition for this determination been served on the Division, the FE and any purchaser.

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Division Form C-132 if an
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7. A statement, under oath, that the summary or tabulation of production records is correct; that the operator has no knowledge of any information contrary to any conclusions drawn by him; and that the notice has been served on the appropriate entities specified in Section 271.805 of the FERC NGPA regulations.

"Rule 21. An application for determination that increased production is the result of temporary pressure buildup shall include:

1. Division Form C-132-A and, if applicable, an approved copy of Form C-132 qualifying the well as a stripper well.

2. A copy of the purchaser's notice, if any, that the average daily production of the well for the relevant 90-day production period has exceeded 60 Mcf.

3. A summary or tabulation of production records for the 90-day production period during which the well's average daily production period exceeded 60 Mcf.

4. A statement of the total production for the period in question, and the average production per production day.

5. A statement of the number of days the well was shut-in and a description of the reason for the shut-in.

6. Engineering, geological and/or production data to support a finding that the increased rate of production was the result of a pressure buildup which occurred when the well was shut-in.

7. A statement, under oath, that to the best of his information, knowledge and belief,

a. the well would have produced at an average rate not exceeding 60 Mcf per production day during the relevant 90-day production period had the well been continuously open to the line during such period,

b. the information supplied is true, and

c. the petition for this determination has been served on the Division, the FERC, and any purchaser.

OIL CONSERVATION DIVISION

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-132
Revised 8-10-81

APPLICATION FOR WELLHEAD PRICE CEILING CATEGORY DETERMINATION

FOR DIVISION USE ONLY:
DATE COMPLETE APPLICATION FILED_____
DATE DETERMINATION MADE_____
WAS APPLICATION CONTESTED? YES_____NO_____
NAME(S) OF INTERVENOR(S), IF ANY:

1A. Indicate Type of Lease: STATE ☐ FEE ☐
3. State Oil & Gas Lease No.
7. Unit Agreement Name
8. Farm or Lease Name
1. Name of Operator
9. Well No.
2. Address of Operator
10. Field and Pool, or Wildcat
4. Location of Well: UNIT LETTER _____ LOCATED _____ FEET FROM THE _____ LINE AND _____ FEET FROM THE _____ LINE OF SEC. _____ TWP. _____ RGE. _____ NMPM
12. County
11. Name and Address of Purchaser(s)

WELL CATEGORY INFORMATION

Check appropriate box for category sought and information submitted.

1. Category(ies) Sought (By NGPA Section No.) _____
2. All Applications must contain:
   - ☐ a. C-101 APPLICATION FOR PERMIT TO DRILL, DEEPER OR PLUG BACK
   - ☐ b. C-105 WELL COMPLETION OR RECOMPLETION REPORT
   - ☐ c. DIRECTIONAL DRILLING SURVEY, IF REQUIRED UNDER RULE 111
   - ☐ d. AFFIDAVIT OF MAILING OR DELIVERY
3. In addition to the above, all applications must contain the items required by the applicable rule of the Division's "Special Rules for Applications For Wellhead Price Ceiling Category Determinations" as follows:
   - A. NEW NATURAL GAS UNDER SEC. 102(c)(1)(B) (using 2.5 Mile or 1000 Foot Deeper Test)
     - ☐ All items required by Rule 14(1) and/or Rule 14(2)
   - B. NEW NATURAL GAS UNDER SEC. 102(c)(1)(C) (new onshore reservoir)
     - ☐ All items required by Rule 15
   - C. NEW ONSHORE PRODUCTION WELL
     - ☐ All items required by Rule 16A or Rule 16B
   - D. DEEP, HIGH-COST NATURAL GAS, TIGHT FORMATION NATURAL GAS, AND PRODUCTION ENHANCEMENT NATURAL GAS
     - ☐ All items required by Rule 17(1), Rule 17(2) or Rule 17(3), or Rule 17(4)
   - E. STRIPPER WELL NATURAL GAS
     - ☐ All items required by Rule 18

I HEREBY CERTIFY THAT THE INFORMATION CONTAINED HEREIN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE AND BELIEF.

NAME OF APPLICANT (Type or Print)

SIGNATURE OF APPLICANT

Title_____

Date_____

FOR DIVISION USE ONLY

☐ Approved

☐ Disapproved

The information contained herein includes all of the information required to be filed by the applicant under Subpart B of Part 274 of the FERC regulations.

EXAMINER

OIL CONSERVATION DIVISION

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-132-A
Revised 8-10-81

APPLICATION FOR CONTINUED STRIPPER CLASSIFICATION

FOR DIVISION USE ONLY:
DATE COMPLETE APPLICATION FILED_____
DATE DETERMINATION MADE_____
WAS APPLICATION CONTESTED? YES_____NO_____
NAME(S) OF INTERVENOR(S), IF ANY:

1A. Indicate Type of Lease: STATE ☐ FEE ☐
3. State Oil & Gas Lease No.
7. Unit Agreement Name
8. Farm or Lease Name
1. Name of Operator
9. Well No.
2. Address of Operator
10. Field and Pool, or Wildcat
4. Location of Well: UNIT LETTER _____ LOCATED _____ FEET FROM THE _____ LINE AND _____ FEET FROM THE _____ LINE OF SEC. _____ TWP. _____ RGE. _____ NMPM
12. County
11. Name and Address of Purchaser(s)

CLASSIFICATION

1. Check appropriate box for category sought and information submitted.
2. All applications must contain the items required by the applicable rule of the Division's "Special Rules For Applications For Wellhead Price Ceiling Category Determinations" as follows.
   - A. Increased production resulting from recognized enhanced recovery techniques
     - ☐ All items required by Rule 19
   - B. Well is seasonally affected
     - ☐ All items required by Rule 20
   - C. Increased production resulting from temporary pressure buildup
     - ☐ All items required by Rule 21

I HEREBY CERTIFY THAT THE INFORMATION CONTAINED HEREIN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE AND BELIEF.

NAME OF APPLICANT (Type or Print)

SIGNATURE OF APPLICANT

Title_____

Date_____

FOR DIVISION USE ONLY

☐ Approved

☐ Disapproved

The information contained herein includes all of the information required to be filed by the applicant under Subpart B of Part 274 of the FERC regulations.

EXAMINER

These are reduced-size copies of Forms C-132 and C-132-A, currently in use by the N.M.O.C.D. They are presented here for informational purposes only. The originals are 8½" x 11".

7/10/78

Mr. [redacted]

I have received a letter from Ms. Jenkens, attorney for the N.M. Oil Conserv. Division, stating a hearing will be held but only upon matters pertaining to removal of C+K Pet. as operator. She states Bill Taylor failed to avail himself of administrative remedies for challenging well costs (an error on her part as you remember the letter challenging well costs, etc.) and risk factor. Of course we are not challenging the risk factor number, only the right for the penalty to be applied to Taylor and Page in this particular situation.

I request you continue your thoughts and be prepared to appeal to the District Court upon the NMOCD refusing to hear the case in entirety. Such has been your desire anyway. Upon receipt of further communication from the NMOCD, we shall proceed to District court within the 20 days allotted us. Sincerely, Bill Taylor

Case 6289

July 10, 1978
512 Welshire
Carlsbad, New Mexico 88220

Mr. David E. Bott, Supervisor,
Partnership Accounting
C&K Petroleum, Inc.
1 Houston Center
Suite 2600
Houston, Texas 77002

Re: Carlsbad '13', No. 1
NMOCD Order R-5332

Dear Mr. Bott:

This is to notify C&K that I have again filed with the NMOCD objections to and dispute with C&K: 1. "well costs"; 2. continued addition of expences without accounting for; 3. applying risk factor percentage to such; 4. using payout methods tieing my interests together with others interests (one system); and 5. the tieing of one well's working interests with another well's working interests in order to obtain C&K payout of both wells under the same accounting.

These are in conflict with Order R-5332 and regulations of the NMOCD. Accounting is to be honest, accurate, and each interest is to be treated as though it were an individual production unit except in the sharing of operating costs.

Sincerely,

Bill Taylor

Bill Taylor

Xerox copy; NMOCD

PONEAS OF: 1. Edward W. Hooper; 2. Jason W. Kellahin; 3. David E. Botts; 4. Jack Taylor; 5. C&K Petroleum, Inc. records; and 6. Transwestern Pipeline Co. records. I will make admittable references to them in hearing.

I would suggest you might like to determine C&K's legal right to represent all partners of record as such rights have not been placed in public records in Eddy County, New Mexico.

In view of the statements contained herein, stating error on the part of the NMOCD as basis for the NMOCD's refusal to hear the case in entirety, I request NMOCD reconsideration toward placing limitations on the hearing of less than full disclosure and accounting of C&K Petroleum, Inc.'s dealings with the well under Order R-5332 and State statutes, rules, regulations, and orders. Any hearing with less will not be adequate to disclose the facts needed to protect correlative rights, and would of necessity require pursuit in District Court instead. The seriousness of the problems is emphasized by the fact we have left over $13,000 royalty benefits in C&K's "suspense" account rather than compromise.

If the NMOCD does not desire to hear the case in entirety, dealing with all facts relative to C&K's obtaining and operating the well, then the NMOCD is requested to identify the specific administrative remedies and specific NMOCD rules, regulations, statutes, or order provisions failures of Bill Taylor in order that the District Court might give them full value, and consideration.

A question exists as to whether Ms. Teschendorf's position allows the letter of July 7, 1978 on behalf of the NMOCD to constitute a formal refusal of the NMOCD to a hearing as requested. If so, then this letter constitutes my application for rehearing your decision, requesting a full hearing as stated herein. We shall allow attorneys to begin preparing their appeal to the District Court for consideration of the full case in order to be certain of compliance with the time limits of the Division's regulations.

I have placed more of our case in writing than should ordinarily be necessary, however I will take one more step for the purpose of developing a more healthy atmosphere between us. Thomas Marek, a Carlsbad attorney has done legal work for me (he is not one of my attorneys in this case). He is also a personal friend of Jeff Bingaman (most likely the next Attorney General). Perhaps a phone call from Ms. Teschendorf to Mr. Marek might ease the apparent hostility enough to allow constructive efforts toward protection of correlative rights. I believe he could provide an unbiased opinion as to whether Bill Taylor is a blow-hard creating trouble or someone with genuine problems for the NMOCD's consideration, or the District Court's.

Respectfully submitted,

Bill Taylor

Bill Taylor

Enclosure

P.S. I continue to dispute and object to C&K's continual additions to well costs and efforts to apply 120% penalty to such when such penalty provision would not apply beyond drilling risk even if such were a legal right. I shall so state to C&K for the record. C&K accounting is a major part of my objection to their being operator. Copy enclosed.

Bill Taylor
7/10/78

Enclosure

Case 6289

July 10, 1978
512 Welshire
Carlsbad, New Mexico 88220

Mr. Joe Ramey, Secretary-Director
Ms. Lynn Teschendorf, General Counsel
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Dear Division Representatives:

I have received Ms. Teschendorf's communication of July 7, 1978. The subponea procedure outlined would of course be acceptable; however the "other interested persons---not presently on public record" are not on public record so that they might remain anonymous. At their request, I do not have the privilege to divulge their identities at this time. They are aware of anything of which I am. Of course the public publication of notice of hearing by local paper, etc. fulfills legal obligation of notification.

May 15, 1978, I verbally informed Mr. R. Stamets of the date of my letter of objection and dispute with C&K Petroleum well costs as being July 19, 1977. The letter covered several areas of dispute. A copy of the signed return card, certification number, etc. with date and person of delivery is enclosed for your aid. I complied with regulations; the NMOCD has not.

We do not challenge the 120% factor. It is immaterial. We challenge the RIGHT of C&K Petroleum to receive it or the imposition of any penalty being imposed upon Taylor and Page. We contend I was ready to pay our share of well costs but have not been allowed to do so because of incompliance of C&K Petroleum to Order R-5332 and the lack of the NMOCD to enforce those orders upon C&K. Such enforcement need has been stated to and requested of the NMOCD several times. Taylor compliance with regulations; NMOCD failure.

It is our desire to allow the NMOCD to correct its own mistake by the hearing. John 8:32. One of our attorneys desires to proceed directly to District Court with strong argumentation to place the case there. We intend to acquaint the NMOCD with areas under its jurisdiction needing more regulation, the lack of which allows such as C&K (we could name more) to fraud individuals and States of millions of dollars.

We shall attempt to present evidence which will prove fraud, perjury, and a flagrant disregard for personal and State rights by C&K from prior to force-pooling application through today.

The slight embarrassment at the hearing of the NMOCD will be a small price to pay for the information they will gain. We do intend to state that the NMOCD's lack of enforcement of rules, regulations, statutes, and orders allows C&K its only legal claim to the 120% penalty, etc. and therefore C&K's claim to such is not valid. Also stricter enforcement of rules, etc., is necessary to protect correlative rights and prevent waste.

A District Court presentation will require our proving NMOCD negligence of enforcement of rules, etc., as well as deal with the mentioned problems. The embarrassment there could be greater, if the court accepts our evidence.

If the NMOCD should decide to hear the lengthy case in its entirety; also take constructive action to procure for itself, under 65-3-11, all the data I have indicated in my letter with application of 6/30/78, a much more favorable image might emerge.

My subponea requests was not a fishing expedition. The NMOCD will need the information from each to pursue futher legal action as required of it by law. I believe the seriousness of the charges we shall develop along with involvement of the persons and records named would make their presence desirable in order that correlative and personal rights be protected. The public publication I have requested will be more than sufficient for our purposes, so:

THIS IS MY FORMAL APPLICATION AND REQUEST TO WITHDRAW MY REQUESTS FOR SUB-

AMENDED REPORT

C & K Petroleum, Inc. — P.O. Drawer 3546, Midland, Texas 79701 — March-1978 — 2

NAME (Underline) *Lease Name / L NO UNIT SEC TWP RNG	WELL STATUS	INJECTION VOLUME	INJECTION PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS SOLD	DISPOSITION OF GAS TRANSPORTER	DISPOSITION OF GAS OTHER	DISPOSITION OF GAS CODE	DISPOSITION OF OIL OIL ON HAND AT BEG. OF MONTH	DISPOSITION OF OIL BARRELS TO TRANSPORTER	DISPOSITION OF OIL TRANSPORTER	DISPOSITION OF OIL OTHER	DISPOSITION OF OIL CODE	DISPOSITION OF OIL OIL ON HAND END OF MONTH
Pool - Teckee State Unit Lease Number or Federal Lease Number																		
ath Carlsbad																		
Allied Chem. Fed. #2		NM-05507822																
2 E 3 24 26	F									EPG								
Carlsbad 7-1																		
1 M 7 22 27	F				0	0	0	0	0	TWP			22	0	PER	22	3	
rlsbad 12-1 Com.																		
1 O 12 22 26	F				0	594	14,892	31	14,892	TWP			0	0	---			
Carlsbad 13-1 Com.																		
1 G 13 22 26	F				0	104	43,847	31	43,847	TWP			0	0	---			
Harold Olive																		
1 O 14 22 26	F									EPG					PER			
ddy Co.)																		
st Atoka Morrow																		
Vandiver																		
1 M 18 18 26	F				95	8	33,479	31	33,479	TWP			144	169	NRC			
st Knowles (Drinkard)																		
Shipp 34																		
K 34 16 37	F									TRC					WCI			
4 M 34 16 37	F																	
TOTAL																		
ite City Penn																		
Exxon Federal																		
1 F 17 24 26	F									EPG					---			

RECEIVED
MAY - 4 1978
O. C. C.
HOBBS, OFFICE

STATUS CODE
F.....FLOWING
P.....PUMPING
G.....GAS LIFT
S.....SHUT IN
T.....TEMP ABANDONED
I.....INJECTION
D.....DISCONTINUED

"OTHER" GAS DISPOSITION CODE
X.....USED OFF LEASE } DETAIL ON FORM C-111
D.....USED FOR DRILLING }
G.....GAS LIFT
L.....LOST (MCF ESTIMATED)
C.....EXPLANATION ATTACHED
R.....REPRESSURING OR PRESSURE MAINTENANCE
V.....VENTED
U.....USED ON LEASE

"OTHER" OIL DISPOSITION CODE
C.....CIRCULATING OIL
L.....LOST
S.....SEDIMENTATION (OSEW)
E.....EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE

Juanita R. Hosier
(NAME)

Production Clerk
(POSITION)

Juanita R. Hosier 05/02/78
(SIGNATURE)

P. O. Box 2088, Santa Fe 87501

ONE COPY TO TRANSPORTER(S)

C & K Petroleum, Inc. P.O. Drawer 3546, Midland, Texas 79701 February 1976 Page 2

L NAME (Underline) *Lease Name / LL NO UNIT SEC TWP RNG	WELL STATUS	INJECTION VOLUME	INJECTION PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS SOLD	DISPOSITION OF GAS TRANSPORTER	DISPOSITION OF GAS OTHER	DISPOSITION OF GAS CODE	DISPOSITION OF OIL OIL ON HAND AT BEG. OF MONTH	DISPOSITION OF OIL BARRELS TO TRANSPORTER	DISPOSITION OF OIL TRANSPORTER	DISPOSITION OF OIL OTHER	DISPOSITION OF OIL CODE	DISPOSITION OF OIL OIL ON HAND AT END OF MONTH
(LEASE NAME - Include State Land Lease Number or Federal Lease Number)																		
South Carlsbad																		
Allied Chem. Fed. #2		NM-05507822																
2 E 3 24 26	F				0	0	7931	28	7931	EPG			0	0	---			0
Carlsbad 7-1		On Process to P.A.																
1 M 7 22 27	F				0	0	0	0	0	TWP			22	0	PER			22
Carlsbad 12-1 Com.																		
1 O 12 22 26	F				0	525	15,568	28	15,568	TWP			0	0	---			0
Carlsbad 13-1 Com.																		
1 G 13 22 26	F				0	62	13,330	28	13,330	TWP			0	0	---			0
Harold Olive																		
1 O 14 22 26	F				0	0	1229	28	1,229	EPG			40	0	PER			40
(Eddy Co.)																		
East Atoka Morrow																		
Vandiver																		
1 M 18 18 26	F				107	7	32,372	28	32,372	TWP			37	0	NRC			144
East Knowles (Drinkard)																		
Shipp 34																		
K 34 16 37	F			5712	3421	0	4789	28	4789	TRC			643	4123	WCI			37
M 34 16 37	F				436	129	532	28	532				71	466				71
TOTAL					4357	129	5321		5321				714	4654				412
White City Penn																		
Exxon Federal																		
1 F 17 24 26	F				0	0	22398	28	22,398	EPG			0	0	---			0

STATUS CODE
F.....FLOWING
P.....PUMPING
G.....GAS LIFT
S.....SHUT IN
T.....TEMP ABANDONED
I.....INJECTION
D.....DISCONTINUED

"OTHER" GAS DISPOSITION CODE
X.....USED OFF LEASE } DETAIL ON FORM C-111
O.....USED FOR DRILLING }
G.....GAS LIFT
L.....LOST (MCF ESTIMATED)
E.....EXPLANATION ATTACHED
R.....REPRESSURING OR PRESSURE MAINTENANCE
V.....VENTED
U.....USED ON LEASE

"OTHER" OIL DISPOSITION CODE
C.....CIRCULATING OIL
L.....LOST
S.....SEDIMENTATION (BS&W)
E.....EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GI... IS TRUE AND COMPLETE TO THE BEST OF MY KNOWL...

Juanita R. Hosier
(NAME)

Production Clerk
(POSITION)

Juanita R. Hosier
(SIGNATURE)

Operator: C & K Petroleum, Inc. P.O. Drawer 3546, Midland, Texas 79701 January 1978 Page 2

POOL NAME (Underline) *Lease Name / L NO UNIT SEC TWP RNG	WELL STATUS	INJECTION VOLUME	INJECTION PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS SOLD	DISPOSITION OF GAS TRANSPORTER	DISPOSITION OF GAS OTHER	DISPOSITION OF GAS CODE	DISPOSITION OF OIL OIL ON HAND AT BEG. OF MONTH	DISPOSITION OF OIL BARRELS TO TRANSPORTER	DISPOSITION OF OIL TRANSPORTER	DISPOSITION OF OIL OTHER	DISPOSITION OF OIL CODE	OIL ON HAND AT END OF MONTH
*Lease Name - Include State Lead Lease Number or Federal Lease Number																		
South Carlsbad																		
Allied Chem. Fed. #2		NM-05507822																
2 E 3 24 26	F			775	0	0	9404	29	9404	EPG			0	0	---			0
Carlsbad 7-1																		
1 M 7 22 27	F				0	3	816	7	816	TWP	3	S	25	0	PER			22
Carlsbad 12-1 Com.																		
1 O 12 22 26	F				0	687	21,009	31	21,009	TWP			0	0	---			0
Carlsbad 13-1 Com.																		
1 G 13 22 26	F				0	53	49,065	31	49,065	TWP			0	0	---			0
Harold Olive																		
1 O 14 22 26	F				0	0	2,113	31	2113	EPG			40	0	PER			40
(Eddy Co.)																		
East Atoka Morrow																		
Vandiver																		
1 M 18 18 26	F				56	8	37,055	31	37,055	TWP			147	166	NRC			37
East Knowles (Drinkard)																		
Shipp 34																		
1 K 34 16 37	F			6324	4317	0	5025	31	5025	TRC			378	4067	WCI			628
1 34 16 37	F				589	141	685	31	685				52	535				86
TOTAL					4906	141	5710		5710				430	4622				714
White City Penn																		
Exxon Federal																		
1 F 17 24 26	F				0	13	26092	31	26092	EPG			0	0	---			0

STATUS CODE
F.....FLOWING
P.....PUMPING
G.....GAS LIFT
S.....SHUT IN
T.....TEMP ABANDONED
I.....INJECTION
D.....DISCONTINUED

"OTHER" GAS DISPOSITION CODE
X.....USED OFF LEASE (DETAIL ON FORM C-111)
O.....USED FOR DRILLING (DETAIL ON FORM C-111)
G.....GAS LIFT
L.....LOST (MCF ESTIMATED)
E.....EXPLANATION ATTACHED
R.....REPRESSURING OR PRESSURE MAINTENANCE
V.....VENTED
U.....USED ON LEASE

"OTHER" OIL DISPOSITION CODE
C.....CIRCULATING OIL
L.....LOST
S.....SEDIMENTATION (BS&W)
E.....EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE

Juanita R. Hosier (NAME)

Production Clerk (POSITION)

Juanita R. Hosier (SIGNATURE) 2/27/78

CARLSBAD 7-1 Lease, Carlsbad, South (Morrow) Field

Month/Year	Mcf Reported	Corrected Mcf
12-77	11,445	11,159

CARLSBAD 12-1 Lease, Carlsbad, South (Morrow) Field

11-77	19,006	18,531
12-77	25,572	24.933

CARLSBAD 13-1 Lease, Carlsbad, South (Morrow) Field

06-77	[illegible]	[illegible]
07-77	50,806	49,536
08-77	[illegible]	[illegible]
09-77	54,996	53,621
10-77	[illegible]	[illegible]
11-77	50,213	48,958
12-77	49,304	48,071

AMENDED REPORT

ONE COPY TO SANTA FE OFFICE
ONE COPY TO TRANSPORTER(S)

C & K Petroleum, Inc. — P.O. Drawer 3546, Midland, Texas — 79701 — "See Note Below" — Page 1 of

NAME (Underline) *Lease Name / UL NO UNIT SEC TWP RNG	WELL STATUS	INJECTION VOLUME	INJECTION PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS SOLD	DISPOSITION OF GAS TRANSPORTER	DISPOSITION OF GAS OTHER	DISPOSITION OF GAS CODE	DISPOSITION OF OIL OIL ON HAND AT BEG. OF MONTH	DISPOSITION OF OIL BARRELS TO TRANSPORTER	DISPOSITION OF OIL TRANSPORTER	DISPOSITION OF OIL OTHER	DISPOSITION OF OIL CODE	DISPOSITION OF OIL OIL ON HAND AT END OF MONTH
*NAME - Include State Lead Lease Number or Federal Lease Number																		
th Carlsbad arlsbad 7-1 M 7 22 27	F	This C-115 being filed to correct "See Attachment."					gas volume	produced	and	TWP	sold for		month of December-1977.		PER			
arlsbad 12-1 Com. O 12 22 26	F	This C-115 being filed to correct "See Attachment."					gas volume	produced	and	TWP	sold for		months November and December-19		---			
lsbad 13-1 Com. G 13 22 26	F	This C-115 being filed to 1977. "See Attachment."					gas volume	produced	and	TWP	sold for		period June-1977 thru December		---			
Atoka Morrow ndiver M 18 18 26	F	This C-115 being filed to 1977. "See Attachment."					gas volume	produced	and	TWP	sold for		period April-1973 thru December		NRC			
e City (Penn) deral 22 Com. F 22 24 26	F	This C-115 being filed to 1977. "See Attachment."					gas volume	produced	and	TWP	sold for		period January-1976 thru Decem		---			
nnzoll Federal #1 K 15 24 26	F	This C-115 being filed to ber-1977. "See Attachment."					gas volume	produced	and	TWP	sold for		period December-1976 thru Dece		PER			

RECEIVED
MAY - 4 1978
O. C. C.
ARTESIA, OFFICE

STATUS CODE
F.....FLOWING
P.....PUMPING
G.....GAS LIFT
S.....SHUT IN
T.....TEMP ABANDONED
I.....INJECTION
D.....DISCONTINUED

"OTHER" GAS DISPOSITION CODE (DETAIL ON FORM C-111)
X.....USED OFF LEASE
D.....USED FOR DRILLING
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L.....LOST (MCF ESTIMATED)
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V.....VENTED
U.....USED ON LEASE

"OTHER" OIL DISPOSITION CODE
C.....CIRCULATING OIL
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E.....EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE

Juanita R. Hosler (NAME)

Production Clerk (POSITION)

Juanita R. Hosler (SIGNATURE) 05/03/78

C & K Petroleum, Inc.

600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3540
MIDLAND, TEXAS 79702
(915) 683-3311

Publish Sketch from Above

RECEIVED
MAY - 4 1978
O. C. C.
ARTESIA, OFFICE

May 3, 1978

The New Mexico Oil Conservation Commission
P.O. Drawer DD
Artesia, New Mexico 88210

Re: Amended Reports, Form C-115
for Wells in South Carlsbad
Field, West Atoka Morrow
Field and White City (Penn)
Field, Eddy Co., New Mexico

Gentlemen:

Mr. R. L. Stamets, in your Santa Fe office, has called to our attention, the fact that we have been reporting gas on your form C-115 for wells in the above subject fields where the gas is purchased by Transwestern Gas Pipeline at the wrong pressure base. Transwestern reports gas volumes purchased at a pressure base of 14.65# which is the contract base, and the people filing our reports had failed to adjust to 15.025# pressure base, required by The State of New Mexico. We do regret this error.

You will find enclosed one form with an attachment showing reported volumes and corrected volumes for all months since first production through December, 1977. We are filing corrected reports for the months of January, February and March, 1978. It was Mr. Stamets suggestion that this procedure would be satisfactory.

Yours very truly,

C & K PETROLEUM, INC.

G C Tompson

G. C. Tompson
Manager of Production

GCT/sm
Enclosures

cc: Transwestern Pipeline Co., Houston, Texas
Associated Tax Consultants, Dallas, Texas
The New Mexico Oil Conservation Commission, Santa Fe, New Mexico
The New Mexico Oil Conservation Commission, Hobbs, New Mexico
The New Mexico Oil & Gas Accounting Commission, Santa Fe, New Mexico

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 17-26
Submitted by Taylor
Hearing Date /

17-26

NOV 14 1978

Acknowledged Executed Security Agreement
and Assignment Proceeds of Working Interest
Enclosed

CUSTOMER'S DRAFT

CARLSBAD NATIONAL BANK

95-179
1122

Carlsbad, N. M., November 2 19 78 No. 116

ON SIGHT PAY TO THE ORDER OF

C & K PETROLEUM INC. $73,783.94

SEVENTY THREE THOUSAND SEVEN HUNDRED EIGHTY THREE AND 94/100 ---------- DOLLARS

VALUE RECEIVED AND CHARGE TO THE ACCOUNT OF WITH EXCHANGE

TO THE CARLSBAD NATIONAL BANK

Carlsbad, New Mexico

ATTN: E. Blair Gaffney

Bill G. Taylor

Bill G. Taylor

Copy

NOV 14 1978

RECEIPT

Receipt is acknowledged this Nov. 6th day of November, 1978, of the following:

1. Bank Draft, Carlsbad National Bank of Carlsbad, New Mexico, No. 11678 in the amount of $ 73,783.94 dated Nov. 2, '78

2. Assignment of Payment of $75,000.00 of working interest of Bill Taylor to Carlsbad National Bank

C & K PETROLEUM, INC.

By G C Tompson

Wiiness:

Wilson Brazel

Mary Ellen Burns

NOV 14 1978

November 7, 1978
512 Welshire
Carlsbad, New Mexico 88220

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

Re: Order R-5332-A

Dear Division:

Please be aware I have delivered to C&K Petroleum, Inc.'s G. Tompson on November 6, 1978, a draft for the amount of $73,783.94 which represents my interest share (13.368983 %) of the C&K Carlsbad 13 No. 1 Well costs (stated by the NMOCD to be $551,903.87); together with an assignment of $75,000 of my working interest monies to the Carlsbad National Bank of Carlsbad, New Mexico. Legal acknowledgement of the assignment is to accompany the draft back to the Carlsbad National Bank.

Receipt of both articles is acknowledged by G. C. Tompson on November 6, 1978. Copy of the draft and receipt are enclosures.

Sincerely,

Bill Taylor

Bill Taylor

enclosures
Xerox: Carlsbad National Bank
J. Kellahin, C&K att.

Eddy Co., New Mexico

A G R E E M E N T

C & K Petroleum, Inc., is the applicant for compulsory pooling and a non-standard gas proration unit in Case No. 5807 before the New Mexico Oil Conservation Commission, Wednesday, November 10, 1976. Bill Taylor and William A. Page are owners of interests in the minerals underlying the proposed non-standard unit that would be affected by a pooling order.

Bill Taylor represents that he has the right to bind William A. Page, and E. W. Hooper, Exploration Manager for C & K Petroleum, Inc., represents that he has the right to enter into this agreement on behalf of C & K Petroleum, Inc.

C & K Petroleum, Inc., agrees that at the presentation of this case it will not seek a risk factor in excess of 120%, that is it will seek the right to recover its reasonable costs of drilling, completing and equipping the subject well, plus 120% of that amount as a risk factor for drilling the well, as provided by New Mexico statutes, and the rules and regulations of the Commission.

Bill Taylor acknowledges receipt of estimated well costs in the form of an A.F.E., given to him this date, and C & K Petroleum Inc., agrees that Bill Taylor shall have thirty days from this date in which to pay his share of estimated well costs in lieu of paying such share out of production, and thereby avoid payment of the 120% risk factor.

Bill Taylor shall have the right to take his gas in kind, after payout of the well, provided that he shall make connection at his own expense.

It is agreed that C & K Petroleum, Inc., does not seek compulsory pooling in this case of any formations other than Wolfcamp and Pennsylvanian formations, and does not seek pooling of any formations above the Wolfcamp.

Bill Taylor

BILL TAYLOR, for himself, and for William A. Page

E. W. HOOPER, for C & K Petroleum, Inc.

Dated: November 9, 1976

EXHIBIT "C"

13

(16) That although the evidence in this case establishes that C & K has been grossly lax in the observance of certain Division rules and orders, particularly as they relate to the filing of forms and reports, and the establishment of an escrow account in accordance with Order (12) of Order No. R-5332, the Commission cannot find this to be grounds for removal of C & K as operator of the well at this time, and it should be permitted to continue as operator, pending further order of the Commission or Division.

(17) That Taylor's request that C & K be removed as operator should therefore be denied.

IT IS THEREFORE ORDERED:

(1) That the application of Bill Taylor for removal of C & K Petroleum, Inc., as operator of the Carlsbad "13" Well No. 1 located in Unit G of Section 13, Township 22 South, Range 26 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, is hereby denied.

(2) That within 30 days from the effective date of this Order, Bill Taylor shall have the right to pay his share of the actual well costs of $551,903.87 to the operator of said Carlsbad "13" Well No. 1 in lieu of paying his share of said costs out of production, and should he pay his share as provided above, he shall remain liable for operating costs but shall not be liable for risk charges.

(3) That all provisions of Order No. R-5332 not in conflict herewith shall remain in full force and effect.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Phil R. Lucero

PHIL R. LUCERO, Chairman

Emery C. Arnold

EMERY C. ARNOLD, Member

Joe D. Ramey

JOE D. RAMEY, Member & Secretary

S E A L
fd/

(5) That on July 5, 1978, Taylor filed an application for "operator's accounting, regulation and order compliance; operator removal; protection of royalty and interest owner's correlative rights; and Commission amendment of Order No. R-5332."

(6) That this cause came on for hearing on August 9, 1978, and September 11, 1978.

(7) That C & K failed to furnish the Commission and each known working interest owner an itemized schedule of estimated well costs after the effective date of Order No. R-5332 and within 30 days prior to commencing the well in accordance with Order (3) of said order.

(8) That Taylor was therefore not afforded the opportunity to pay his share of estimated well costs to the operator in accordance with the terms of said Order No. R-5332 in lieu of paying his share of reasonable well costs out of production.

(9) That Taylor should be afforded the opportunity to pay his share of reasonable well costs now in lieu of paying the same out of production.

(10) That although Taylor objected to well costs as submitted by C & K, including tubing costs, the evidence presented shows that actual well costs total $551,903.87.

(11) That said well costs of $551,903.87 are reasonable costs for the subject well.

(12) That within 30 days from the effective date of this order, Taylor should have the right to pay his share of the actual well costs to the operator in lieu of paying his share of said costs out of production; further, that if he pays his share as provided herein, he should remain liable for operating costs but should not be liable for risk charges.

(13) That no evidence was presented showing that C & K has failed to afford Taylor or other interest owners in the unit the opportunity to recover their just and fair share of the gas from the Carlsbad "13" Well No. 1, and there is no evidence that correlative rights have been impaired.

(14) That no evidence was presented showing that C & K has caused waste by its operation of the well.

(15) That although certain of the accounting and operational procedures employed by C & K in the past appear to have been less than satisfactory, these have apparently now been corrected.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 6289
Order No. R-5332-A

APPLICATION OF BILL TAYLOR FOR ENFORCEMENT AND AMENDMENT OF ORDER NO. R-5332, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 9, 1978, and September 11, 1978, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 17th day of October, 1978, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

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

(2) That on November 30, 1976, upon the application of C & K Petroleum, Inc., hereinafter referred to as "C & K", the Commission issued its Order No. R-5332 pooling the N/2 of Section 13, Township 22 South, Range 26 East, NMPM, South Carlsbad Field, Eddy County, New Mexico.

(3) That this acreage was dedicated to the Carlsbad "13" Well No. 1 located in Unit G of said section.

(4) That C & K was appointed the operator of the well by Order No. R-5332, and Bill Taylor, hereinafter referred to as "Taylor", was and is an interest owner in said well.

EXHIBIT "B"

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE

APPLICATION OF BILL TAYLOR FOR ENFORCEMENT AND AMENDMENT OF ORDER NO. R-5332, EDDY COUNTY, NEW MEXICO.

CASE NO. 6289
Order No. R-5332-A

APPLICATION FOR REHEARING

COMES NOW Applicant Bill Taylor, by and through his attorneys, Matkins and Martin, of Carlsbad, Eddy County, New Mexico, and pursuant to Section 65-3-22(a), NMSA, 1953 Comp., applies for a rehearing on certain matters arising from Order No. R-5332-A entered October 17, 1978, as hereinafter set forth:

1. That the Commission failed in any way to consider the correlative rights of W. A. Page, Jr., an owner of a working interest in C & K Carlsbad "13" Well No. 1, as adequate and sufficient evidence is presented in the record to allow the Commission to consider the rights of W. A. Page, Jr. That the Commission failed to consider the rights of W. A. Page, Jr., in relation to the assessment of the risk factor penalty and waiver thereof.

2. That the Commission is in error in finding that no correlative rights have been impaired as the record clearly reveals failure by C & K Petroleum to properly account to the Commission. That Taylor is aware of continuing violations by C & K Petroleum of pargraph 12 of Order No. R-5332 as certain funds are continuing to be held in escrow by the American Bank of Carlsbad without authorization from C & K for disbursement upon proof of

ownership. That said escrow instructions of C & K are in direct violation of paragraph 12 of Order No. R-5332. That subsequent to the entry of Order No. R-5332-A, accountings were submitted to the working interest owners containing incorrect figures as previously used prior to the last hearing before the Commission at which time the record reveals C & K acknowledged errors in the accounting.

3. That the Commission failed to consider assessment or attempted collection of penalties as provided in Section 65-3-27, NMSA, 1953 Comp., for continued violations of the orders of the Commission and the impairment of the correlative rights of the working interest and royalty interest owners.

4. That the Commission failed to address itself to its capacity to exercise jurisdiction over royalty interest owners and their rights, and that said Commission does have such jurisdiction and should actively exercise that jurisdiction in protection of the citizens of the State of New Mexico and the royalty interest owners owning royalty interests in the State of New Mexico.

5. That the Commission has failed to address itself to the inadequate testing of production casing out of which a contingent liability arises against other working interest owners should failure of casing result in injury to persons or property.

6. That the Commission failed to consider and address itself to the right of C & K, if any, to withhold royalty payments pending the signing of a division order and the adhesionary nature of the division order. That the Commission also failed to consider or rule on the necessity of executing an operating agreement.

7. That a preponderance of adequate and sufficient evidence was presented to the Commission as revealed by the transcripts of the two hearings conducted by the Commission at Mr. Taylor's application, and that the Commission should reconsider the law of the State of New Mexico as applicable to the facts presented to the Commission and take steps to grant Taylor the additional review and relief requested.

8. That no review or request for relief or rehearing is applied for by Taylor in reference to the allowing Taylor 30 additional days to contribute his proportionate share of the costs of drilling Carlsbad "13" Well No. 1.

Respectfully submitted,

MATKINS AND MARTIN

By W. T. Martin, Jr.

W. T. Martin, Jr.
P. O. Drawer N
Carlsbad, NM 88220

Attorneys for Applicant

WE HEREBY CERTIFY THAT WE HAVE MAILED A COPY OF THE FOREGOING PLEADING TO OPPOSING COUNSEL OF RECORD THIS
4/2/78
BY W. T. Martin

RECEIVED
NOV 6 1978
Oil Conservation Commission

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 6289
Order No. R-5332-A

APPLICATION OF BILL TAYLOR FOR ENFORCEMENT AND AMENDMENT OF ORDER NO. R-5332, EDDY COUNTY, NEW MEXICO.

APPLICATION FOR REHEARING

Comes now C & K Petroleum, Inc., and pursuant to the provisions of Section 65-3-22, New Mexico Statutes Annotated, 1963 Compilation, applies for a rehearing on Energy and Minerals Department, Oil Conservation Division Order No. R-5332-A entered on October 17, 1978, and as grounds therefor states:

A. On November 30, 1976 the Oil Conservation Commission of New Mexico entered its Order No. R-5332 pooling all mineral interests, whatever they may be, in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 13, Township 22 South, Range 26 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, designating applicant as operator of the pooled unit. A copy of Order No. R-5332, marked as Exhibit "A" is attached hereto and made a part hereof.

B. On October 17, 1978, on the application of Bill Taylor, the Oil Conservation Division, successor to the Oil Conservation Commission, entered its Order No. R-5332-A giving Bill Taylor thirty days from the effective date of the order, to pay his

proportionate share of the actual well costs of ~~$441,903.87~~ $551,903.87 to C and K Petroleum, Inc., as operators of the Carlsbad "13" Well No. 1 in lieu of paying his share out of production, as provided by Order No. R-5332, and providing further that on payment Taylor shall remain liable for operating costs but not for a risk charge as provided by said Order No. R-5332. A copy of Order No. R-5332-A, marked as Exhibit "B", is attached hereto and made a part of this application.

C. Oil Conservation Division Order No. R-5332-A is unlawful, unreasonable, arbitrary, ambiguious and capricious in the following respects:

1. On November 10, 1976 the New Mexico Oil Conservation Commission heard the application of C & K Petroleum, Inc., for compulsory pooling of the N/2 of Section 13, Township 22 South, Range 26 East, N.M.P.M. South Carlsbad Field, Eddy County, New Mexico. As shown by the record Bill Taylor was present at the hearing and acknowledged receipt of a copy of the estimated well costs of the proposed well, and stated that he intended participating in the drilling of the well. (Tr. Nov. 10, 1976, p. 11-12). As shown by Exhibit "C", (presented as C & K's Exhibit 13) attached hereto and made a part of this application, Bill Taylor acknowledged in writing receipt on November 9, 1976, estimated well costs in the form of an A.F.E., and agreed he should have thirty days in which to pay his share of estimated well costs, in lieu of paying out of production, and thereby avoid payment of a risk factor. In consideration of this agreement, C & K agreed not to seek a risk factor in excess of 120%, and agreed that Taylor should have the right to take his gas in kind after payout of the well.

2. On November 30, 1976, the Commission entered its

order pooling the described acreage, which, among other things provided that after the effective date of the order and within thirty days prior to commencing the subject well non-consenting owners should be furnished with estimated well costs, and should have thirty days after receipt of the estimated well costs to pay his proportionate share of the well costs.

3. Bill Taylor acknowledged receipt of not less than three copies of the estimated well costs, before and after the hearing, but not after effective date of Order R-5332.

4. The Division Order R-5332-A so narrowly construes its Order R-5332 as to the requirement for furnishing estimated well costs within a specific, narrow time frame, as to be unreasonable, arbitrary, capricious and unlawful. The Division's construction is not founded on any law, rule or regulation and should be revoked.

5. Although he had stated he would do so, Bill Taylor did not put up his share of estiamted well costs, although at all times he had full knowledge as to what those costs were. Not until November 6, 1978, pursuant to Order No. R-5332-A, did Mr. Taylor tender a bank draft to C & K as his estimate of his share of well costs.

6. Bill Taylor has failed and refused to sign a division order covering his interest in the subject well.

7. Order R-5332-A, Exhibit "B" provides that upon payment, within thirty days, of his share of the well costs of $551,903.87, he shall remain liable for well costs but shall not be liable for any risk charges.

8. The subject well commenced production June 21, 1977, and was potentialed into the pipeline August 3, 1977, as shown by the testimony, exhibits and the Commission's records. The

well has produced consistently since being placed on production. Order R-5332-A, however, is silent as to accounting for any production prior to Bill Taylor's payment of his share of well costs is ambiguous, indefinite and void.

9. If Order R-5332-A is construed as requiring C & K Petroleum, Inc. to account to Bill Taylor as a working interest owner and participant since first production the order is unreasonable, arbitrary and capricious because:

A. The action exceeds the power of the Division.

B. The Order woudl determine property rights, contrary to law.

C. The Order interferes with contract rights of C & K Petroleum, Inc., contrary to law.

D. The Order would impose on C & K Petroleum penalties not authorized by statute, and in excess of the Division's authority.

E. The Order takes C & K Petroleum's property without due process of law.

WHEREFORE Applicant C & K Petroleum, Inc., prays that the Oil Conservation Division, New Mexico Energy Department, grant it a rehearing on its Order No. R-5332-A as requested, and that after notice and hearing as provided by law, the Division rescind its Order R-5332-A as to provisions permitting Bill Taylor to pay his share of well costs, and participate in production without payment of a risk factor, and for reaffirmation of the provisions of Division Order No. R-5332 in its entirity.

Respectfully submitted,

C & K PETROLEUM, INC.

By _____
KELLAHIN & FOX
P. O. Box 1769
Santa Fe, New Mexico 87501

Attorneys for C & K Petroleum, Inc.

C E R T I F I C A T E

I hereby certify that I mailed a true copy of the above and foregoing application for rehearing to W. T. Martin, Jr., P. O. Drawer N, Carlsbad, New Mexico 88220, and to Bill Taylor, 512 Wilshire, Carlsbad, New Mexico 88220, this 6th day of November 1978.

Jason W. Kellahin

JASON W. KELLAHIN

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5807
Order No. R-5332

APPLICATION OF C & K PETROLEUM, INC.
FOR COMPULSORY POOLING AND A NON-STANDARD
UNIT, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 10, 1976, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 30th day of November, 1976, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, C & K Petroleum, Inc., seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 13, Township 22 South, Range 26 East, NMPM, South Carlsbad Field, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well 1980 feet from the North line and 1980 feet from the East line of said Section 13 to be dedicated to a non-standard 336.6-acre 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.

EXHIBIT "A"

(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 120 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 $1,000 per month while drilling and $150 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 February 28, 1977, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 13, Township 22 South, Range 26 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, are hereby pooled to form a non-standard 336.6-acre gas spacing and proration unit to be dedicated to a well to be drilled 1680 feet from the North line and 1980 feet from the East line of said Section 13.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 28th day of February, 1977, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 28th day of February, 1977, Order (1) of this order shall be null and void and of no effect whatsoever; unless said operator obtains a time extension from the Commission for good cause shown.

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

(2) That C & K Petroleum, 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 Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated weld costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Commission and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 45 days following receipt of said schedule, the actual well costs

shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

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

(B) As a charge for the risk involved in the drilling of the well, 120 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 $1,000 per month while drilling and $150 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

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

(12) 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 Commission of the name and address of said escrow agent within 90 days from the date of this order.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman

EMERY C. ARNOLD, Member

JOE D. RAMEY, Member & Secretary

S E A L

dr/

OIL AND GAS ACCOUNTING COMMISSION

P. O. BOX 2308 SANTA FE, NEW MEXICO

AMENDED

OPERATORS REMITTANCE REPORT
O-1

TAX REMITTANCE SCHEDULE

OIL AND GAS EMERGENCY SCHOOL TAX.....(TOTAL OF COLUMN (N) OF O-2 REPORT)		$ 200.02
OIL AND GAS SEVERANCE TAX .....(TOTAL OF COLUMN (O) OF O-2 REPORT)		250.20
OIL AND GAS CONSERVATION TAX .....(TOTAL OF COLUMN (P) OF O-2 REPORT)		14.90
OIL AND GAS AD VALOREM PRODUCTION TAX.....(TOTAL OF COLUMN (R) OF O-2 REPORT)		92.47
TOTAL OF ABOVE LINES		557.59
ADD INTEREST IF REMITTANCE IS PAST DUE		
ADD AMOUNT OF COMMISSION INVOICE #_____		
DEDUCT AMOUNT OF COMMISSION CREDIT #_____		( )
TOTAL TAX REMITTANCE		$ 557.59

MAKE CHECK PAYABLE TO: OIL AND GAS ACCOUNTING COMMISSION
ATTACH CHECK, INVOICES AND CREDITS TO THIS REPORT

STATE ROYALTY REMITTANCE SCHEDULE

OIL AND GAS STATE ROYALTY .....(TOTAL OF COLUMN (S) OF O-2 REPORT)		$ -0-
ADD AMOUNT OF COMMISSION INVOICE #_____		-0-
DEDUCT AMOUNT OF COMMISSION CREDIT #_____		(-0-)
TOTAL ROYALTY REMITTANCE.....		$ -0-

MAKE CHECK PAYABLE TO: COMMISSIONER OF PUBLIC LANDS
ATTACH CHECK, INVOICES AND CREDITS TO THIS REPORT

THIS REPORT SUBMITTED BY:
COMPANY C & K PETROLEUM INC.
ADDRESS 2600 ONE HOUSTON CENTER, HOUSTON
FOR THE MONTH OF OCTOBER 1978
CONSISTING OF _____ PAGES HAS BEEN
EXAMINED BY ME AND TO THE BEST OF MY
KNOWLEDGE AND BELIEF IT IS TRUE, COMPLETE
AND PURSUANT TO LAW AND REGULATION.
SIGNATURE Allan Rooker
TITLE Controller DATE 8-22-78

Ex 18

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 18
Submitted by _____
Hearing Date _____

[redacted]
[redacted]
[redacted]

061856

OWNER I.D. 77261 DATE 5/31/78

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES - DUPLICATE WILL NOT BE FURNISHED.

DATE MO.	DATE YR.	PROPERTY NUMBER	PC	IC	TOTAL FOR PROPERTY QUANTITY	TAX/DEDUCT	T/D	NET	YOUR PORTION GROSS	YOUR PORTION INTEREST	NET VALUE
04	78	00632-00	2	2	41586	4,628.75	T	61,873.12	50.85	.00076470	47.31
								TOTAL	50.85		47.31

PC-PRODUCT CODES
1-OIL (BBLS)
2-GAS (MCF)
3-PLANT PRODUCTS (GALS)
4-CONDENSATE (BBLS)

IC-INTEREST CODES
1-WORKING
2-ROYALTY
3-OVERIDE

T/D
T-TAX
OTHER CODES FOR ACCT. PURPOSES ONLY

DETACH BEFORE PRESENTING FOR PAYMENT.

C & K Petroleum, Inc.

74881

July 19, 1978

Notice to Interest Owner:

The Supreme Court of the United States has denied petitions for certiorari with respect to further judicial review of FPC Opinions 770 and 770-A. As a result of the Court's decision, certain amounts collected by producers, but heretofore subject to refund, will not be required to be refunded to their respective gas purchasers. We are please, therefore to include in this check your share of all amounts attributable to your lease(s) previously suspended under the above Opinions.

C & K Petroleum, Inc.

CK/ls

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 2
Submitted by Wells
Hearing Date 9-11-78

1 HOUSTON CENTER • SUITE 2600 • HOUSTON, TEXAS 77002 • 713/654-4466 • CABLE ADDRESS: CANDK

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES -DUPLICATE WILL NOT BE FURNISHED.

DATE MO.	DATE YR.	PROPERTY NUMBER	PC	IC	TOTAL FOR PROPERTY QUANTITY	TAX/DEDUCT	T/D	NET	GROSS	YOUR PORTION INTEREST	NET VALUE
9	78	00632-00	2	2	41586	4,628.75	T	61,373.12	27.14	.00040810	25.2
								TOTAL	27.14		25.2

PC-PRODUCT CODES
1-OIL (BBLS) 3-PLANT PRODUCTS(GALS)
2-GAS (MCF) 4-CONDENSATE(BBLS)

IC-INTEREST CODES
1-WORKING 3-OVERRIDE
2-ROYALTY

T/D
T-TAX
OTHER CODES FOR ACCT. PURPOSES ONLY

DETACH BEFORE PRESENTING FOR PAYMENT

OWNER NO. 71224 DATE 3/28/78

1 HOUSTON CENTER, SUITE 2600
HOUSTON, TEXAS 77002
(713) 654-4466

058694

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES -DUPLICATE WILL NOT BE FURNISHED.

DATE MO.	DATE YR.	PROPERTY NUMBER	PC	IC	TOTAL FOR PROPERTY QUANTITY	TAX/DEDUCT	T/D	NET	GROSS	YOUR PORTION INTEREST	NET VALUE
2	78	00632-00	2	2		132.79	T	3,330.32	1.41	.00040810	1.36
2	78	00632-00	2	2	43330	3,332.91	T	27,042.55	12.40	.00040810	11.04
								TOTAL	13.81		12.40

PC-PRODUCT CODES
1-OIL (BBLS) 3-PLANT PRODUCTS(GALS)
2-GAS (MCF) 4-CONDENSATE(BBLS)

IC-INTEREST CODES
1-WORKING 3-OVERIDE
2-ROYALTY

T/D
T-TAX
OTHER CODES FOR ACCT. PURPOSES ONLY

DETACH BEFORE PRESENTING FOR PAYMENT.

OWNER NO. 71224 DATE 6/28/78

1 HOUSTON CENTER, SUITE 2600
HOUSTON, TEXAS 77002
(713) 654-4466

062467

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES -DUPLICATE WILL NOT BE FURNISHED.

DATE MO.	DATE YR.	PROPERTY NUMBER	PC	IC	TOTAL FOR PROPERTY QUANTITY	TAX/DEDUCT	T/D	NET	GROSS	YOUR PORTION INTEREST	NET VALUE
05	78	00632-00	2	2	44296	4,930.39	T	65,905.15	28.91	.00040810	26.90
								TOTAL	28.91		26.90

PC-PRODUCT CODES
1-OIL (BBLS) 3-PLANT PRODUCTS(GALS)
2-GAS (MCF) 4-CONDENSATE(BBLS)

IC-INTEREST CODES
1-WORKING 3-OVERIDE
2-ROYALTY

T/D
T-TAX
OTHER CODES FOR ACCT. PURPOSES ONLY

DETACH BEFORE PRESENTING FOR PAYMENT.

OWNER NO. 71224 DATE 1/27/78

1 HOUSTON CENTER, SUITE 2600
HOUSTON, TEXAS 77002
(713) 654-4466

056353

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES -DUPLICATE WILL NOT BE FURNISHED.

DATE MO.	DATE YR.	PROPERTY NUMBER	PC	IC	TOTAL FOR PROPERTY QUANTITY	TAX/DEDUCT	T/D	NET	GROSS	YOUR PORTION INTEREST	NET VALUE
12	77	00632-00	2	2	49304	3,722.88	T	29,380.49	13.51	.00040810	11.9
12	77	00632-00	2	2		148.33	T	3,729.85	1.53	.00040810	1.5
								TOTAL	15.39		13.51

PC-PRODUCT CODES
1-OIL (BBLS) 3-PLANT PRODUCTS(GALS)
2-GAS (MCF) 4-CONDENSATE(BBLS)

IC-INTEREST CODES
1-WORKING 3-OVERIDE
2-ROYALTY

T/D
T-TAX
OTHER CODES FOR ACCT. PURPOSES ONLY

DETACH BEFORE PRESENTING FOR PAYMENT.

Aug. 17 1978
201 E. Quay
Carlsbad N.M. 88220

N. M. Oil Conservation Division
P.O. Box 2088
Santa Fe, N. M. 87501

Dear Sirs.

I cannot make a personal appearance as I can not afford the last time from my job. I have sent a letter to you will substitute for my appearance in Case 6289. Concerning C & K's Carlsbad 13 # 1 well. Down a lot described as the E 144.2' of Lot 33, Block 5, Home Acres Subd. in the North half of Section 13, T-22 S, R-26 E, Eddy Co. New Mexico. I request the Admittance of my Check Stubs as evidence of C & K's accounting to many of us Royalty owners supporting the petition I signed which I understand is in your possession. Other royalty owners have received no production

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 1
Submitted by Burnett
Hearing Date 9/11/78

Royalties although one of these has gotten two (2) dollars sheet in Royalty.

Please use the stubs to support our request of the petition and for evidence of other improper accounting of C+K Petroleum, Inc.

Sincerely

Bobby Don Burnett

Enclosures
Check stubs.

Xerox: Bill Taylor
L. Killahan - C+K Attorney

OWNER NO. 71224 DATE 7/28/78

1 HOUSTON CENTER, SUITE 2600
HOUSTON, TEXAS 77002
(713) 654-4466

064767

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES -DUPLICATE WILL NOT BE FURNISHED.

DATE MO	DATE YR	PROPERTY NUMBER	PC	IC	TOTAL FOR PROPERTY QUANTITY	TOTAL FOR PROPERTY TAX/DEDUCT	T/D	NET	GROSS	YOUR PORTION INTEREST	NET VALUE
06	77	00632-00	2	2		48.09	2	592.21	.26	.00040810	.24
06	77	00632-00	2	2	10042	592.21	2	7,292.86	3.22	.00040810	2.98
07	77	00632-00	2	2		62.92	2	1,563.33	.66	.00040810	.64
07	77	00632-00	2	2	50806	1,563.33	2	38,840.60	16.49	.00040810	15.85
08	77	00632-00	2	2		68.83	2	1,710.17	.73	.00040810	.70
08	77	00632-00	2	2	55578	1,710.17	2	42,488.73	18.04	.00040810	17.34
09	77	00632-00	2	2		66.84	2	1,676.70	.71	.00040810	.68
09	77	00632-00	2	2	54996	1,676.69	2	42,059.37	17.85	.00040810	17.16
10	77	00632-00	2	2		69.56	2	1,744.93	.74	.00040810	.71
10	77	00632-00	2	2	56521	1,744.96	2	43,771.91	18.58	.00040810	17.86
11	77	00632-00	2	2	50213	1,548.67	2	38,848.04	16.49	.00040810	15.85
11	77	00632-00	2	2		61.74	2	1,548.64	.66	.00040810	.63

PC-PRODUCT CODES
1-OIL (BBLS) 3-PLANT PRODUCTS (GALS)
2-GAS (MCF) 4-CONDENSATE (BBLS)

IC-INTEREST CODES
1-WORKING 3-OVERIDE
2-ROYALTY

T/D
T-TAX
(OTHER CODES FOR ACCT. PURPOSES ONLY)

DETACH BEFORE PRESENTING FOR PAYMENT.

OWNER NO. 71224 DATE 7/28/78

1 HOUSTON CENTER, SUITE 2600
HOUSTON, TEXAS 77002
(713) 654-4466

064768

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES -DUPLICATE WILL NOT BE FURNISHED.

DATE MO	DATE YR	PROPERTY NUMBER	PC	IC	TOTAL FOR PROPERTY QUANTITY	TOTAL FOR PROPERTY TAX/DEDUCT	T/D	NET	GROSS	YOUR PORTION INTEREST	NET VALUE
12	77	00632-00	2	2	49304	1,520.63	2	38,144.78	16.19	.00040810	15.57
12	77	00632-00	2	2		60.62	2	1,520.61	.65	.00040810	.62
01	78	00632-00	2	2	49065	1,461.29	2	36,656.07	15.56	.00040810	14.96
01	78	00632-00	2	2		58.25	2	1,461.29	.62	.00040810	.60
02	78	00632-00	2	2	43330	1,290.47	2	32,371.31	13.74	.00040810	13.21
02	78	00632-00	2	2		51.44	2	1,290.49	.55	.00040810	.53
03	78	00632-00	2	2		53.39	2	1,339.36	.57	.00040810	.55
03	78	00632-00	2	2	44971	1,339.35	2	33,597.27	14.26	.00040810	13.71
06	78	00632-00	2	2	41552	4,624.96	1	61,822.54	27.12	.00040810	25.23
								TOTAL	183.69		175.62

PC-PRODUCT CODES
1-OIL (BBLS) 3-PLANT PRODUCTS (GALS)
2-GAS (MCF) 4-CONDENSATE (BBLS)

IC-INTEREST CODES
1-WORKING 3-OVERIDE
2-ROYALTY

T/D
T-TAX
OTHER CODES FOR ACCT. PURPOSES ONLY

DETACH BEFORE PRESENTING FOR PAYMENT.

OWNER NO. 71224 DATE 12/23/77

1 HOUSTON CENTER, SUITE 2600
HOUSTON, TEXAS 77002
(713) 654-4444

954681

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES -DUPLICATE WILL NOT BE FURNISHED.

DATE MO	DATE YR	PROPERTY NUMBER	PC	IC	TOTAL FOR PROPERTY QUANTITY	TAX/DEDUCT	T/D	NET	YOUR PORTION GROSS	INTEREST	NET VALUE
08	77	00632-00	2	2	5854	736.23	T	9,066.47	4.00	.00040810	3.70
07	77	00632-00	2	2		154.87	T	3,847.68	1.63	.00040810	1.57
08	77	00632-00	2	2	55578	7,207.08	T	33,412.61	15.24	.00040810	13.53
08	77	00632-00	2	2		169.41	T	4,209.08	1.79	.00040810	1.72
09	77	00632-00	2	2	54996	4,151.85	T	32,807.77	15.08	.00040810	13.39
07	77	00632-00	2	2	50806	3,847.68	T	30,296.03	13.93	.00040810	12.36
06	77	00632-00	2	2		141.10	T	506.85	.22	.00040810	.21
08	77	00632-00	2	2	10042	506.86	T	6,241.78	2.75	.00040810	2.55
09	77	00632-00	2	2		165.51	T	4,161.85	1.76	.00040810	1.69
10	77	00632-00	2	2	5004	550.90	T	7,292.88	3.20	.00040810	2.98
10	77	00632-00	2	2	1032	1,208.98	T	33,717.51	15.50	.00040810	13.76
10	77	00632-00	2	2		170.10	T	4,267.02	1.81	.00040810	1.74

PC-PRODUCT CODES: 1-OIL (BBLS) 2-GAS (MCF) 3-PLANT PRODUCTS (GALS) 4-CONDENSATE (BBLS)
IC-INTEREST CODES: 1-WORKING 2-ROYALTY 3-OVERRIDE
T/D: T-TAX OTHER CODES FOR ACCT. PURPOSES ONLY
DETACH BEFORE PRESENTING FOR PAYMENT

1 HOUSTON CENTER, SUITE 2600
HOUSTON, TEXAS 77002
(713) 654-4444

OWNER NO. 71224 DATE 12/28/77

954662

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES -DUPLICATE WILL NOT BE FURNISHED.

DATE MO	DATE YR	PROPERTY NUMBER	PC	IC	TOTAL FOR PROPERTY QUANTITY	TAX/DEDUCT	T/D	NET	YOUR PORTION GROSS	INTEREST	NET VALUE
11	77	00632-00	2	2	50213	3,789.48	T	29,922.17	13.76	.00040810	12.21
11	77	00632-00	2	2		151.07	T	3,789.45	1.61	.00040810	1.55
								TOTAL	92.28		82.96

PC-PRODUCT CODES: 1-OIL (BBLS) 2-GAS (MCF) 3-PLANT PRODUCTS (GALS) 4-CONDENSATE (BBLS)
IC-INTEREST CODES: 1-WORKING 2-ROYALTY 3-OVERRIDE
T/D: T-TAX OTHER CODES FOR ACCT. PURPOSES ONLY
DETACH BEFORE PRESENTING FOR PAYMENT

Dan Nutter

C&K Ex 1 & 1-A

Case 6289

Aug 9, 1978

MIDLAND PIPE CORPORATION
SUITE 201 220 CARONDELET ST.
NEW ORLEANS, LA. 70130 U.S.A.

C & K PETROLEUM, INC.
POST OFFICE BOX 3546
MIDLAND, TEXAS 79701

INVOICE NUMBER 00515	INVOICE DATE 2/28/77	PAGE 1	OF 1
ORDER NO.	ORDERED BY	DATE ORDERED	DATE SHIPPED

SOLD TO Same
SHIPPED TO Same
AT c/o Atlas Truck
Odessa, Texas
LEASE AND WELL NO., RIG OR LOCATION
OUR RELEASE NUMBER 77-0176
VIA Atlas Truck
F.O.B. Lone Star

QUANTITY	UNITS	DESCRIPTION	CASH DISC.	UNIT PRICE	TOTAL
7,520'	CFT	2-7/3" OD 6.50# N-80 Tubing EUE T&C R-2			
		241 Joints		$287.40	$21,612.48
~~43,380#~~	~~CWT~~	~~Plus equalized freight Lone Star to Odessa.~~	NO	~~$ 1.53~~	~~$ 755.61~~
		Less 2% of Mill base of our Credit memo 0148 from base value of tubing.			$ 432.25
		724-202 000 Cabaloed 13-1 Big Spring 2-4-77 "L-T			

Corrected -1

CASH DISCOUNT
☒ 10 DAYS Net ☐ DAYS ☐ 20th PROX. IF PAID IN Texas
OR IN ACCORDANCE WITH DISCOUNT TERMS

SIGNATURE OF PERSON RECEIVING MATERIAL

SALES TAXES 4%	$ 847.21
CITY OR PARISH TAXES	
TOTAL	$22,783.05

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 1
Submitted by C+K
Hearing Date ~~Sept. 11, 1978~~
Aug 9, 1978

C & K Petroleum, Inc.

600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915) 683-3311

August 15, 1978

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

File

Re: Case No. 6289

Dear Mr. Ramey:

As requested at the recent hearing (Case No. 6289) on Wednesday, August 9, 1978, I herewith furnish the Commission a copy of the bill of lading for the 2-7/8" tubing installed in the Carlsbad "13" No. 1 well. Please note that there is nothing on the bill of lading that refers to the price of the tubing itself.

Yours very truly,

C & K PETROLEUM, INC.

G. C. Tompson,
Manager of Production

GCT/meb

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

Bill Taylor
512 Welshire
Carlsbad, New Mexico 88220

AUG 17 1978

Santa Fe

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. C&K 1-A
Submitted by C&K
Hearing Date

SERVICE ORDER

ATLAS TRUCK LINE, INC.

HOUSTON, TEXAS

Date 2-28-77 F/B or Inv. No. 77628

Time 4pm Customer's Order No.

Ship From C-K Petro Order by Robert Taylor

Phone No.

	JOINTS LOADED	TRUCK	TRAILER	DRIVER
		1. 10181	91298	T. Petro
		2.		
		3.		
		4.		
		5.		
		6.		
		7.		
		8.		

Ship To C-K Petro

% Cunlabed 13-1

Cunlabed new

Date To Load Tuesday 2-1-77

Date To Deliver Wednesday - 9pm - 3-2-77

NO. PIECES	DESCRIPTION OF COMMODITY OR SERVICE PERFORMED	ON HAND JOINTS	ON HAND RACK LOCATION
370	2 7/8 6.50 N-80 EUE-8R TBG-	481	S-4
11,700	11756.81		
	11 Jts Cyc Tube		
	76,050#		
	Must Deadhead F/L 9pm - 3-2-77 Allenberg,		

Charge to: C-K Petro

Order Received By: Lemay Loaded By:

CX 602

1501 EAST FREEWAY P. O. BOX 9848 HOUSTON, TEXAS 77015

UNIFORM STRAIGHT BILL OF LADING ORIGINAL NOT NEGOTIABLE

No. 077628
77628

RECEIVED, subject to the classifications and tariffs in effect on the date of the issue of this Bill of Lading, per MFICC No. 103 Oil Field Haulers Assn. Rules Tariff 1—G, Item-90.

Date 3-1-77

BILL TO: C-K Pet Co
Midland

ORIGIN: C-K PETRO. CO
% ASY
ODESSA, TEXAS

DESTINATION C-K PETRO. CO
% CARLSBAD 13-1
CARLSBAD N.M.-PLUS MILES

For Office Use Only

Truck No.	
Trailer No.	
Driver No. 1	
Driver Name	
Driver No. 2	
Weight	
Intra/Inter	Rate
Unit Meas.	
Shipper's Order Number	

LOAD: 3-1-77 DELIVER: 3-2-77

QUANTITY	DESCRIPTION OF ARTICLES	WEIGHT	RATE	FREIGHT
214	JTS. 2 7/8 6.50 LB. N-80 EUE 8RD TBG. 11,700 FT.	85		
1	SET PIPE RACKS			

SHIPPER C-K PETRO.

BY ROBERT TAYLOR

Material Received In Good Order

ATLAS TRUCK LINES, INC.

BY LEE MAYO

Delivering Carrier ATLAS TRUCK LINES

☐ PREPAID
☐ COLLECT

Remarks:

FOR ACCOUNTING USE ONLY

	CODE	AMOUNT
State Origin		
State Destination		
Commodity		
Sur-Charge		
Loading Charge		

Robert Taylor

Taylor Exhibits

Case 6289

9/11/78

PS Form 3811, Nov. 1976

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

● SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
- ☒ Show to whom and date delivered ..... 25¢
- ☐ Show to whom, date, & address of delivery ..... 45¢
- ☐ RESTRICTED DELIVERY.
Show to whom and date delivered ..... 85¢
- ☐ RESTRICTED DELIVERY.
Show to whom, date, and address of delivery .. $1.05

(Fees shown are in addition to postage charges and other fees).

2. ARTICLE ADDRESSED TO:
State of N.M.,
Oil Conser.,
P.O. Box 2088 Santa Fe, NM

8750

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	408376	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent

4. DATE OF DELIVERY — POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: — CLERK'S INITIALS

☆ GPO: 1976—O-203-456

← July 25, 1977 Rec'd.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. ____ Exhibit No. 20
Submitted by Taylor
Hearing Date 7-11-78

FULLY INSURED | RADIO DISPATCH 746-4302 - UNIT NO. 231 | JOHN R. GRAY, ☎ 746-3895

Gray Pumping Service, Inc.

P. O. BOX 1046
ARTESIA, NEW MEXICO 88210

August 21, 1978

Mr. Bill Taylor
512 Welshire
Carlsbad, NM 88220

Dear Mr. Taylor:

We would like to take this means to bid for the contract pumping on your well in the Carlsbad vicinity. We can take care of this well for you for $125.00 plus $4.69 New Mexico sales tax for a total of $129.69 per month. This is the average monthly charge for wells in the Carlsbad area.

Thank you very much.

Yours truly,

GRAY PUMPING SERVICE, INC.

Darlene Boyce

John R. Gray, President
by: Darlene Boyce, Asst. Sec.

DB

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. _____ Exhibit No. 9B-1
Submitted by Taylor
Hearing Date 9-11

9B-1

C&K Petroleum, Inc.

Rec'd 8/19/78

August 22, 1978

The Desana Corporation
610 Vaughn Building
Midland, Texas 79701

Mrs. Adele Frost
Estate of Jack Frost
1802 National Bank of Commerce Building
San Antonio, Texas 78205
Attn: Mr. Ben M. Patterson, Jr.

Marcella L. Greathouse
125 Hedges Street
Abilene, Texas 79601

W. A. Fage, Jr.
10129 Monaco Drive
El Paso, Texas 79925

Bill G. Taylor
512 Welshire Street
Carslbad, New Mexico 88220

RE: Carlsbad 13 #1
Eddy County, New Mexico

This paper was presented to me on 8/19/78 by Notary Sellers Garon My Com Exp 4/1/82 My Com Exp 4/19/1980

Gentlemen:

Enclosed please find a payout statement covering operations on the above well for the following period:

Inception through June 30, 1978

Should you have any questions concerning the above, please contact Mr. David E. Bott at the address below.

Yours very truly,

William B. Newkirk, III
Tax Manager

WBN/ls

Enclosures

cc: B. Kyse
M. Black, Jr.
D. Lebow

1 HOUSTON CENTER • SUITE 2600 • HOUSTON, TEXAS 77002 • 713/654-4466 • CABLE ADDRESS: CANDK

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. _____ Exhibit No. 15-7
Submitted by Taylor
Hearing Date 9-11-78

15-7

cc, cont.: G. Tompson
Revenue

CARLSBAD 13-1 - PAYOUT STATUS
INCEPTION THROUGH JUNE 30, 1978

Month	IDC L&W Equip.	Lease Operating Costs	Total	
November, 1976	$ 652	$ -	$ 652	
December, 1976	6,130	-	6,130	
January, 1977	90,649	-	90,649	
February, 1977	255,264	-	255,264	
March, 1977	176,337	-	176,337	
April, 1977	16,895	53	16,948	
May, 1977	5,594		5,594	
June, 1977	9,877	190	10,067	
July, 1977	256	363	619	
August, 1977	15,118	130	15,248	
September, 1977	564	469	1,033	
October, 1977	343	361	704	
November, 1977	-	396	396	
December, 1977	-	516	516	
January, 1978	(17,138)	510	(16,628)	
February, 1978	7,053	582	7,635	
March, 1978	205	588	793	
April, 1978	-	579	579	
May, 1978	-	683	683	
June, 1978	-	(626)	(626)	
	$ 567,799	$ 4,794	$572,593	
Applicable to WI Percent for Payout #1	.1418597	.1418597		
	$ 80,548	$ 680		
220% Cost Recovery	2.2			$177,886
	$ 177,206	$ 680		

Income, Net of Taxes & Royalties:			
June, 1977	$ 14,636		
July, 1977	74,046		
August, 1977	81,000		
September, 1977	80,169		
October, 1977	82,926		
November, 1977	73,595		
December, 1977	72,263		
January, 1978	72,403		
February, 1978	63,940		
March, 1978	66,361		
April, 1978	61,781		
May, 1978	65,807		
June, 1978	61,794		
	$ 870,721		
Percentage Applicable to WI Owners	.1241272		108,080
Unrecovered Balance at June 30, 1978			$ 69,806

C & K Petroleum, Inc.

POST OFFICE DRAWER 3337
600 C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701
(915) 683-2331

April 21, 1977

TO: All Working Interest Owners
(address list attached)

Rec'd 4/26/77

RE: Operating Agreement
Carlsbad "13" #1 Well
South Carlsbad Prospect
Eddy County, New Mexico

Dear Working Interest Owner:

Enclosed is the proposed Operating Agreement on the captioned well. You will find attached to the front of the agreement a signature page which should be signed and returned to this office if the Operating Agreement meets with your approval.

Your early attention to this matter will be appreciated. Should you have any questions regarding the agreement, please do not hesitate to call.

Yours very truly,

C & K PETROLEUM, INC.

GC Tompson

G. C. Tompson,
Manager of Production

GCT/meb

Enclosure

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. _____ Exhibit No. 21-5
Submitted by Taylor
Hearing Date 9-11-78

21.5

Address List
Carlsbad "13" #1 Well

C & K Petroleum, Inc.
600 C & K Petroleum Bldg.
Midland, Texas 79701

C & K H 1973
c/o C & K Petroleum, Inc.
2 Houston Center - Suite 2828
Houston, Texas 77002
Attn: Ann Adams

The Desana Corporation
610 Vaughn Building
Midland, Texas 79701
Attn: Darrell Smith

Bill G. Taylor and
W. A. Page
512 Welshire
Carlsbad, New Mexico 88220

Mailed Apr. 25, 1977 P.M.

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

C & K PETROLEUM, INC.

ATTEST:

By: G C Tompson

G. C. TOMPSON
Attorney In Fact

OPERATOR

C & K H 1973
By: C & K Petroleum, Inc.

ATTEST:

By: _____

THE DESANA CORPORATION

ATTEST:

By: _____

Bill G. Taylor

W. A. Page

A.A.P.L. FORM 610

MODEL FORM OPERATING AGREEMENT—1956

Non-Federal Lands

OPERATING AGREEMENT

DATED

January 10, 1977, Mailed April 25, 1977

N/2 of Section 13, T 22 S,
R-26-E, NMPM, Eddy County,
New Mexico

CARLSBAD "13" #1 WELL

AMERICAN ASSOCIATION OF PETROLEUM LANDMEN
APPROVED FORM. A.A.P.L. NO. 610
MAY BE ORDERED DIRECTLY FROM THE PUBLISHER
KRAFTBILT PRODUCTS. BOX 200, TULSA 74101

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OPERATING AGREEMENT

THIS AGREEMENT, entered into this 10th day of January, 1977, between C & K PETROLEUM, INC.

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

WITNESSETH, THAT:

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

NOW, THEREFORE, it is agreed as follows:

1. DEFINITIONS

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

(1) The words "party" and "parties" shall always mean a party, or parties, to this agreement.

(2) The parties to this agreement shall always be referred to as "it" or "they", whether the parties be corporate bodies, partnerships, associations, or persons real.

(3) The term "oil and gas" shall include oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons, unless an intent to limit the inclusiveness of this term is specifically stated.

(4) The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Unit Area which are owned by parties to this agreement.

(5) The term "Unit Area" shall refer to and include all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".

(6) The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Unit Area or as fixed by express agreement of the parties.

(7) All exhibits attached to this agreement are made a part of the contract as fully as though copied in full in the contract.

(8) The words "equipment" and "materials" as used here are synonymous and shall mean and include all oil field supplies and personal property acquired for use in the Unit Area.

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

A. Title Examination:

~~Each party other than Operator shall promptly submit to Operator abstract(s) of title~~

Title shall be examined by Operator's attorneys prior to commencement of operations on each well, and in the event of production, Operator shall secure a supplemental abstract through date of first runs and shall have a Division Order Title Opinion prepared. All such title costs shall be borne proportionately by all working interest owners.

All title costs to be borne by said proportionately.

"Joint Loss"

~~obligations and of excess royalty oil payments and other special burdens. A copy of each title opinion and~~ of each supplemental opinion, and of all final opinions, shall be sent promptly to each party. The opinion of the examining attorney concerning the validity of the title to each oil and gas interest and each lease, and the amount of interest covered thereby shall be binding and conclusive on the parties, but the acceptability of leases as to primary term, royalty provisions, drilling obligations, and special burdens, shall be a matter for ~~approval and acceptance by an authorized representative of each party.~~

~~All title examinations shall be made, and title reports submitted, within a period of _____ days after the~~ submission of abstracts and title papers. Each party shall, in good faith, try to satisfy the requirements of the examining attorneys concerning its leases and interests, and each shall have a period of_____ days from receipt of title report for this purpose. If the title to any lease, or oil and gas interest, is finally rejected by the examining attorney, all parties shall then be asked to state in writing whether they will waive the title defects and accept the leases or interests, or whether they will stand on the attorney's opinion. If one or more parties refuse to waive title defects, this agreement shall, in that case, be terminated and abandoned, and all abstracts and title papers shall be returned to their senders. If all titles are approved by the examining attorneys, or are accepted by all parties, and if all leases are accepted as to primary terms, royalty provisions, drilling obligations and special burdens, all subsequent provisions of this agreement shall become operative ~~immediately, and the parties shall proceed to their performance as they are hereinafter stated.~~

B. Failure of Title:

After all titles are approved or accepted, any defects of title that may develop shall be the joint responsibility of all parties and, if a title loss occurs, it shall be the loss of all parties, with each bearing its proportionate part of the loss and of any liabilities incurred in the loss. If such a loss occurs, there shall be no change in, or adjustment of, the interests of the parties in the remaining portion of the Unit Area.

C. Loss of Leases For Other Than Title Failure:

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

3. UNLEASED OIL AND GAS INTERESTS

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

4. INTERESTS OF PARTIES

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

If the interest of any party in any oil and gas lease covered by this agreement is subject to an overriding royalty, production payment, or other charge over and above the usual one-eighth (⅛) royalty, such party shall assume and alone bear all such excess obligations and shall account for them to the owners thereof out of its share of the working interest production of the Unit Area.

5. OPERATOR OF UNIT

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

6. EMPLOYEES

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

7. TEST WELL

On or before the 20th day of January, 1977, Operator shall commence the drilling of a well for oil and gas in the following location: 1650' FNL & 2040' FEL of Section 13, T-22-S, R-26-E, NMPM, Eddy County, New Mexico,

and shall thereafter continue the drilling of the well with due diligence to 12,000 feet or through the Morrow Sand, whichever is the lesser depth,

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

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.

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

8. COSTS AND EXPENSES

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

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

9. OPERATOR'S LIEN

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

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

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

10. TERM OF AGREEMENT

This agreement shall remain in full force and effect for as long as any of the oil and gas leases subjected to this agreement remain or are continued in force as to any part of the Unit Area, whether by production, extension, renewal or otherwise; provided, however, that in the event the first well drilled hereunder results in a dry hole and no other well is producing oil or gas in paying quantities from the Unit Area, then at the end of ninety (90) days after abandonment of the first test well, this agreement shall terminate unless one or more of the parties are then engaged in drilling a well or wells pursuant to Section 12 hereof, or all parties have agreed to drill an additional well or wells under this agreement, in which event this agreement shall continue in force until such well or wells shall have been drilled and completed. If production results therefrom this agreement shall continue in force thereafter as if said first test well had been productive in paying quantities, but if production in paying quantities does not result therefrom this agreement shall terminate at the end of ninety (90) days after abandonment of such well or wells. It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

11. LIMITATION ON EXPENDITURES

Without the consent of all parties: (a) No well shall be drilled on the Unit Area except any well expressly provided for in this agreement and except any well drilled pursuant to the provisions of Section 12 of this agreement, it being understood that the consent to the drilling of a well shall include consent to all necessary expenditures in the drilling, testing, completing, and equipping of the well, including necessary tankage; (b) No well shall be reworked, plugged back or deepened except a well reworked, plugged back or deepened pursuant to the provisions of Section 12 of this agreement, it being understood that the consent to the reworking, plugging back or deepening of a well shall include consent to all necessary expenditures in conducting such operations and completing and equipping of said well to produce, including necessary tankage; (c) Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of TWENTY THOUSAND AND NO/100 ---------- Dollars ($ 20,000.00) except in connection with a well the drilling, reworking, deepening, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that in case of explosion, fire, flood, or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency and to safeguard life and property, but Operator shall, as promptly as possible, report the emergency to the other parties. Operator shall, upon request, furnish copies of its "Authority for Expenditures" for any single project costing in excess of $ 10,000.00

12. OPERATIONS BY LESS THAN ALL PARTIES
(See Sections 31.(A) and 31.(B))

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

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

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

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

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

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

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

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

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

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

13. RIGHT TO TAKE PRODUCTION IN KIND

Each party shall have the right to take in kind or separately dispose of its proportionate share of all oil and gas produced from the Unit Area, exclusive of production which may be used in development and producing operations and in preparing and treating oil for marketing purposes and production unavoidably lost. Each party shall pay or deliver, or cause to be paid or delivered, all royalties, overriding royalties, or other payments due on its share of such production, and shall hold the other parties free from any liability therefor. No party shall ever be responsible, on any price basis higher than the price received by such party, to any other party's lessor(s) or royalty owner(s); and if any such other party's lessor(s) or royalty owner(s) should demand and receive settlements on a higher price basis, the party(s) contributing such lease(s) above shall bear the royalty burden insofar as such higher price is concerned. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party.

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

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

14. ACCESS TO UNIT AREA

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

15. DRILLING CONTRACTS

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

16. ABANDONMENT OF WELLS

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

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

17. DELAY RENTALS AND SHUT-IN WELL PAYMENTS

Operator shall pay or cause to be paid all Delay Rentals and Shut-in Gas Royalty as required under the terms of the leases described in Exhibit "A", and such payments shall be charged to the joint account; provided, however, Operator shall not be liable for loss of any lease or interest therein through mistake or oversite in making any such payments.

When a gas well is shut in, Operator shall attempt to notify all parties hereto of the date on which the well was shut in and the reason therefor; however, Operator assumes no liability whatsoever for failure to do so.

18. PREFERENTIAL RIGHT TO PURCHASE

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

19. SELECTION OF NEW OPERATOR

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

20. MAINTENANCE OF UNIT OWNERSHIP

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

(1) the entire interest of the party in all leases and equipment and production; or

(2) an equal undivided interest in all leases and equipment and production in the Unit Area.

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

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

21. RESIGNATION OF OPERATOR

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

22. LIABILITY OF PARTIES

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

23. RENEWAL OR EXTENSION OF LEASES

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

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

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

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

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

24. SURRENDER OF LEASES

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

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

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

25. ACREAGE OR CASH CONTRIBUTIONS

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

26. PROVISION CONCERNING TAXATION

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

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

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

27. INSURANCE

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

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

28. CLAIMS AND LAWSUITS

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

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

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

29. FORCE MAJEURE

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

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

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

30. NOTICES

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

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

31. OTHER CONDITIONS, IF ANY, ARE:

31.(A)

Consent to the drilling of a well shall not be deemed as consent to the setting of casing and a completion attempt. After any well drilled pursuant to this agreement has reached its authorized depth, Operator shall give immediate notice to Non-Operators. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturdays, Sundays or holidays) in which to elect whether or not they desire to set casing and to participate in a completion attempt. Failure of a party receiving such notice so to reply within the period fixed shall constitute an election by that party not to participate in the cost of a completion attempt. If all of the parties elect to plug and abandon the well, Operator shall plug and abandon same at the expense of all of the parties. If one or more, but less than all, of the parties elect to set pipe and to attempt a completion, the provisions of Section 12 shall apply to the operations thereafter conducted by less than all parties. The provisions of this paragraph shall not be available to any party who shall have elected to be a nonconsenting party in drilling the well.

31.(B)

Nothwithstanding any other provisions of this agreement, it is agreed that without the mutual consent of all parties no operations will be conducted on a well that is multiple completed unless all completions are not capable of producing oil and/or gas in paying quantities.

No well drilled or completed by less than all parties pursuant to the provisions of Section 12 hereof shall be completed as a gas well in the same formation as any other gas well then producing, or capable of producing, gas in commercial quantities from the Unit Area if, as a result of the completion of said well, there would exist on the Unit Area a well density in the same formation of more than one producing gas well to 320 acres; provided that, if any regulatory body having jurisdiction should establish or prescribe a smaller drilling unit less than all of the parties may complete such a gas well pursuant to the provisions of Section 12 hereof so long as its completion does not result in a well density in the same formation greater than that established or prescribed by the aforementioned regulatory body. No well drilled or completed by less than all of the parties pursuant to the provisions of Section 12 hereof shall be completed as an oil well in the same formation as any other oil well then producing from the Unit Area, if, as a result of the completion of said well, there would exist on the Unit Area a well density in the same formation of more than one producing oil well to 80 acres; provided that, if any regulatory body having jurisdiction should establish or prescribe a smaller drilling unit, less than all of the parties may complete such an oil well pursuant to the provisions of Section 12 hereof so long as its completion does not result in a well density in the same formation greater than that established or prescribed by the aforesaid regulatory body.

31.(C)

Notwithstanding anything herein to the contrary, if any working interest owner shall, subsequent to execution of this agreement, create an overriding royalty, production payment, or net proceeds interest, which such interests are hereinafter referred to as "subsequently created interest", such subsequently created interest shall be specifically made subject to all of the terms and provisions of this agreement as follows:

(1) If nonconsent operations are conducted pursuant to any provision of this agreement, and the party or parties conducting such operations become entitled to receive the working interest production attributable to the working interest out of which the subsequently created interest is derived, such party or parties shall receive same free and clear of such subsequently created interest.

(2) If the owner of the working interest from which the subsequently created interest is derived (a) fails to pay, when due, its share of costs and expenses chargeable hereunder, or (b) elects to abandon a well under the provisions of Section 16 hereof, or (c) elects to surrender a lease or leases under the provisions of Section 24 hereof, the subsequently created interest shall be chargeable with the prorata portion of all costs and expenses hereunder in the same manner as if such interest were a working interest. For purposes of collecting such chargeable costs and expenses, Operator and/or working interest owners who receive assignments as a result of (b) or (c) above, shall have the right to enforce all provisions of Section 9 hereof against such subsequently created interest.

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

ATTEST:

C & K PETROLEUM, INC.

By: G C Tompson

G. C. TOMPSON
Attorney In Fact

OPERATOR

ATTEST:

C & K H 1973
By: C & K Petroleum, Inc.

By:

ATTEST:

THE DESANA CORPORATION

By:

Bill G. Taylor

W. A. Page

EXHIBIT "A"

To Operating Agreement dated January 10, 1977, between C & K Petroleum, Inc., as Operator, and the other parties signatory thereto as Non-Operators.

I. LANDS SUBJECT TO AGREEMENT

N/2 of Section 13, T-22-S, R-26-E, NMPM, Eddy County, New Mexico.

II. NAMES, ADDRESSES AND INTERESTS OF PARTIES UNDER AGREEMENT

	BEFORE PAYOUT	AFTER PAYOUT
C & K H 1973 c/o C & K Petroleum, Inc. 2 Houston Center - Suite 2828 Houston, Texas 77002 Attn: Ann Adams	75.00000	64.36052
The Desana Corporation 610 Vaughn Building Midland, Texas 79701	25.00000	21.45351
Bill G. Taylor and W. A. Page 512 Welshire Carlsbad, New Mexico 88220	-0-	*14.18597

*Payout shall occur and be effective at the point when C & K H 1973 and The Desana Corporation have recovered out of that interest attributable to Taylor & Page 220% of the pro rata share of the costs of drilling, completing, equipping and operating the test well described in Section 7 hereof that is attributable to the Taylor and Page interest, in accordance with Forced Pooling Order dated November 30, 1976, Order No. R-5332, Case No. 5807.

WITH 40 ACRE PROVISION

OIL, GAS, AND MINERAL LEASE

THIS AGREEMENT made this ..... day of ..... 19..., between

.....,

Lessor (whether one or more), whose address is: .....,

and ....., Lessee, WITNESSETH:

1. Lessor in consideration of ..... Dollars

($ .....) in hand paid, of the royalties herein provided and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas and all other minerals, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in ..... County, Texas, to-wit:

This lease also covers and includes all land owned or claimed by Lessor adjacent or contiguous to the land particularly described above, whether the same be in said survey or surveys or in adjacent surveys, although not included within the boundaries of the land particularly described above.

2. Without reference to the commencement, prosecution or cessation at any time of drilling or other development operations, and/or to the discovery, development or cessation at any time of production of oil, gas or other minerals, and without further payments than the royalties herein provided, and notwithstanding anything else herein contained to the contrary, this lease shall be for a term of ten years from this date (called "primary term") and as long thereafter as oil, gas or other minerals is produced from said land or land with which said land is pooled hereunder or as long as this lease is continued in effect as otherwise provided herein.

3. The royalties to be paid by Lessee are: (a) on oil, 3/16 of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land, and sold or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of ..... of the gas so sold or used, provided that on gas sold at the wells the royalty shall be ..... of the amount realized from such sale; while there is a gas well on this lease or on acreage pooled therewith but gas is not being sold or used, Lessee may pay as royalty to the credit of the owner or owners of royalty hereunder in 3/16

bank at ....., Texas, (which bank and its successors are the royalty owner or owners' agent, and shall continue as depository for all such sums which Lessee may pay hereunder, regardless of changes in ownership of royalties) on or before ninety (90) days after the date on which (1) said well is shut in, or (2) the land covered hereby or any portion thereof is included in a pooled unit on which a well is located, or (3) this lease ceases to be otherwise maintained as provided herein, whichever is the later date, and thereafter at monthly intervals, the sum of $ ....., and if such payment is made or tendered, this lease shall not terminate and it will be considered that gas is being produced from this lease in paying quantities; and (c) on all other minerals mined and marketed, one-tenth either in kind or value at the well or mine, at Lessee's election, except that on sulphur mined and marketed, the royalty shall be fifty cents (50¢) per long ton. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil, gas and coal shall be computed after deducting any so used.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof as to oil and gas, or either of them, with other land, lease or leases in the immediate vicinity thereof to the extent hereinafter stipulated, when in Lessee's judgment it is necessary or advisable to do so in order properly to explore, or to develop and operate said leased premises in compliance with the spacing rules of the Railroad Commission of Texas, or other lawful authority, or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 80 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of 10% thereof, provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, units thereafter created may conform substantially in size with those prescribed by governmental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this lease or any portion thereof as above provided as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing and designating the pooled acreage as a pooled unit; and upon such recordation the unit shall be effective as to all parties hereto, their heirs, successors, and assigns, irrespective of whether or not the unit is likewise effective as to all other owners of surface, mineral, royalty, or other rights in land included in such unit. Lessee may at its election exercise its pooling option before or after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on or production of oil or gas from any part of the pooled unit which includes all or a portion of the land covered by this lease, regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument or the instrument designating the pooled unit, shall be considered as operations for drilling on or production of oil or gas from land covered by this lease whether or not the well or wells be located on the premises covered by this lease, and the entire acreage constituting such unit or units, as to oil and gas, or either of them, as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them shall be entitled on production of oil and gas, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit a pro rata portion of the oil and gas, or either of them, produced from the pooled unit after deducting that used for operations on the pooled unit. Such allocation shall be on an acreage basis—that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit that pro rata portion of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this lease and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land. The production from an oil well will be considered production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit.

5. If at the expiration of the primary term, oil, gas, or other mineral is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary term, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas or other mineral is produced from said land, or from land pooled therewith. If, after the expiration of the primary term of this lease and after oil, gas, or other mineral is produced from said land, or from land pooled therewith, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they results in the production of oil, gas or other mineral, so long thereafter as oil, gas, or other mineral is produced from said land, or from land pooled therewith. Any pooled unit designated by Lessee in accordance with the terms hereof, may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the leased premises are situated at any time after the completion of a dry hole or the cessation of production on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within 330 feet of and draining the leased premises, or land pooled therewith, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances. Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

6. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet of any residence or barn now on said land without Lessor's consent.

7. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns, but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee, and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part, liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

8. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part. No obligation reasonably to develop the leased premises shall arise during the primary term. Should oil, gas or other minerals in paying quantities be discovered on said premises, then after the expiration of the primary term, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator, but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas or other mineral in paying quantities. If after the expiration of the primary term, Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument.

9. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil, gas or other minerals on, in or under said land less than the entire fee simple estate, whether or not this lease purports to cover the whole or a fractional interest, then the royalties to be paid Lessor shall be reduced in the proportion that his interest bears to the whole and undivided fee and in accordance with the nature of the estate of which Lessor is seized. Should any one or more of the parties named above as Lessor fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or

and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

WITNESSES:

.....

.....

.....

.....

.....

Lessor

.....

Lessee

By.....

THE STATE OF TEXAS }
County of ..... }

Before me, the undersigned authority, on this day personally appeared .....

.....,

known to me to be the identical person.....whose name.....are/is subscribed to the foregoing instrument, and acknowledged to me that.....he.....executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the.....day of.....A. D., 19.....

.....

Notary Public in and for.....County, Texas

THE STATE OF TEXAS }
County of..... }

Before me, the undersigned authority, on this day personally appeared .....

and wife.....known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

And the said....., wife of.....,

having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said.....

....., acknowledged such instrument to be her act and deed and declared that she had willingly signed the same for the purposes and consideration therein expressed and that she did not wish to retract it.

Given under my hand and seal of office this the.....day of.....A. D., 19.....

.....

Notary Public in and for.....County, Texas

THE STATE OF TEXAS }
County of ..... }

Before me, the undersigned authority, on this day personally appeared .....

.....,known to me to be the person whose name is subscribed to the foregoing instrument as.....of.....

.....and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and as the act and deed of said.....

.....

Given under my hand and seal of office this the.....day of.....A. D., 19.....

(L. S.)

.....

Notary Public in and for.....County, Texas

PRODUCERS 88 REV. 110 YEAR LEASE
WITH 40/640 ACRES POOLING PROVISION

No. .....

Oil, Gas and Mineral Lease

FROM

.....

TO

.....

Dated ..... 19.....

No. Acres .....

.....County, Texas

Term .....

This instrument was filed for record on the

day of ..... 19....., at

o'clock .....M., and duly recorded in

Book ..... Page .....

of the ..... records of this office.

.....

County Clerk

By .....Deputy

When recorded return to

.....

EXHIBIT "C"

Attached to and made a part of Operating Agreement dated January 10, 1977, between C & K Petroleum, Inc., as Operator, and the other parties signatory thereto as Non-Operators.

ACCOUNTING PROCEDURE
JOINT OPERATIONS

I. GENERAL PROVISIONS

1. **Definitions**

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

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

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

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

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

"Parties" shall mean Operator and Non-Operators.

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

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

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

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

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

2. **Statement and Billings**

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

3. **Advances and Payments by Non-Operators**

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

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

4. **Adjustments**

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

5. **Audits**

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

6. **Approval by Non-Operators**

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

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. **Rentals and Royalties**

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

2. **Labor**

   A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.

   (2) Salaries of First Level Supervisors in the field.

   (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.

   B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

   C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.

   D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

3. **Employee Benefits**

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

4. **Material**

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

5. **Transportation**

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

   A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.

   B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.

   C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of $200 or less excluding accessorial charges.

6. **Services**

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

7. **Equipment and Facilities Furnished by Operator**

   A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

   B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. **Damages and Losses to Joint Property**

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

9. **Legal Expense**

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

10. Taxes

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

11. Insurance

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

12. Other Expenditures

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

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

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

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

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

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

A. Overhead - Fixed Rate Basis

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

Drilling Well Rate $ 1,900.00
Producing Well Rate $ 190.00

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

(a) Drilling Well Rate

[1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.

[2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days

[3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

[1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.

[2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.

[3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.

[4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.

[5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

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

B. Overhead - Percentage Basis

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

(a) Development

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

(b) Operating

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

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

2. **Overhead - Major Construction**

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

A. _____% of total costs if such costs are more than $_____ but less than $_____; plus

B. _____% of total costs in excess of $_____ but less than $1,000,000; plus

C. _____% of total costs in excess of $1,000,000.

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

3. **Amendment of Rates**

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

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

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

1. **Purchases**

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

2. **Transfers and Dispositions**

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

A. New Material (Condition A)

(1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.

(2) Line Pipe

(a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.

(b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

B. Good Used Material (Condition B)

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

(1) Material moved to the Joint Property

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

(2) Material moved from the Joint Property

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

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

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

C. Other Used Material (Condition C and D)

(1) Condition C

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

(2) Condition D

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

D. Obsolete Material

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

E. Pricing Conditions

(1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.

(2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

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

4. Warranty of Material Furnished by Operator

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

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

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

2. Reconciliation and Adjustment of Inventories

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

3. Special Inventories

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

4. Expense of Conducting Periodic Inventories

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

EXHIBIT "D"

Attached to and made a part of Operating Agreement dated January 10, 1977, between C & K Petroleum, Inc., Operator, and the other parties signatory thereto as Non-Operator.

Insurance

At all times during the conduct of operations hereunder, Operator shall maintain in force the following insurance:

A. Workmen's Compensation Insurance and Employers' Liability Insurance as required by the laws of the State in which operations are being conducted.

B. Comprehensive General Public Liability in the following amounts:

Bodily Injury:	$150,000 each person $300,000 each accident
Property Damage:	$100,000 each accident $200,000 aggregate

C. Automobile Public Liability and Property Damage Insurance with limits of not less than $100,000.00 for any one person injured in any accident and not less than $300,000 for any number of persons injured in one accident, and with not less than $100,000 property damage coverage for one accident.

EXHIBIT "E"

GAS STORAGE AND BALANCING AGREEMENT

Attached to and made a part of the Operating Agreement between C & K Petroleum, Inc., as Operator, and the other parties signatory thereto as Non-Operators, dated January 10, 1977.

The parties to the Operating Agreement to which this agreement is attached own the working interest in the gas rights underlying the Unit Area covered by such agreement in accordance with the percentages of participation as set forth in Exhibit "A" to the Operating Agreement.

In accordance with the terms of the Operating Agreement, each party thereto has the right to take its share of gas produced from the Unit Area and market the same. In the event any of the parties hereto is not at any time taking or marketing its share of gas or has contracted to sell its share of gas produced from the Unit Area to a purchaser which does not at any time while this agreement is in effect take the full share of gas attributable to the interest of such party, the terms of this agreement shall automatically become effective.

During the period or periods when any party hereto has no market for its share of gas produced from any proration unit within the Unit Area, or its purchaser does not take its full share of gas produced from such proration unit, the other parties shall be entitled to produce each month one hundred percent (100%) of the allowable gas production assigned to such proration unit by the State regulatory body having jurisdiction and shall be entitled to take and deliver to its or their purchaser all of such gas production. All parties hereto shall share in and own the liquid hydrocarbons recovered from such as by lease equipment in accordance with their respective interests and subject to the Operating Agreement to which this agreement is attached, but the party or parties taking such gas shall own all of the gas delivered to its or their purchaser.

On a cumulative basis, each party not taking or marketing its full share of the gas produced shall be credited with gas in storage equal to its full share of the gas produced under this agreement, less its share of gas used in lease operations, vented or lost, and less that portion such party took or delivered to its purchaser. The Operator will maintain a current account of the gas balance between the parties and will furnish all parties hereto monthly statements showing the total quantity of gas sold, each party's allocated share of the gas sold, the total quantity of gas taken by each party, and the monthly and cumulative over-and-under account of each party.

At all times while gas is produced from the Unit Area, each party hereto will make settlement with the respective royalty owners to whom they are each accountable, just as if each party were taking production exclusive of gas used in lease operations, vented or lost. Each party hereto agrees to hold each other party harmless from any and all claims for royalty payments asserted by royalty owners to whom each party is accountable. The term "royalty owner" shall include owners of royalty, overriding royalties, production payments and interests.

After notice to the Operator, any party at any time may begin taking or delivering to its purchaser its full share of the gas produced from a proration unit under which it has gas in storage less such party's share of gas used in operations, vented or lost. In

addition to such share, each party, including the Operator, until it has recovered its gas in storage and balanced the gas account as to its interest, shall be entitled to take or deliver to its purchaser a share of gas determined by multiplying fifty percent (50%) of the interest in the current gas production of the party or parties without gas in storage by a fraction, the numerator of which is the interest in the proration unit of such party with gas in storage and the denominator of which is the total percentage interest in such proration unit of all parties with gas in storage currently taking or delivering to a purchaser.

Each party producing and taking or delivering gas to its purchaser shall pay any and all production taxes due on such gas.

Nothing herein shall be construed to deny any party the right, from time to time, to produce and take or deliver to its purchaser its full share of the allowable gas production to meet the deliverability tests required by its purchaser.

Should production of gas from a proration unit be permanently discontinued before the gas account is balanced, settlement will be made between the underproduced and overproduced parties. In making such settlement, the underproduced party or parties will be paid a sum of money by the overproduced party or parties attributable to the over production which said overproduced party received, less applicable taxes theretofore paid, at the actual price received for such overproduction. For gas sold in intrastate commerce the price basis shall be the price received for sale of the gas. For gas sold in interstate commerce, the price basis shall be the rate collected, from time to time, which is not subject to possible refund, as provided by the Federal Power Commission pursuant to final order or settlement applicable to the gas sold from such well, plus any additional collected amount which is not ultimately required by said Commission to be refunded, such additional collected amount to be accounted for at such time as final determination is made with respect thereto.

Nothing herein shall change or affect each party's obligations to pay its proportionate share of all costs and liabilities incurred, as its share thereof is set forth in the Operating Agreement.

This agreement shall constitute a separate agreement as to each proration unit within the Unit Area and shall become effective as long as the Operating Agreement to which it is attached remains in effect, and shall inure to the benefit of and be binding upon the parties hereto, their successors, legal representatives and assigns.

Dan Nutter

Taylor Exhibits

Case 6289

Aug 9-1978

2-B

KELLAHIN AND FOX
ATTORNEYS AT LAW
500 DON GASPAR AVENUE
POST OFFICE BOX 1769
SANTA FE, NEW MEXICO 87501

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

TELEPHONE 982-4315
AREA CODE 505

October 18, 1976

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

Dear Mr. Ramey:

Please find enclosed the original and two copies of the application of C & K Petroleum, Inc., for compulsory pooling and a non-standard unit, Eddy County, New Mexico.

We would appreciate this being set for the November 10th hearing.

Yours very truly,

Jason W. Kellahin

Jason W. Kellahin

CC: Mr. E. B. White, Jr.

JWK:kjf

Enclosure

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 2-1
Submitted by Taylor
Hearing Date 8-9-78

2-1

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BEFORE THE

OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF C & K PETROLEUM, INC., FOR COMPULSORY POOLING AND A NON-STANDARD UNIT, EDDY COUNTY, NEW MEXICO.

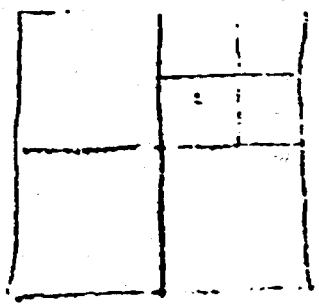
A P P L I C A T I O N

COMES NOW, C & K Petroleum, Inc., and applies to the Oil Conservation Commission of New Mexico for an order pooling all mineral interests, whatever they may be, from the surface of the ground down to and including the Morrow Formation underlying the N/2 of Section 13, Township 22 South, Range 26 East, N.M.P.M., South Carlsbad Pool, Eddy County, New Mexico, and for formation of a non-standard 336.6 acre unit to be dedicated to the well to be drilled on the unit.

Applicant proposes to drill a well to be located 1680 feet from the North line, and 1980 feet from the East line of said Section 13.

The non-standard unit is necessary due to the governmental resurvey of Township 22 South, Range 26 East, N.M.P.M., which indicates that the N/2 of Section 13 in said Township and Range contains 336.6 acres.

Applicant, holder of the right to drill and develop the above-described acreage, has made diligent effort to obtain voluntary participation from all interest owners, but there are interest owners in the proposed unit who have not agreed to pool their interests.



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The non-consenting owners and the interests which they own, to be best of applicant's information and belief, are as follows:

Bill G. Taylor 512 Wilshire Carlsbad, New Mexico 88220 (Route 2, Box 74)	45 acres
Mr. and Mrs. W. A. Pate, Jr 10129 Monaco Drive El Paso, Texas 79925	2.75 acres

Approval of this application is necessary to enable applicant to recover its just and equitable share of the oil and gas underlying its lands. The correlative rights of all interest owners will be protected, and approval of the application will prevent waste and is in the interests of conservation.

WHEREFORE applicant prays that this application be set for hearing before the Commission or its duly appointed examiner, and that after notice and hearing as required by law the Commission enter its order approving the non-standard unit as requested, and pooling all of the mineral interests therein from the surface down to and including the Pennsylvanian formation, together with a provision designating applicant as operator, providing for recovery of the costs of drilling the well, together with a reasonable charge for the risk involved in the drilling of the well; a provision for recovery of the costs of operating the well together with a reasonable charge for supervisions, and such other provisions as may be proper.

Respectfully submitted,

C & K PETROLEUM, INC.

By Jason W. Kellahin

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

Attorneys for Applicant

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

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
November 10, 1976

EXAMINER HEARING

IN THE MATTER OF:

Application of C & K Petroleum, Inc, for compulsory pooling and a non-standard unit, Eddy County, New Mexico.

CASE 5807

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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

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

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 2-2
Submitted by Taylor
Hearing Date

2-2

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I N D E X

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	Offered	Admitted
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Applicant's Exhibit Two, AFE	5	10
Applicant's Exhibit Three, Structure Map	5	10
Applicant's Exhibit Four, Production Map	6	10
Applicant's Exhibit Five, Cross Section	7	10

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Phone (505) 982-9212

MR. STAMETS: We will call next Case 5807.

MS. TESCHENDORF: Case 5807, application of C & K Petroleum, Inc. for compulsory pooling and a non-standard unit, Eddy County, New Mexico.

MR. KELLAHIN: If the Examiner please, Jason Kellahin, Kellahin and Fox, appearing for the applicant and we have the same witness who appeared in the previous case and may the record show that he has been sworn?

MR. STAMETS: The record will so show.

MR. KELLAHIN: I believe the record will also show that Mr. Bill Taylor who was involved in this case is present and appearing for himself.

EDWARD W. HOOPER

called as a witness, having been previously sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A Edward W. Hooper.

Q By whom are you employed and in what position, Mr. Hooper?

A C & K Petroleum, Exploration Manager.

Q Where are you located?

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Phone (505) 982-9212

A. Midland, Texas.

Q. Have you ever testified before the Oil Conservation Commission and made your qualifications a matter of record?

A. I have.

MR. KELLAHIN: Are the witness' qualifications acceptable?

MR. STAMETS: They are.

Q. (Mr. Kellahin continuing.) Mr. Hooper, what is proposed by the applicant in Case 5807?

A. For a compulsory pooling and a non-standard unit in Eddy County in the north half of Section 13, Township 22 South, Range 26 East.

Q. Now, referring to what has been marked as the Applicant's Exhibit Number One, would you identify that exhibit, please?

A. That is a structure map contoured on top of the Morrow M-3 marker which is the identifiable marker in the sample and the electric logs in the area of interest.

Q. I believe you've got the numbers mixed up here. I believe the first one is the estimated pay out.

A. I'm sorry.

Q. Exhibit Number One is the estimated pay out on the proposed well, is it not?

A. Yes, sir.

Q. What do you base that estimate on, Mr. Hooper?

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A. On the current production rates of wells in the area as a sort of a mean for what we might anticipate at the proposed location.

Q. Now, have you made an estimate of the well costs to drill?

A. Right, an AFE is presented as Exhibit Two to the Commission, what was prepared by C & K's production department.

Q. And has a copy of that been delivered to Mr. Taylor?

A. Yes, it has.

Q. Now, referring to what has been marked as Exhibit Three, the structure map, would you discuss that exhibit?

A. Yes, that is a structure map on the top of the Morrow. The M-3 marker which is a readily identifiable marker on electric logs and in samples in the subject area.

Q. Now, you have an area marked, types of sand, tight, on the exhibit?

A. Yes, the permeability barrier which we think controls the entrapment of Morrow gas in the area of interest is shaded on this particular map and could be projected into the area of interest, posing the possibility that we could drill a Morrow dry hole at the proposed location.

Q. That does increase the risk that you are assuming, does it not?

A. Correct.

MR. STAMETS: Is the location marked on this exhibit?

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Phone (505) 982-9212

A. Yes. It should show the C & K Petroleum which would be listed as "two" on the cross section there.

MR. STAMETS: Okay, now, I would like to clarify Exhibit Number Two at this point. It identifies the well as being in Section 18, 22, 26, that should be 13? You have Number Two as the AFE.

A. Let me get a copy of the AFE and -- no, that is the production department, we did not catch that. That is Section 13.

MR. STAMETS: Okay.

Q. (Mr. Kellahin continuing.) Do you have anything to add in connection with Exhibit Number Three?

A. Nothing else at this time, unless the Commission has any questions.

Q. Now, turning to what has been marked as Exhibit Number Four, production map, would you discuss that exhibit?

A. Right, this map was prepared to show what the wells in the general area have delivered as was the same on this map, the first figure or the upper figure is the average monthly production for the first eight months of 1976. The second, the lower figure in parentheses, would be the number of months that the well has actually produced and the last figure would be the total cumulative production to nine, one, seventy six.

Q. Now, based on the information which you have

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available, do you anticipate you will encounter a producing well at your proposed location?

A. Right, we think we will find the Morrow productive, at what rates, this is highly conjectural at this time.

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

A. Exhibit Five is a cross section, taking into consideration several wells in the South Carlsbad Field that are presently productive, plus the Morris Antweil well that would be northwest of the proposed location and this cross section is color coded to show the productive sands in the area of interest with yellow and the non-productive sands as determined by drill stem test data or the perforated intervals, this would be shaded in green as non-commercial sands in the Morrow formation.

Q. Now, you have testified as to the possibility of a permeability barrier and the possibility of encountering non-productive zones. In your opinion is this a reasonably high risk well?

A. Yes, I would think so.

Q. Now, what risk factor are you asking the Commission to assign for this forced pooling case?

A. We are asking for the hundred and twenty percent above the cost of the well.

Q. In other words, you are asking for your well costs,

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plus a hundred and twenty percent risk factor?

A That is correct.

Q Now, is that based on a risk factor that has been assigned to other wells in the area?

A Right, at least as much.

Q And in this particular unit in a previous case was that the risk factor?

A In a previous forced pooling hearing by Tom Brown out of Midland this was the penalty granted by the Commission.

Q Have you reached an agreement with Mr. Taylor as to the hundred and twenty percent risk factor?

A Correct.

Q Now, who has not agreed to participate in this well, Mr. Hooper?

A I think Mr. Taylor and Mr. Page are the only others.

Q Now, what effort did you make to have them join?

A We tried to make a commercial oil and gas lease with the other people in the unit.

Q In the event the Commission enters its forced pooling order, you have no objection to these people paying their proportionate share in accordance with the usual terms of the agreement, do you?

A None whatsoever.

Q Participating in the well?

A Right.

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Q. Now, do you ask for recovery of your drilling costs from the production?

A. Correct.

Q. Plus the risk factor?

A. Right.

Q. And how about your costs of supervision for a drilling and a producing well?

A. Well, the AFE states that for the drilling of the well we have set up a total of two thousand dollars for the drilling of the well over sixty days, which would amount to a thousand dollars per month supervision of the well.

Q. What are your charges for supervision of a producing well?

A. A hundred and fifty dollars per month.

Q. And the C & K Petroleum Corporation asks to be designated as the operator?

A. Yes, we do.

Q. Now, you are also asking for an unorthodox well location, what is the reason for that?

A. Because the well on a standard location, as I pointed out previously, it falls in the Dark Canyon Arroyo and we would like to move the location to sixteen hundred and eighty feet from the north line to get us on higher, flat land.

Q. I don't believe it's an unorthodox location but it's

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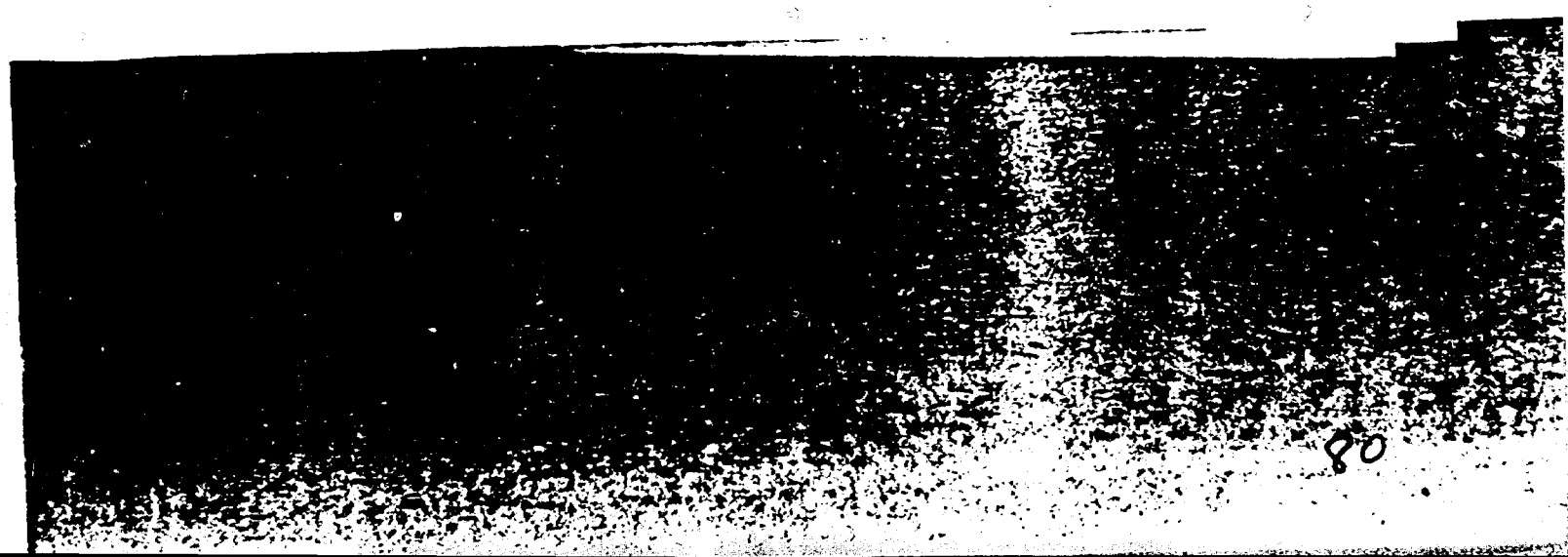

not a normal --

A. It's not a standard.

Q. It's not a standard location? Then you have a topographical reason for the well location?

A. Yes, to get it out of the arroyo.

Q. Now, you also ask for a non-standard unit consisting of three hundred and thirty-six acres, what is the reason for that?

A. Well, upon the re-survey of this so-called standard three, twenty, it was found that the unit contained three hundred and thirty-six, point, six acres.

Q. That's in the north half of the section?

A. Right.

Q. Now, were Exhibits One through Five, inclusive, prepared by you or under your supervision?

A. They were.

MR. KELLAHIN: At this time I would like to offer into evidence Exhibits One through Five, inclusive.

MR. STAMETS: These exhibits will be admitted.

(THEREUPON, Applicant's Exhibits One through Five were admitted into evidence.)

Q. (Mr. Kellahin continuing.) Mr. Hooper, did you have a meeting yesterday with Mr. Taylor and reach a tentative agreement for this well?

A. Yes, we did.

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Q. But it hasn't been completed yet?

A. No, sir.

MR. KELLAHIN: That's all we have.

MR. STAMETS: I would like to clarify this location. It appears to me that sixteen, eighty from the north line and nineteen, eighty from the east line would be a legal location under the Commission's Rules and Regulations.

THE WITNESS: That's correct.

MR. STAMETS: Are there any questions of the witness?

MR. TAYLOR: Mr. Stamets?

MR. STAMETS: Would you identify yourself for the record?

MR. TAYLOR: Bill Taylor representing myself on this. I would appreciate the record to show that we have reached an agreement as stipulated by Mr. Kellahin and Mr. Hooper.

I would like to point out that we do not feel that the risk factor on this well is such as is designated by the isopach and using Mr. Hooper's One here and we still have no objection. We are in favor of the hundred and twenty percent as such because of the time element involved but we do not believe that the risk factor is so great and if we use Mr. Hooper's contours here showing the barrier formation and then we look at a production map or lease map of the area, we find that in Section 32 where this would continue, there is a good

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producer and further to the north there are good producers.

But we have no contention with him and wish him good luck on the well. We intend to participate and we would like the record to show also that we do in this agreement that we have, we do agree to retain the rights to gas in kind and also that the forced pooling is just for the Wolfcamp, through the Pennsylvanian formations.

MR. STAMETS: The way this was advertised the pooling would be for the Wolfcamp and Pennsylvanian only and, of course, the transcript will contain your statements for the record.

Are there any questions of Mr. Hooper? He may be excused.

(THEREUPON, the witness was excused.)

MR. STAMETS: Is there anything further in this case? We will take the case under advisement.

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

REPORTER'S CERTIFICATE

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

Sidney F. Morrish, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5807 heard by me on 11-10-1976.

Richard L. Stamets, Examiner
New Mexico Oil Conservation Commission

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

84

WELL LOCATION AND ACREAGE DEDICATION PLAT

Supersedes C-128
Effective 1-1-55

All distances must be from the outer boundaries of the section.

Operator	Lease	Well No.
C & K Petroleum, Inc.	Carlsbad (13) Com.	1

Unit Letter	Section	Township	Range	County
G	13	22S	26 E	Eddy

Actual Footage Location of Well:
1650' feet from the North line and 2040' feet from the East line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
3144	Morrow	South Carlsbad Morrow (Gas)	320 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

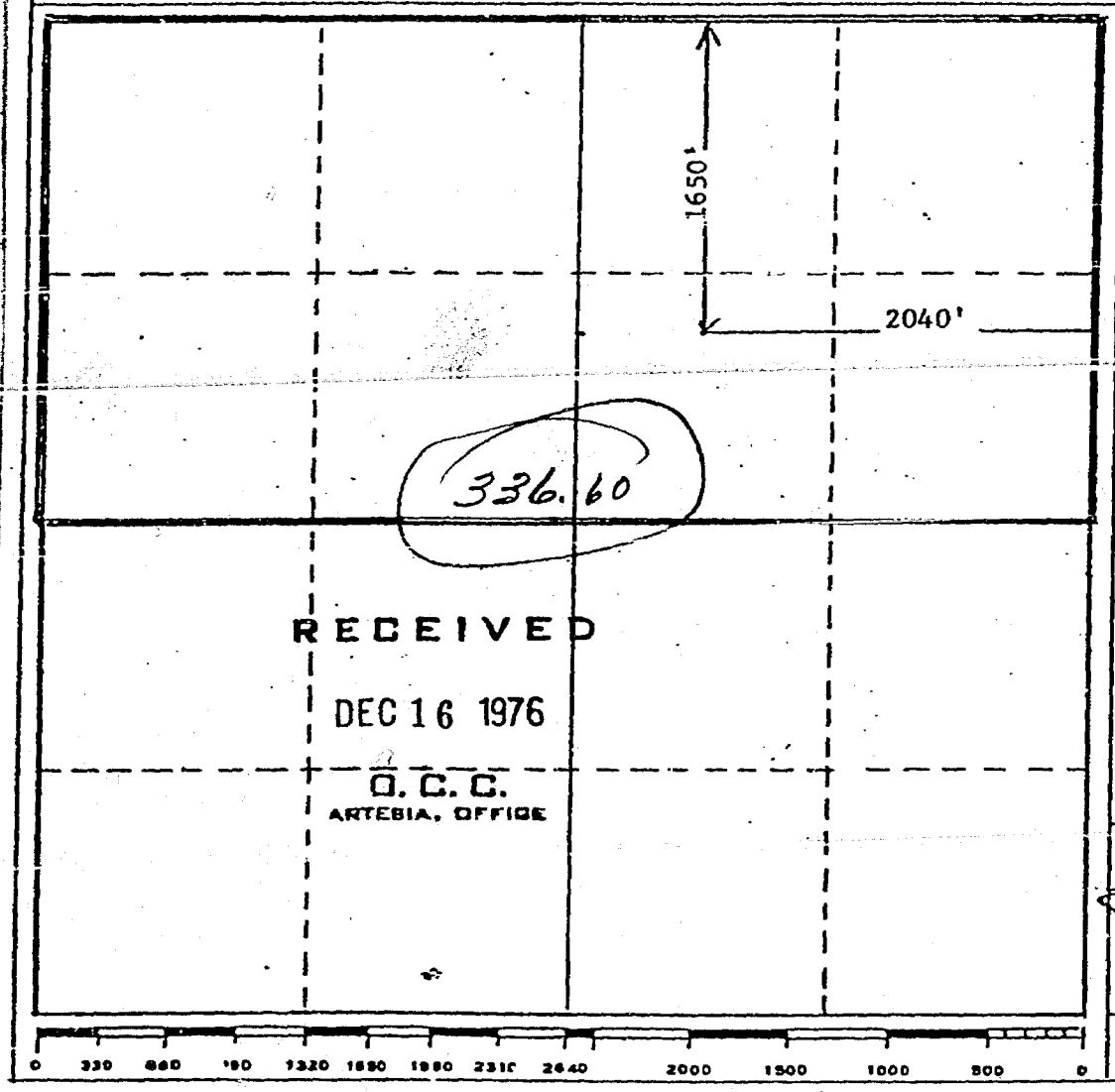
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty). See attachment

3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling. etc?

☒ Yes ☐ No If answer is "yes," type of consolidation Force Pooled Su Order R-5332

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)_____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

W. E. Gipson

Name: Administrative Supervisor

Position: C & K Petroleum, Inc.

Company: December 3, 1976

Date

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Oct. 29, 1976

Date Surveyed

John W. West

Registered Professional Engineer and/or Land Surveyor

N. M. 220

Certificate No.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 7-1
Submitted by Taylor
Hearing Date

Taylor Ex 7-1

OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
P. O. DRAWER DD - ARTESIA
88210

DIRECTOR
JOE D. RAMEY

LAND COMMISSIONER
PHIL R. LUCERO

STATE GEOLOGIST
EMERY C. ARNOLD

February 14, 1977

C & K Petroleum Inc.
P.O. Drawer 3546
Midland, TX 79701

Re: Carlsbad "13" Com.
#1-G-13-22-26
Eddy County, NM

Gentlemen:

To date, this office has not received Form C-103 reporting the spud date, setting and cementing surface, and intermediate casing on the subject well.

Please submit said Form C-103 at your earliest convenience.

If you have any questions concerning this matter, please feel free to call upon me.

Sincerely yours,

W.A. Gressett

W.A. Gressett
Supervisor, District II

WAG:s.n

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6209 Exhibit No. 8-2
Submitted by Taylor
Hearing Date

8-2

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FEB 18 1977

O. C. C.
ARTESIA, OFFICE

Form C-103
Supersedes Old C-102 and C-103
Effective 1-1-65

5a. Indicate Type of Lease: State ☐ Fee ☒

5. State Oil & Gas Lease No.

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT —" (FORM C-101) FOR SUCH PROPOSALS.)

1. OIL WELL ☐ GAS WELL ☒ OTHER-

7. Unit Agreement Name

2. Name of Operator
C & K PETROLEUM, INC. ✓

8. Farm or Lease Name
Carlsbad "13" Com.

3. Address of Operator
P.O. Drawer 3546 Midland, Texas 79701

9. Well No.
1

4. Location of Well
UNIT LETTER G, 2040 FEET FROM THE East LINE AND 1650 FEET FROM THE North LINE, SECTION 13 TOWNSHIP 22-S RANGE 26-E NMPM.

10. Field and Pool, or Wildcat
South Carlsbad (Morrow)

15. Elevation (Show whether DF, RT, GR, etc.)
3144 Gr.

12. County
Eddy

16. Check Appropriate Box To Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK ☐	PLUG AND ABANDON ☐	REMEDIAL WORK ☐	ALTERING CASING ☐
TEMPORARILY ABANDON ☐		COMMENCE DRILLING OPNS. ☒	PLUG AND ABANDONMENT ☐
PULL OR ALTER CASING ☐	CHANGE PLANS ☐	CASING TEST AND CEMENT JOB ☒	
OTHER ☐		OTHER ☐	

17. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

1. Spudded 6:00 AM (CST) 1-16-77

Surface Casing:

2. Drilled a 20" hole to 400', set 16", 65# casing @ 400'. Cemented through 5" drill pipe wi 500 sx. trinity lt. plus 100 sx. class "C".Cement circ. to surface. Job completed at 9:45 PM (CST) 1-17-77. WOC 18 hrs.

Intermediate Casing:

3. Drilled 14-3/4" hole 400'-2603', set 10-3/4" 45.5# casing @ 2603'. Cemented with 1200 sx. class "C". Circ. 200 sx. Plug down @ 7:00 AM (CST) 1-25-77. WOC 23 hrs. Tested csg. with 1500# 30 min. Held o-k.

18. I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNED M. C. Corzine TITLE Administrative Supervisor DATE 2-15-77

APPROVED BY W. A. Gressett TITLE SUPERVISOR, DISTRICT II DATE FEB 18 1977

CONDITIONS OF APPROVAL, IF ANY:

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 8-3
Submitted by Taylor
Hearing Date

C-103 2/15/77

8-3

OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. DRAWER DD - ARTESIA
88210

DIRECTOR
JOE D. RAMEY

LAND COMMISSIONER
PHIL R. LUCERO

STATE GEOLOGIST
EMERY C. ARNOLD

May 5, 1977

C & K Petroleum Inc.
P.O. Drawer 3546
Midland, TX 79701

Re: Carlsbad 13 Com.
#1-G-13-22-26
Eddy County, NM

Gentlemen:

The last report received in this office on the subject well was Form C-103 reporting setting the intermediate casing.

Please submit all reports necessary to bring our records up to date on this well.

If you have any questions concerning this matter, please feel free to call upon me.

Sincerely yours,

W.A. Gressett

W.A. Gressett
Supervisor, District II

WAG:sm

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 8-4A
Submitted by Taylor
Hearing Date

8-4a

OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. DRAWER DD - ARTESIA
88210

DIRECTOR
JOE D. RAMEY

LAND COMMISSIONER
PHIL R. LUCERO

STATE GEOLOGIST
EMERY C. ARNOLD

May 17, 1977

C & K Petroleum Corp.
P.O. Drawer 3546
Midland, TX 79701

Re: Carlsbad "13" Com.
#1-G-13-22-26
Eddy County, NM

Gentlemen:

We are returning the enclosed Form C-103 on the subject well for additional information.

Please show the footage of each weight of the 5½" casing and show a breakdown on the perforations. Also, submit a completion report on the well.

If you have any questions concerning this matter, please feel free to call upon me.

Sincerely yours,

W.A. Gressett

W.A. Gressett
Supervisor, District II

WAG:sm

Enclosures

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6284 Exhibit No. 8-48
Submitted by Taylor
Hearing Date

8-46

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NEW MEXICO OIL CONSERVATION COMMISSION

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MAY 12 1977

O. C. C.

ARTESIA, OFFICE

Form C-103
Supersedes Old
C-102 and C-103
Effective 1-1-65

5a. Indicate Type of Lease State ☐ Fee ☒

5. State Oil & Gas Lease No.

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT —" (FORM C-101) FOR SUCH PROPOSALS.)

1. OIL WELL ☐ GAS WELL ☒ OTHER-

7. Unit Agreement Name

2. Name of Operator
C & K Petroleum, Inc. ✓

8. Farm or Lease Name
Carlsbad "13" Com.

3. Address of Operator
P.O. Drawer 3546 Midland, Texas 79701

9. Well No.

4. Location of Well
UNIT LETTER G , 2040 FEET FROM THE East LINE AND 1650 FEET FROM THE North LINE, SECTION 13 TOWNSHIP 22-S RANGE 26-E NMPM.

10. Field and Pool, or Wildcat
South Carlsbad (Morrow

15. Elevation (Show whether DF, RT, GR, etc.)
3144 Gr.

12. County
Eddy

16. Check Appropriate Box To Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK ☐	PLUG AND ABANDON ☐	REMEDIAL WORK ☐	ALTERING CASING ☐
TEMPORARILY ABANDON ☐		COMMENCE DRILLING OPNS. ☐	PLUG AND ABANDONMENT ☐
PULL OR ALTER CASING ☐	CHANGE PLANS ☐	CASING TEST AND CEMENT JOB ☒	
OTHER ☐		OTHER ☐	

17. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

Production Casing: Drilled a 7-7/8" hole from 2603' to 11,700'. Set 5-1/2', 20# and 17#, N-80 Casing @ 11,700'. Cemented with 350 sx. C1-H, 2% Lo-Dense, 1% D-19 followed by 500 sx. C1-H, 1% D-19. Plug down @ 5:20 PM CST, 2-22-77. Ran temp survey. Found top of cement behind 5-1/2" casing @ 8430'. WOC in excess of 72 hrs.

Completion:
3-9-77 perforated 5-1/2" casing 11,541-11,642'.
3-11-77 acidized with 2000 gals. Swabbed 6 hrs. No continuous flow. Set packer with one bailer cement on top to plug off bottom perforations.
3-15-77 perforated 11,298-11,449'. Acidized with 2500 gals, 7-1/2% acid. Flowed well on 1/2" ck 2-1/2 hrs. Gas volume 1600 MCFGPD (Calculated). FTP 300-350#. Shut in over night.
3-16-77 flow tested 4-1/2 hrs. 11/64" ck, FTP 2350#, gas volume 1200 MCF Shut in well. Waiting on Transwestern Gas Co. gas sales connection.

18. I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNED D. L. Cagle TITLE Administrative Supervisor DATE 5-11-77

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 8-5
Submitted by Taylor
Hearing Date _____

C-103 5/11/77

8-5

1

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NEW MEXICO OIL CONSERVATION COMMISSION

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O. C. C.
ARTESIA, OFFICE

Form C-103
Supersedes Old
C-102 and C-103
Effective 1-1-65

5a. Indicate Type of Lease
State ☐ Fee ☒

5. State Oil & Gas Lease No.

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT —" (FORM C-101) FOR SUCH PROPOSALS.)

1. OIL WELL ☐ GAS WELL ☒ OTHER-

7. Unit Agreement Name

2. Name of Operator ✓
C & K Petroleum, Inc.

8. Farm or Lease Name
Carlsbad "13" Com.

3. Address of Operator
P.O. Drawer 3546 Midland, Texas 79701

9. Well No.
1

4. Location of Well
UNIT LETTER G , 2040 FEET FROM THE East LINE AND 1650 FEET FROM THE North LINE, SECTION 13 TOWNSHIP 22-S RANGE 26-E NMPM.

10. Field and Pool, or Wildcat
South Carlsbad (Morrow)

15. Elevation (Show whether DF, RT, GR, etc.)
3144 Gr.

12. County
Eddy

16. Check Appropriate Box To Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK ☐	PLUG AND ABANDON ☐	REMEDIAL WORK ☐	ALTERING CASING ☐
TEMPORARILY ABANDON ☐		COMMENCE DRILLING OPNS. ☐	PLUG AND ABANDONMENT ☐
PULL OR ALTER CASING ☐	CHANGE PLANS ☐	CASING TEST AND CEMENT JOB ☒	
OTHER ☐		OTHER ☐	

17. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

Production Casing: Drilled a 7-7/8" hole from 2603' to 11,700'. Set 5-1/2" csg. (1975'-20# N-80, 9711'-17# N-80) @ 11,700'. Cemented with 350 sx. Cl-H, 2% Lo-Dense, 1% D-19 followed by 500 sx. Cl-H, 1% D 19. Plug down @ 5:20 PM CST, 2-22-77. Ran temp survey. Found top of cement behind 5-1/2" csg. @ 8430'. WOC in excess of 72 hrs.

Completion: 3-9-77 perf. 9-0.38" holes 11,541; 11,552; 11,556; 11,563; 11,570; 11,580; 11,591; 11,640; 11,642'.
3-11-77 acidized with 2000 gals. Swabbed 6 hrs. No continuous flow. Set DR plug in packer with one bailer cement on top to plug off bottom perforations.
3-15-77 perf. 15-0.40" holes 11,298; 11,300; 11,302; 11,348; 11,352; 11,356; 11,360; 11,404; 11,406; 11,408; 11,410; 11,435; 11,437; 11,439; 11,449'.
Acidized with 2500 gals, 7-1/2% acid. Flowed well on 1/2" ck. 2-1/2 hrs. Gas volume 1600 MCFGPD (Calculated). FTP 300-350#. Shut in over night.
3-16-77 flow tested 4-1/2 hrs. 11/64" ck., FTP 2350#, gas volume 1200 MCFGPD. Shut in well. Waiting on Transwestern Gas Co. gas sales connection.

18. I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNED G C Tompson TITLE Mgr. of Production DATE June 10, 1977

APPROVED BY W. A. Gressett TITLE SUPERVISOR, DISTRICT II DATE JUN 17 1977

CONDITIONS OF APPROVAL, IF ANY:

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 8-6
Submitted by Taylor
Hearing Date

C-103 6/10/77

8-6

DISTRIBUTION		
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NEW MEXICO OIL CONSERVATION COMMISSION
WELL COMPLETION OR RECOMPLETION REPORT AND LOG

JUN 13 1977

O. C. C.
ARTESIA, OFFICE

5a. Indicate Type of Lease: State ☐ Fee ☒
5. State Oil & Gas Lease No.

1a. TYPE OF WELL: Oil Well ☐ Gas Well ☒ Dry ☐ Other
b. TYPE OF COMPLETION: New Well ☒ Work Over ☐ Deepen ☐ Plug Back ☐ Diff. Resvr. ☐ Other
7. Unit Agreement Name
8. Farm or Lease Name: Carlsbad "13" Com.
2. Name of Operator: C & K Petroleum, Inc.
9. Well No.: 1
3. Address of Operator: P.O. Drawer 3546 Midland, Texas 79701
10. Field and Pool, or Wildcat: South Carlsbad (Morrow)
4. Location of Well: UNIT LETTER G LOCATED 2040 FEET FROM THE East LINE AND 1650 FEET FROM THE North LINE OF SEC. 13 TWP. 22-S RGE. 26-E NMPM
12. County: Eddy

15. Date Spudded	16. Date T.D. Reached	17. Date Compl. (Ready to Prod.)	18. Elevations (DF, RKB, RT, GR, etc.)	19. Elev. Cashinghead
1-16-77	2-22-77	3-16-77	3144 Gr.	

20. Total Depth	21. Plug Back T.D.	22. If Multiple Compl., How Many	23. Intervals Drilled By	Rotary Tools	Cable Tools
11,701'	11,490'		→	0-TD	

24. Producing Interval(s), of this completion — Top, Bottom, Name: 11,300 - 11,449 Morrow
25. Was Directional Survey Made: No
26. Type Electric and Other Logs Run: Compensated Acoustic Vel. Gamma Caliper Log
27. Was Well Cored: No

CASING RECORD (Report all strings set in well)

CASING SIZE	WEIGHT LB./FT.	DEPTH SET	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
16"	65#	400'	20"	600 sx. Circ.	None
10-3/4"	45.5#	2603'	14-3/4"	1400 sx. Circ.	None
5-1/2"	17# & 20#	11,700'	7-7/8"	800 sx. - top cement	None
				behind 5-1/2" @ 8430'.	

29. LINER RECORD					30. TUBING RECORD		
SIZE	TOP	BOTTOM	SACKS CEMENT	SCREEN	SIZE	DEPTH SET	PACKER SET
					2-7/8	11,217'	11,217'

31. Perforation Record (Interval, size and number)
11,541' - 11,642 (these perfs. below PBTD)
11,298'- 11,449'

32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.

DEPTH INTERVAL	AMOUNT AND KIND MATERIAL USED
11,541-11,642	Acidized with 2000 gals.
11,298-11,449	Acidized with 2500 gals.

33. PRODUCTION

Date First Production	Production Method (Flowing, gas lift, pumping – Size and type pump)	Well Status (Prod. or Shut-in)
3-15-77	Flowing	Shut in

Date of Test	Hours Tested	Choke Size	Prod'n. For Test Period →	Oil – Bbl.	Gas – MCF	Water – Bbl.	Gas – Oil Ratio
3-15-77	4-3/4 hrs.	11/64		-0-	237.5	-0-	

Flow Tubing Press.	Casing Pressure	Calculated 24-Hour Rate →	Oil – Bbl.	Gas – MCF	Water – Bbl.	Oil Gravity – API (Corr.)
2350	Packer		-0-	1200	-0-	-

34. Disposition of Gas (Sold, used for fuel, vented, etc.): Will be sold to Transwestern Pipeline Co.
Test Witnessed By: BSTI
35. List of Attachments: Comp. Acoustic Vel. Gamma Caliper Log, Deviation tests.
36. I hereby certify that the information shown on both sides of this form is true and complete to the best of my knowledge and belief.

SIGNED S C Taylor TITLE Mgr. of Production DATE June 10, 1977

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 9-1
Submitted by Taylor
Hearing Date

C-105 6/10/77

9-1

FLUID SAMPLE DATA

Sampler Pressure	1650 P.S.I.G. at Surface	Date	2-17-77
Recovery: Cu. Ft. Gas	7.905	Ticket Number	777802
cc. Oil		Kind of Job	OPEN HOLE
cc. Water		Halliburton District	ARTESIA
cc. Mud		Tester	R. PITTMAN
Tot. Liquid cc.		Witness	EARL GABTNER
Gravity ° API @ °F.		Drilling Contractor	SHARP RIG # 37 DR
Gas/Oil Ratio cu. ft./bbl.			

	RESISTIVITY			CHLORIDE CONTENT
Recovery Water	@	°F.		ppm
Recovery Mud	@	°F.		ppm
Recovery Mud Filtrate	@	°F.		ppm
Mud Pit Sample	@	°F.	121000	ppm
Mud Pit Sample Filtrate	@	°F.		ppm

Mud Weight 9.7 vis 34 Sec.

EQUIPMENT & HOLE DATA

Formation Tested	Morrow	
Elevation	3145' GL	Ft.
Net Productive Interval	40'	Ft.
All Depths Measured From	Kelly Drive Bushing 15'	
Total Depth	11479'	Ft.
Main Hole/Casing Size	7 7/8"	
Drill Collar Length	567' I.D. 2.25"	
Drill Pipe Length	10,836' I.D. 3.340"	
Packer Depth(s)	11,273-11,279'	Ft.
Depth Tester Valve	11,257'	Ft.

Cushion	TYPE	AMOUNT	Ft.	Depth Back Pres. Valve	Surface Choke	1/4"	Bottom Choke	.75"

Recovered Feet of

Recovered Feet of

Recovered Feet of

Recovered Feet of

Recovered Feet of

Remarks SEE PRODUCTION TEST DATA SHEET

Mud. From Tester Valve

RECEIVED
JUN 13 1977
O. C. D.
ARTESIA, OFFICE

UTR-Unable to read

TEMPERATURE	Gauge No. 1639 Depth: 11,258 Ft.	Gauge No. 1638 Depth: 11,476 Ft.	Gauge No. Depth: Ft.	TIME
	24 Hour Clock	24 Hour Clock	Hour Clock	Tool Opened 0615 A.M. P.M.
Est. 180 °F.	Blanked Off NO	Blanked Off Yes	Blanked Off	Opened A.M.
Actual °F.	Pressures	Pressures	Pressures	Bypass 1645 P.M.

	Field	Office	Field	Office	Field	Office	Reported Minutes	Computed Minutes
Initial Hydrostatic	5512	5548	5673	5664				
First Period Flow Initial	132	258	370	351			———	———
First Period Flow Final	485	485	545	560			30	30
First Period Closed in	4645	4644	4701	4712			60	62
Second Period Flow Initial	479	548	479	501			———	———
Second Period Flow Final	1278	1262	1328	1330			180	179
Second Period Closed in	4511	4724	4789	4780			360	360
Third Period Flow Initial							———	———
Third Period Flow Final								
Third Period Closed in								
Final Hydrostatic	5512	UTR	5673	UTR			———	———

FORM 101-B1—PRINTED IN U.S.A.

FORMATION TEST DATA

LITTLE'S 88431 10M 8/74

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 9-2
Submitted by Taylor
Hearing Date

9-2

13

Lease Name: [illegible] 13 Fed. Com. Well No. 1 Test No. 1
Location - Twp. - Rng.: 18-22-26 Tested Interval: 11,279-11,479'
Field Area: SOUTH CARLSBAD County: EDDY State: NEW MEXICO
Lease Owner/Company Name: H. & K. PETROLEUM CORPORATION

NO. OF COPIES RECEIVED		
DISTRIBUTION		
SANTA FE	1	SE
FILE	1	✓
U.S.G.S.	2	
LAND OFFICE		
OPERATOR	1	

NEW MEXICO OIL CONSERVATION COMMISSION

City of Carlsbad Notified 12-6-76 2:30PM. upon receipt of Application

DEC 16 1976

O. C. C.
ARTESIA, OFFICE

~~dated 12-3-76~~
30-015-21999
Form C-101
Revised 1-1-65

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

5A. Indicate Type of Lease: STATE ☐ FEE ☒

5. State Oil & Gas Lease No.:

1a. Type of Work

b. Type of Well: DRILL ☒ DEEPEN ☐ PLUG BACK ☐

OIL WELL ☐ GAS WELL ☒ OTHER SINGLE ZONE ☒ MULTIPLE ZONE ☐

7. Unit Agreement Name:

8. Farm or Lease Name: Carlsbad "13" Com

2. Name of Operator: C & K Petroleum, Inc.

9. Well No.: 1

3. Address of Operator: P.O. Drawer 3546 Midland, Texas 79701

10. Field and Pool, or Wildcat: ~~unnamed~~ South Carlsbad Morrow

4. Location of Well: UNIT LETTER G LOCATED 2040 FEET FROM THE East LINE AND 1650 FEET FROM THE North LINE OF SEC. 13 TWP. 22-S RGE. 26-E NMPM

12. County: Eddy

19. Proposed Depth	19A. Formation	20. Rotary or C.T.
12,000	Morrow	Rotary

21. Elevations (Show whether DF, RT, etc.)	21A. Kind & Status Plug. Bond	21B. Drilling Contractor	22. Approx. Date Work will start
3144 GL	Blanket-Active	Sharp Drilling Company	Upon Approval

23. PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
20"	16"	65#	350'	1100	Surface
14 3/4"	10 3/4"	45.5#	2300'	2200	Surface
*9-½" Will drill 9-½" hole to 8700' and reduce hole size to 7-7/8"					
7-7/8"	5-½"	17 to 20#	12000'	570	9000'

*As a contingency plan, if a problem develops, we will run 7-5/8", 26.40#, casing and set on a shoulder 8700'. In the event we run 7-5/8" casing, we will then hang a 5" liner from 8500' to TD.

Blowout Preventer Program:
Refer to attached Blowout Preventer sketch. Blowout Preventer will be a yellow Jacketed weekly.

Gas not Dedicated

APPROVAL VALID
~~FOR 90 DAYS~~ UNLESS
DRILLING COMMENCED,
EXPIRES 2-28-77

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY. See order R-5332

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

Signed [signature] Title Administrative Supervisor Date December 10, 1976

(This space for State Use)

APPROVED BY W. A. Gressett TITLE ~~SUPERVISOR, DISTRICT II~~ DATE DEC 20 1976

CONDITIONS OF APPROVAL, IF ANY:

Cement must be circulated to surface behind 16" & 10 3/4" casing

Notify N.M.O.C.C. in sufficient time to witness cementing the 10 3/4" casing

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 9-3
Submitted by Taylor
Hearing Date

9-3

C & K Petroleum, Inc.

POST OFFICE DRAWER 3546
600 C & K PETROLEUM BUILDING
MIDLAND, TEXAS 79701
(915) 683-3311

RECEIVED

JUN 13 1977

O. C. C.
ARTESIA, OFFICE

June 10, 1977

Oil Conservation Commission
State of New Mexico
P. O. Drawer DD
Artesia, New Mexico 88210

Attention: Mr. W. A. Gressett
Supervisor, District II

Re: Carlsbad 13
#1-G-13-22-26
Eddy County, New Mexico

Gentlemen:

The attached Form C-103 has been revised as per instructions in your letter dated May 17, 1977. We also enclose Form C-105 as requested.

We have not yet filed our four-point completion test. We are waiting for completion of Transwestern's pipeline so that the flow tests can be made into the pipeline and the gas will not be flared. We expect to have the pipeline complete in about two more weeks and a four-point potential will be filed immediately on its completion.

I trust the above meets with your approval. If you have questions or there are other filings or requirements that should be met please let me know.

Yours very truly,

C & K PETROLEUM, INC.

G C Tompson

G. C. Tompson
Manager of Production

GCT/sjw

Attachments

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 10-1
Submitted by Taylor
Hearing Date

10-1

MULTIPOINT AND ONE POINT BACK PRESSURE . T FOR GAS WELL

RECEIVED

AUG 9 1977

O. C. C.
ARTESIA, OFFICE

Type Test: ☒ Initial ☐ Annual ☐ Special				Test Date: 8-3-77				
Company: C & K Petroleum Inc.,				Connection: Transwestern Pipe Line Co.				
Pool: South Carlsbad Morrow				Formation: Morrow				Unit: B
Completion Date: 6-15-77		Total Depth: 11701		Plug Back TD: 11480		Elevation:		Farm or Lease Name: Carlsbad 13 Com
Csg. Size: 5½	Wt.: 17 & 20	d:	Set At: 11701	Perforations: From 11298	To 11449			Well No.: 1
Tbg. Size: 2 7/8	Wt.: 6.58	d:	Set At: 11217	Perforations: From Open	To End			Unit: B Sec.: 13 Twp.: 22-S Rge.: 26-E
Type Well – Single – Bradenhead – G.G. or G.O. Multiple: Single				Packer Set At: 11237				County: Eddy
Producing Thru: Tubing		Reservoir Temp. °F: 196 @ 11375		Mean Annual Temp. °F: 70		Baro. Press. – P_a: 13.2		State:
L: .151	H: 11298	Gg: .585	% CO_2: 1.04	% N_2: .55	% H_2S: .06	Prover:	Meter Run: 4.026	Taps: Flange

	FLOW DATA				TUBING DATA		CASING DATA		
NO.	Prover Line Size X Orifice Size	Press. p.s.i.g.	Diff. h_w	Temp. °F	Press. p.s.i.g.	Temp. °F	Press. p.s.i.g.	Temp. °F	Duration of Flow
SI					3164	76			
1.	4.026 x 1.875	305	2	66	3015	80	Packer		60 min
2.	"	315	4	66	2990	84			60 min
3.	"	320	8	68	2858	90			60 min.
4.	"	320	12	69	2738	96			75 min
5.									

RATE OF FLOW CALCULATIONS

NO.	Coefficient (24 Hour)	$\sqrt{h_w P_m}$	Pressure P_m	Flow Temp. Factor Ft.	Gravity Factor Fg	Super Compress. Factor, Fpv	Rate of Flow Q, Mcfd
1	1726	25.2270	318.2	.9943	1.307	1.022	578
2.	"	36.2326	328.2	.9943	"	1.022	831
3.	"	51.6294	333.2	.9924	"	1.023	1182
4.	"	63.2329	333.2	.9915	"	1.023	1447
5.							

NO.	P_r	Temp. °R	T_r	Z
1.				
2.				
3.				
4.				
5.				

Gas Liquid Hydrocarbon Ratio _____ Mcf/bbl.
A.P.I. Gravity of Liquid Hydrocarbons None Deg.
Specific Gravity Separator Gas _____ XXXXXXXXX
Specific Gravity Flowing Fluid XXXXX _____
Critical Pressure _____ P.S.I.A. _____ P.S.I.A.
Critical Temperature _____ R _____ R

P_c 3177.2 P_c^2 10,095

NO	P_t^2	P_w	P_w^2	$P_c^2 - P_w^2$
1		3071.2	9432	663
2		3003.2	9019	1076
3		2871.2	8244	1851*
4		2751.2	7569	2526
5				

(1) $\frac{P_c^2}{P_c^2 - P_w^2} = 5.4538$ (2) $\left[\frac{P_c^2}{P_c^2 - P_w^2}\right]^n = 3.3923$

AOF = Q $\left[\frac{P_c^2}{P_c^2 - P_w^2}\right]^n = 4010$

Absolute Open Flow 4010 Mcfd @ 15.025 Angle of Slope θ 53.5 Slope, n .7201

Remarks: * Used to calculate A.O.F.

Approved By Commission:	Conducted By:	Calculated By:	Checked By:
	C. Allen Dorsey	C. Allen Dorsey	

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6284 Exhibit No. 10-2
Submitted by Taylor
Hearing Date _____

C-122 rec'd 6/9/77

10-2

OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
P. O. BOX 2088 – SANTA FE 87501

GAS
SUPPLEMENT
NUMBER ..... (XW) (SE) AR-406
DATE 6-28-77

JUN 29 19

NOTICE OF ASSIGNMENT OF ALLOWABLE TO A GAS WELL

The operator of the following well has complied with all the requirements of the Oil Conservation Commission and the well is hereby assigned an allowable as shown below.

Date of Connection 6-21-77 Date of First Allowable or Allowable Change 6-28-77
Purchaser TWP & C&K Pet.Inc. Pool South Carlsbad Morrow
Operator C & K Petroleum Inc. Lease Carlsbad 13 Com
Well No. 1 Unit Letter G Sec. 13 Twp. 22 Range 26
Dedicated Acreage 320 Revised Acreage ____ Difference ____
Acreage Factor 1.00 Revised Acreage Factor ____ Difference ____
Deliverability ____ Revised Deliverability ____ Difference ____
A x D Factor ____ Revised A x D Factor ____ Difference ____

New Connection (N) TWP & C&K Pet.Inc. W. A. Gressett OCC District No. 2

CALCULATION OF SUPPLEMENTAL ALLOWABLE

MONTH	% OF MO.	PREV. ALLOW.	REV. ALLOW.	PREV. PROD.	REV. PROD.	REMARKS
January						
February						
March						
April						
May						
June			7655			
July			75000			
August						
September						
October						
November						
December						
TOTALS						

Previous Status Adjustments .....
Allowable Production Difference .....
May Schedule O/U Status .....
Revised May O/U Status .....

Effective In August Schedule
Current Classification NC To N

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JUL 18 1977
O. C. C.
ARTESIA, OFFICE

Note: All gas volumes are in MCF @ 15.025 psia.

JOE D. RAMEY, *Secretary -- Director*

By J. A. Kapteina

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 11-1
Submitted by Taylor
Hearing Date

11-1

C & K Petroleum, Inc.

600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915) 683-3311

January 20, 1978

Mr. Bill G. Taylor
512 Welshire
Carlsbad, New Mexico 88220

Re: C & K Petroleum, Inc. - Carlsbad "13" No. 1 Well
located in the N/2 Section 13, T-22-S, R-26-E,
NMPM, Eddy County, New Mexico

Dear Mr. Taylor:

We have prepared and attach hereto three copies of our Division Order dated November 16, 1977, covering production from the captioned well under which you own an interest. First runs were had from the well on June 15, 1977.

Since instruments evidencing your ownership of interest in Lot 13, Block 5, Hoose Acres Subdivision, have not be placed of record, our attorney has asked that the division order be executed by you and your wife as owners of this interest and also executed by W. H. Taylor and wife June Taylor as owning no interest in the captioned well. We are asking you to secure the execution of the W. H. Taylors, along with you and your wife's execution and return one copy of the executed division order to us. Please be sure that the mailing address shown is correct and that you insert your Social Security or Taxpayer I. D. Number in the space provided.

On the attached Exhibit "A" there are some owners for whom we do not show an address. If anyone knows their current address, please have them contact the undersigned so that we may forward a division order to them.

Thank you for your help and attention to this matter.

Yours very truly,

C & K PETROLEUM, INC.

Geneva M. Bell
(Ms.) Geneva M. Bell

GB;g
Enclosures

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6269 Exhibit No. 11-2
Submitted by Taylor
Hearing Date

11-2

(FORM [illegible])

Division Order No. 00632-01

Field: South Carlsbad (Morrow)

Unit or Farm: _____

Carlsbad "13"

DIVISION ORDER

TO: C & K PETROLEUM, INC.
P.O. Drawer 3546
Midland, Texas 79701

Date: November 16, 1977

Each of the undersigned warrants that he is the owner of the interest credited to him below in the proceeds derived from the sale of oil and/or gas from wells on the Carlsbad "13" No. 1 farm or lease located in Eddy County, State of New Mexico, more particularly described as follows:

N/2 Section 13, T-22-S, R-26-E,
NMPM, as to the Wolfcamp and
Pennsylvanian formations only.

Effective date of 1st runs(6-15-77), and until further written notice, you are hereby authorized to give credit for all proceeds derived from the sale of oil and/or gas from said property subject to the conditions, covenants and directions following:

Credit to:
Owner Name and Address — Division of Interest

SEE EXHIBIT "A" ATTACHED HERETO

FIRST: It is understood that all or a portion of the gas produced from the above described lands is being sold under contract dated May 6, 1977, between C & K Petroleum, Inc. (Seller) and Transwestern Pipeline Co. (Buyer) as indicated under the provisions of said contract, reference to which is here made, and that said contract, and any amendments, extensions or renewals thereof, shall govern as to the price to be paid for said gas and the times when such payments are to be made. If it is ever determined that you are obligated to refund any portion of the money paid to the undersigned by virtue of any regulation, order or court proceeding, the undersigned agrees to reimburse you for such overpayment and in addition to such other legal remedies as you may then have you are hereby authorized to recoup such overpayment out of future production from the above described land which is attributable to the undersigned's interest. Further, if there is a question as to whether there may be refund obligations as aforesaid you are hereby authorized to withhold proceeds allocable thereto until such question has been resolved. Each of the undersigned stipulates that he or she is entitled to no greater interest than that set out beside his or her name. The undersigned hereby ratify the leases under which oil, gas and other minerals are being produced and agree that their interest in the above described land is subject to such leases.

SECOND: Payments are to be made by your checks to be delivered or mailed to the parties hereto entitled. However, it is agreed if, at any settlement date, the amount payable to any party hereunder shall be less than $10.00, you may withhold payment, without interest, and in lieu of the scheduled payment, make payment when such withheld amounts have accumulated to $10.00 or more at annual intervals, whichever shall first occur. The undersigned authorizes you to withhold from the proceeds of any and all gas referred to here in the amount of any tax placed thereon, or on the production thereof, by any governmental authority, and to pay the same in our behalf. Prior to computing any royalties or other interest hereunder, you are authorized to deduct any and all federal, state or local taxes imposed on or incident to the severance, production, gathering, processing and marketing of gas, all costs of treating such gas to make it merchantable and all costs which you have incurred in transporting such to any purchaser.

THIRD: In case of any adverse claim or title or in case title shall not be satisfactory to you at any time during the term of this division order, each of the undersigned agrees to furnish evidence of title satisfactory to you and authorizes you to withhold payment, without obligation to pay interest on the amount so withheld, until satisfactory indemnity shall be furnished to you against such adverse claims or any such defects in title, or until title shall be made satisfactory to you. Each undersigned party as to the interest of such party hereunder, respectively agrees, in the event suit is filed in any court affecting title to said gas, either before or after severance, to indemnify and save you harmless against any liability for loss, cost, damage and expense which you may suffer or incur on account of receiving and paying said party the proceeds derived from the sale of said gas. Where you, pursuant to the provision hereof, withhold payment, or any part hereof, each undersigned party from whom payment is so withheld severally agrees to indemnify and hold you harmless from all liability for any tax, together with all interest and penalties incident thereto, imposed or assessed against, or paid by you on account of the sum or sums so withheld from payment to said party, and severally agrees that you may deduct all such taxes, interest and penalties so paid by you from any sums owing by you to said party.

FOURTH: The undersigned agree to notify you of any change of ownership, and no transfer of interest shall be binding upon you until transfer order and the recorded instrument evidencing such transfer, or a certified copy thereof, shall be furnished to you. Transfer of interest shall be made effective on the first day of the calendar month in which notice is received by you. You are hereby relieved of any responsibility for determining if and when any of the interests hereinabove set forth shall or should revert to or be owned by other parties as a result of the completion or discharge of money or other payments from said interests and the signers hereof whose interests are affected by such money or other payments, if any, agree to give you notice in writing by registered letter addressed to C & K PETROLEUM, INC., Midland, Texas, when any such money or other payments have been completed or discharged or when any other division of interest than that set forth above shall, for any reason, become effective and to furnish transfer orders accordingly, and that in the event such notice shall not be received, you shall be held harmless in the event of, and are hereby released from any and all damages or loss which might arise out of any overpayment.

FIFTH: This division order shall become valid and binding on each and every owner above named as soon as signed by such owner, regardless of whether or not all of the above named owners have so signed.

IMPORTANT: TO AVOID DELAY IN PAYMENT, YOUR CORRECT ADDRESS AND YOUR SOCIAL SECURITY NUMBER OR TAX ACCOUNT NUMBER MUST BE SHOWN.

WITNESS:

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

EXHIBIT "A"

Attached to and made a part of division order dated November 15, 1977, concerning C & K Petroleum, Inc.-Carlsbad "13" No. 1 well located in N/2 Section 13, T-22-S, R-26-E, NMPM, Eddy County, New Mexico.

ROYALTY

	INTEREST
Michael S. Hales 11338 West 63rd Street Shawnee, Kansas 66203	.0025423
John C. Shackleford 1004 North Edwards Carlsbad, New Mexico 88220	.0025423
Richardson Brothers, Inc. P. O. Box 447 Carlsbad, New Mexico 88220	.0050845
Robert E. Pond and William Pond, as joint tenants 506 South Lake Street Carlsbad, New Mexico 88220	.0050845
Western States Broadcasting, Inc. (Unknown)	.0039253
Mary L. Hartley and husband Earl E. Hartley P. O. Box 465 Albuquerque, New Mexico 87103	.0176638
Allen Seale, Mrs. Valta Sneed, Mrs. Cecil Crews and Nina Mae Ryden (Unknown)	.0111584
E. W. Douglass and wife Cleo Douglass 1113 Tracy Place Carlsbad, New Mexico 88220	.0085830
Arthur B. Gibson, Jr. and wife Anna Gibson (Unknown	.0120323
Carlsbad Irrigation District 303 West Fox Carlsbad, New Mexico 88220	.0216201
Blufford Burnett and wife Ara Faye Burnett 105 East Quay Carlsbad, New Mexico 88220	.0015302
Alma W. Lytle 742 Standpipe Road Carlsbad, New Mexico 88220	.0006034
The Standpipe Road Veteran's Club, Inc. Standpipe Road Carlsbad, New Mexico 88220	.0008045
John E. Brown, Sr. and wife Ruby W. Brown 106 East Curry Carlsbad, New Mexico 88220	.0007647

ROYALTY (Continued)

	INTEREST
Lowry Hagerman P. O. Box 941 Santa Fe, New Mexico 87501	.0046009
Geraldine A. Stevens Rural Route 2 Crawfordsville, Indiana 47933	.0011502
Phyllis M. Battiste 1202 Bryan Circle Carlsbad, New Mexico 88220	.0011502
Barbara Birdwell 2323 Pine Drive Alamogordo, New Mexico 88310	.0011502
Janet Miles 811 North Mesa Carlsbad, New Mexico 88220	.0011502
Charles Q. Phillips and wife Connie A. Phillips 6420 Alderfer Odessa, Texas 79760	.0007655
John B. Phillips and wife Essie M. Phillips 312 East Curry Carlsbad, New Mexico 88220	.0007655
Julian Fuentes and wife Arnelia G. Fuentes 501 East Quay Carlsbad, New Mexico 88220	.0005103
Brigido Saldana and wife Manuela Saldana 310 East Quay Carlsbad, New Mexico	.0001701
Yolanda V. Martinez (Unknown)	.0005103
Pete B. Parraz and wife Felicita Parraz 301 East Quay Carlsbad, New Mexico 88220	.0005103
Pablo R. Gonzales and wife Lupe M. Gonzales 503 West Pompa Carlsbad, New Mexico 88220	.0005103
Donald Howell and wife Eleanor Howell Route 1, Box 348 Farmington, New Mexico 87401	.0010205
Carlton A. Schoolcraft, Sr., and wife Pauline K. Schoolcraft 108 North 3rd Street Carlsbad, New Mexico 88220	.0006125
Bobby Don Burnett 201 East Quay or 116 North Canyon Carlsbad, New Mexico 88220	.0004081

ROYALTY (Continued)

	INTEREST
Raymon Reed and wife Edith H. Reed 206 East Curry Carlsbad, New Mexico 88220	.0013187
E. V. Elliott and wife Wanda Elliott 202 East Curry Carlsbad, New Mexico 88220	.0001415
L. M. Reed and wife Charlotte Reed 108 East Curry Carlsbad, New Mexico 88220	.0005103
Bigsky Estates, Inc. P. O. Box 248 Carlsbad, New Mexico 88220	.0005120
James L. Mason and wife Sherrill Mason 310 Radio Boulevard Carlsbad, New Mexico 88220	.0011648
Kenneth Wayne Blair and wife Glenda Blair 308 Radio Boulevard Carlsbad, New Mexico 88220	.0003715
Bill T. Emerson and wife Josephine Emerson 412 Radio Boulevard Carlsbad, New Mexico 88220	.0015363
Susano C. Garcia and Elia Garcia (Unknown)	.0010242
William C. Strawbridge, Sr. (Unknown)	.0010242
Kenneth L. Porter and wife Ina Mae Porter 211 Curry Carlsbad, New Mexico 88220	.0010242
Kenneth Wayne Blair and wife Glenda Blair 308 Radio Boulevard Carlsbad, New Mexico 88220	.0005121
C. H. Hughes 206 Radio Boulevard Carlsbad, New Mexico 88220	.0014749
T. W. Phillips and wife Gail Phillips (Unknown)	.0000614
Agnes Mae Weldy and husband William T. Weldy 112 Radio Boulevard Carlsbad, New Mexico	.0010242
Clyde L. Brooks and wife Wanda J. Brooks 1208 Cedar Street Carlsbad, New Mexico 88220	.0005098
Clarence W. Wells 603 North 2nd Street Carlsbad, New Mexico 88220	.0007647

ROYALTY (Continued)

	INTEREST
Raymon Reed and wife Edith H. Reed 206 East Curry Carlsbad, New Mexico 88220	.0013187
E. V. Elliott and wife Wanda Elliott 202 East Curry Carlsbad, New Mexico 88220	.0001415
L. M. Reed and wife Charlotte Reed 108 East Curry Carlsbad, New Mexico 88220	.0005103
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Kenneth Wayne Blair and wife Glenda Blair 308 Radio Boulevard Carlsbad, New Mexico 88220	.0003715
Bill T. Emerson and wife Josephine Emerson 412 Radio Boulevard Carlsbad, New Mexico 88220	.0015363
Susano C. Garcia and Elia Garcia (Unknown)	.0010242
William C. Strawbridge, Sr. (Unknown)	.0010242
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C. H. Hughes 206 Radio Boulevard Carlsbad, New Mexico 88220	.0014749
T. W. Phillips and wife Gail Phillips (Unknown)	.0000614
Agnes Mae Weldy and husband William T. Weldy 112 Radio Boulevard Carlsbad, New Mexico	.0010242
Clyde L. Brooks and wife Wanda J. Brooks 1208 Cedar Street Carlsbad, New Mexico 88220	.0005098
Clarence W. Wells 603 North 2nd Street Carlsbad, New Mexico 88220	.0007647

ROYALTY (Continued)

	INTEREST
Augustine L. Flores 605 South Alameda Carlsbad, New Mexico 88220	.0006034
Joe L. Flores and wife Matilde Flores 602 Alvarado Carlsbad, New Mexico 88220	.0006034
Juan L. Hernandez and wife Lilly N. Hernandez 108 Radio Boulevard Carlsbad, New Mexico 88220	.0007647
Antonio Bonilla and wife Eva C. Bonilla Route 8, Box 302 Silver City, New Mexico 88061	.0007647
Lillie Mae Roberts 702 North Maple Carlsbad, New Mexico 88220	.0007682
Donald H. Greetan and wife Mary F. Greetan (Unknown)	.0007682
John G. Mills and wife Joyce S. Mills 202 Radio Boulevard Carlsbad, New Mexico 88220	.0015362
W. A. Page, Jr. 10129 Monaco Drive El Paso, Texas 79925	.0010207
Bill G. Taylor and wife Wanda J. Taylor 512 Welshire Carlsbad, New Mexico 88220	.0167118
Consuelo Saldana (Unknown)	.0000851
Enrique Saldana (Unknown)	.0000851
Epifanio Saldana (Unknown)	.0000851
Amy Saldana (Unknown)	.0000851
W. H. Taylor, Sr. & wife June Taylor c/o Bill G. Taylor 512 Welshire Carlsbad, New Mexico 88220	.0000000

DISTRIBUTION		
SANTA FE	1	
FILE	1	✓
U.S.G.S.	2	
LAND OFFICE		
OPERATOR		

NEW MEXICO OIL CONSERVATION COMMISSION

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

RECEIVED
AUG 30 1977
O. C. D.
ARTESIA, OFFICE

Bureau of Mines

5a. Indicate Type of Lease: State ☐ Fee ☒
5. State Oil & Gas Lease No.:

1a. TYPE OF WELL: OIL WELL ☐ GAS WELL ☒ DRY ☐ OTHER
b. TYPE OF COMPLETION: NEW WELL ☐ WORK OVER ☐ DEEPEN ☐ PLUG BACK ☐ DIFF. RESVR. ☐ OTHER

7. Unit Agreement Name:
8. Farm or Lease Name: Carlsbad "12" Com.

2. Name of Operator: C & K Petroleum, Inc. ✓
9. Well No.: 1

3. Address of Operator: P.O. Drawer 3546 Midland, Texas 79702
10. Field and Pool, or Wildcat: So. Carlsbad (Morrow)

4. Location of Well: UNIT LETTER O LOCATED 840 FEET FROM THE South LINE AND 1760 FEET FROM THE East LINE OF SEC. 12 TWP. 22-S RGE. 26-E NMPM
12. County: Eddy

15. Date Spudded	16. Date T.D. Reached	17. Date Compl. (Ready to Prod.)	18. Elevations (DF, RKB, RT, GR, etc.)	19. Elev. Cashinghead
6-15-77	7-22-77	8-11-77	3127' Gr.	

20. Total Depth	21. Plug Back T.D.	22. If Multiple Compl., How Many	23. Intervals Drilled By	Rotary Tools	Cable Tools
11,683	11,580		→	0-TD	

24. Producing Interval(s), of this completion — Top, Bottom, Name
11483 - 561
~~11,529 — 11,559~~
Logged with 5½-22S-26E well
25. Was Directional Survey Made: No

26. Type Electric and Other Logs Run: Accoustic Vel. and Forxo Guard
27. Was Well Cored: No

28. CASING RECORD (Report all strings set in well)

CASING SIZE	WEIGHT LB./FT.	DEPTH SET	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
16"	65#	393	20"	525 sx. Cl. "C" Circ.	None
10-3/4"	45.5#	2655	14-3/4"	2150 sx. - to surface	None
5-1/2"	17#	11700	7-7/8"	850 sx. Cl. H	None
				Top cement @ 7925	None

29. LINER RECORD

SIZE	TOP	BOTTOM	SACKS CEMENT	SCREEN
None				

30. TUBING RECORD

SIZE	DEPTH SET	PACKER SET
2-7/8"		11360

31. Perforation Record (Interval, size and number)
11483, 484, 485, 11514, 515, 516, 529, 530, 531, 536
~~11,529 — 11,538~~ 537, 538, 559, 560, 561
~~11,559 — 11,485~~

32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.

DEPTH INTERVAL	AMOUNT AND KIND MATERIAL USED
	None through these perfs.

33. PRODUCTION

Date First Production	Production Method (Flowing, gas lift, pumping — Size and type pump)	Well Status (Prod. or Shut-in)
8-11-77	Flowing	Shut in

Date of Test	Hours Tested	Choke Size	Prod'n. For Test Period →	Oil — Bbl.	Gas — MCF	Water — Bbl.	Gas — Oil Ratio
8-24-77	1 hr.	12/64		None	54.04	None	No Fluid

Flow Tubing Press.	Casing Pressure	Calculated 24-Hour Rate →	Oil — Bbl.	Gas — MCF	Water — Bbl.	Oil Gravity — API (Corr.)
2270	Pkr.		None	1297	None	None

34. Disposition of Gas (Sold, used for fuel, vented, etc.)
To be sold
Test Witnessed By

35. List of Attachments
Well Logs and Back pressure test.

36. I hereby certify that the information shown on both sides of this form is true and complete to the best of my knowledge and belief.

SIGNED [signature] TITLE Administrative Supervisor DATE 8-29-77

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 11-3
Submitted by Taylor
Hearing Date

C-105 8/29/77

11-3

U.S.G.S.			
LAND OFFICE			
TRANSPORTER	OIL		
	GAS	1	
OPERATOR		2	
PRORATION OFFICE			

AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS

RECEIVED
JUN 28 1977
O. C. C.
ARTESIA, OFFICE

I. Operator

C & K PETROLEUM, INC. ✓

Address

P.O. Drawer 3546 Midland, Texas 79702

Reason(s) for filing (Check proper box)

New Well [X]
Recompletion [ ]
Change in Ownership [ ]

Change in Transporter of:
Oil [ ] Dry Gas [ ]
Casinghead Gas [ ] Condensate [ ]

Other (Please explain)

*C & K Petroleum Inc. will deliver rig fuel to their Carlsbad "12" #1 for drilling operations.

If change of ownership give name and address of previous owner _____

II. DESCRIPTION OF WELL AND LEASE

Lease Name	Well No.	Pool Name, Including Formation	Kind of Lease
Carlsbad "13" Com	1	South Carlsbad (Morrow)	State, Federal or Fee Fee

Location

Unit Letter G ; 2040 Feet From The East Line and 1650 Feet From The North

Line of Section 13 , Township 22-S Range 26-E , NMPM, Eddy Cou

III. DESIGNATION OF TRANSPORTER OF OIL AND NATURAL GAS

Name of Authorized Transporter of Oil [ ] or Condensate [X]	Address (Give address to which approved copy of this form is to be sent)
Name of Authorized Transporter of Casinghead Gas [ ] or Dry Gas [X]	Address (Give address to which approved copy of this form is to be sent)
*C & K PETROLEUM, INC. TRANSWESTERN PIPELINE CO.	P.O. Drawer 3546 Midland, Texas 79702 P.O. Box 2521 Houston Texas 77001

If well produces oil or liquids, give location of tanks.	Unit	Sec.	Twp.	Rge.	Is gas actually connected?	When
	G	13	22-S	26-E	Yes	6-23-77 6-21-77 Tw P

If this production is commingled with that from any other lease or pool, give commingling order number: _____

IV. COMPLETION DATA

Designate Type of Completion — (X)	Oil Well	Gas Well	New Well	Workover	Deepen	Plug Back	Same Res'v.	Diff. R
		X	X					

Date Spudded	Date Compl. Ready to Prod.	Total Depth	P.B.T.D.
1-16-77	3-16-77	11,701'	11,490'
Pool	**Name of Producing Formation**	**Top Oil/Gas Pay**	**Tubing Depth**
South Carlsbad	Morrow	11,300'	11,217'

Perforations: ~~11,541-11,642 (these perfs below PBTD)~~ 11,298' - #49 — Depth Casing Shoe: 11,700

TUBING, CASING, AND CEMENTING RECORD

HOLE SIZE	CASING & TUBING SIZE	DEPTH SET	SACKS CEMENT
16"	65#	400'	600 sx. circ.
10-3/4"	45.5#	2603'	1400 sx. circ.
5-1/2"	17# & 20#	11,700'	800 sx. top cement
	2 7/8"	11217	behind 5-1/2"@8430'

V. TEST DATA AND REQUEST FOR ALLOWABLE

(Test must be after recovery of total volume of load oil and must be equal to or exceed top allowable for this depth or be for full 24 hours)

OIL WELL

Date First New Oil Run To Tanks	Date of Test	Producing Method (Flow, pump, gas lift, etc.)
Length of Test	**Tubing Pressure**	**Casing Pressure** / **Choke Size**
Actual Prod. During Test	**Oil - Bbls.**	**Water - Bbls.** / **Gas - MCF**

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 11-4
Submitted by Taylor
Hearing Date

GAS WELL

Actual Prod. Test-MCF/D	Length of Test	Bbls. Condensate/MMCF	Gravity of Condensate
237.5	4-3/4 ~~hrs.~~	-0-	-0-
Testing Method (pitot, back pr.)	**Tubing Pressure**	**Casing Pressure**	**Choke Size**
Back Pr.	2350#	Packer	11/64"

VI. CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Commission have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

(Signature)

Administrative Supervisor
(Title)

June 23, 1977
(Date)

C-104 6/23/77

11-4

OIL CONSERVATION COMMISSION

APPROVED JUN 28 1977, 19____

BY W. A. Gressett

TITLE SUPERVISOR, DISTRICT II

This form is to be filed in compliance with RULE 1104.

If this is a request for allowable for a newly drilled or deepened well, this form must be accompanied by a tabulation of the deviation tests taken on the well in accordance with RULE 111.

All sections of this form must be filled out completely for allowable on new and recompleted wells.

Fill out Sections I, II, III, and VI only for changes of operator, well name or number, transporter, or other such change of condition.

Separate Forms C-104 must be filed for each pool in multiply

NEW MEXICO OIL CONSERVATION COMMISSION

P. O. DRAWER "DD"

ARTESIA, NEW MEXICO 88210

RECEIVED

JUN 27 1977

O. C. C.
ARTESIA, OFFICE

AIR MAIL

NOTICE OF GAS CONNECTION DATE June 23, 1977

This is to notify the Oil Conservation Commission that connection for the purchase of gas from the C & K Petroleum, Inc. (Operator), Carlsbad "13" Com. (Lease)

Well #1-Unit Letter * (Well Unit), 13-22S-26E (S.T.R.), Carlsbad (Pool), Transwestern (Name of purchaser).

*Unknown

Eddy County (Morrow)

was made on June 21, 1977.

Transwestern Pipeline Company

H.N. Aicklen

Representative

Supervisor Gas Purchase Contract Administration

Title

cc: Operator
Oil Conservation Commission - Santa Fe

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 11-5
Submitted by Taylor
Hearing Date

11-5

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5807
Order No. R-5332

APPLICATION OF C & K PETROLEUM, INC.
FOR COMPULSORY POOLING AND A NON-STANDARD
UNIT, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 10, 1976, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 30th day of November, 1976, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, C & K Petroleum, Inc., seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 13, Township 22 South, Range 26 East, NMPM, South Carlsbad Field, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well 1680 feet from the North line and 1980 feet from the East line of said Section 13 to be dedicated to a non-standard 336.6-acre 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.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 12-1
Submitted by Taylor
Hearing Date

(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 120 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 $1,000 per month while drilling and $150 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 February 28, 1977, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 13, Township 22 South, Range 26 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, are hereby pooled to form a non-standard 336.6-acre gas spacing and proration unit to be dedicated to a well to be drilled 1680 feet from the North line and 1980 feet from the East line of said Section 13.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 28th day of February, 1977, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 28th day of February, 1977; Order (1) of this order shall be null and void and of no effect whatsoever; unless said operator obtains a time extension from the Commission for good cause shown.

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

(2) That C & K Petroleum, 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 Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Commission and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 45 days following receipt of said schedule, the actual well costs

Spud 1-16-77

shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

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

(B) As a charge for the risk involved in the drilling of the well, 120 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 $1,000 per month while drilling and $150 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

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

(12) 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 Commission of the name and address of said escrow agent within 90 days from the date of this order.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman

EMERY C. ARNOLD, Member

JOE D. RAMEY, Member & Secretary

S E A L

dr/

512 Welshire
Carlsbad, NM 88220
July 19, 1977

C & K Petroleum, Inc.
G.C. Tompson
Manager of Products
P.O. Drawer 3546
Midland, TX 79702

Mr. Tompson:

In reference to your letter of July 15, 1977 asking for approval of AFE #00160 covering the drilling and completion of proposed well Carlsbad #7, Eddy County (W½ 7-22S-27E), may I state that I have at no time authorized your direct inclusion of myself in your billing as a participating partner nor do I recall being approached by your company to lease the tract to you.

On May 25, 1977, I received from the N.M.O.C.C. (State of New Mexico Oil Conservation Commission) a notice of a forced pool hearing concerning the W½ of Sec. 7, Township 22 South, Range 27 East (Case 5939) to be held on May 25, 1977 (that same day) at Santa Fe. I expect to be bound by the findings of the N.M.O.C.C. upon receiving a copy of their order and granted the 30 day time allocation after their notification to myself and receipt of your AFE within the time allotted as specified therein. After that time, I intend to take care of my share of estimated well costs. I cannot foresee any other way we can work directly together as:

1. C & K has requested $15,000 (fifteen thousand dollars) as my share of well insurance--a ridiculous figure as this would cause the total insurance premiums of all parties to exceed $24,000,000 (twenty-four million dollars) for the well.
2. C & K has shown a disregard for N.M.O.C.C. orders and verbal and written agreements with individuals in prior dealings as:
   a. Failure of C & K to comply with N.M.O.C.C. order #R-5332 to provide an AFE within 30 days of drilling on the S½ 13-22-26, Eddy County to working interest owners. To rectify this with two of us, C & K has attempted to stretch an agreement beyond intended and agreed bounds.
   b. Failure of C & K to provide well completion records on said well until requested in writing after phone conversation with the N.M.O.C.C.; complying barely within alloted time and only after at least two contacts, initiated by N.M.O.C.C.
   c. Failure to fulfill order R-5332 by filing an itemized schedule of "actual" well costs with the N.M.O.C.C. and working interest owners within the time specified; then exaggerating said costs by listing items as tubing at $33,000 when actual costs were approximately $12,000 as evidenced by the tubing bill of lading.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6299 Exhibit No. 12-2
Submitted by Taylor
Hearing Date

12-2

d. Failure of C & K to fulfill verbal agreements to have their accounting and legal departments establish the method of payments by working interest owners (although constantly told said working interest owners desired to participate and so stated into N.M.O.C.C. hearing Case 5807); and failure of C & K to respond to working interest owners attempts by phone to set up such procedures, thereby gaining legal grounds for the 120% penalty established.

e. Efforts of C & K to circumvent N.M.O.C.C. orders concerning said well by efforts to establish new operating agreements with higher cost schedules of present and future drilling (and related costs) designating higher penalties, adding items, restrictions, etc., beyond those previously set forth by N.M.O.C.C. order R-5332.

This is a partial list of the reasons I believe we can only reach agreement with each other through the bounds established upon you by the N.M.O.C.C. although you seem to hold them in disregard as well as individual owners.

Please be advised it is my contention that our present and future relations, before and after well completion, pay outs, etc. will be within the guide lines established by the N.M.O.C.C. and set forth in their rulings. I expect you to so notify responsible departments of your organization.

Sincerely,

Bill Taylor

Copy to N.M.O.C.C.

February 6, 1978
512 Welshire
Carlsbad, NM 88220

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6269 Exhibit No. 12-4
Submitted by Taylor
Hearing Date

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

Gentlemen:

I appreciate the fact I utilize your time and mine in contacting you. Since you promoted the 200% risk factor in forced pooling which effectively stymies private negotiations, your position as mediator is increased.

In regard to Case No. 5807 and Order No. R-5332, I charge C & K Petroleum, Inc. as being in violation of said order on several counts:

1. Those listed in my letter to you of Aug. 8, 1977, and Xerox copy (sent to you) of letter to C & K, dated July 19, 1977.
   A. Failure of C & K to supply an estimated well cost to the Commission and each non-consenting working interest owner within the 30 day period required in said order.
   B. Failure of C & K to furnish the Commission and each working interest owner an itemized statement of "actual" well costs within the 90 days followimg completion of well as required by said order.
   C. Efforts of C & K to overcome said breach of orders by:
      (1). Seeking signatures on new and different working agreements, from non-consenting interests, than NMOCC orders, seeking 300% penalty, etc.
      (2). C & K providing contradictory, camouflaging letters concerning authority of NMOCC over case.
   D. Overcharge of well costs.

2. C & K has added the additional failure to fulfill said order to pay 1/8 royalties to working interest owners (well has produced almost 8 months and we have received none of the approximately $8,000 owed us under this provision).

3. C & K has added costs to the disputed costs (filed June 24, 1977 of $547, 466) without accounting, and are also seeking risk penalty on this ($579, 611 in letters of January 13 and 30, 1978).

C & K began production from said well (June 15, 1977) prior to filing 4-point, etc. tests with the NMOCC (filed only after being contacted by the NMOCC). to clarify, should have not have dated filed???

C & K has created further problems, sending a letter dated January 13, 1978, stating our payout occurred September 10, 1977. Upon our request for current payments (shortly thereafter we also arranged to borrow money from lending institutions upon said evidence of well's repayment ability, copies of NMOCC Order R-5332, C & K's Cost of Well filing, etc., discussing the need for said loan being C & K's failure to become current with payments and to fulfill NMOCC orders), C & K sent a "revised" letter dated January 30, 1978. The letter of January 13, 1978 was the first time C & K furnished us information as to capacity and production of the completed well (copies enclosed).

I request adjustment from the NMOCC under provision (13) of Order R-5332, whereby the Commission is allowed to reenter the case. Equal compliance with said order of C & K and working interest owners is just. As C & K has disregarded said orders, complying with other NMOCC requirements only after personal prompting of the NMOCC (Bill Gressett of Artesia), I believe a fair, reasonable ruling disallowing the [redacted] and allowing only recovery of well costs to be just. (This is all C & K would have received if they had complied with the order and C & K-Taylor's understanding of payment arrangements). I also request C & K be required to remain current with all payments of royalties and working interests.

As I believe the NMOCC's enforcement of Order R-5332 as presently being enforced is discriminatory, totally in favor of C & K, I am requesting the Attorney General's office review the order for equal compliance and requirements of parties.

Sincerely,

Bill Taylor

Bill Taylor

Enclosures
Xerox-NM Attorney General

12-4

OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

DIRECTOR
JOE D. RAMEY

LAND COMMISSIONER
PHIL R. LUCERO

STATE GEOLOGIST
EMERY C. ARNOLD

February 14, 1978

Rec'd 2/16/78

Mr. Bill Taylor
512 Welshire
Carlsbad, New Mexico 88220

Dear Mr. Taylor:

It is not absolutely clear from your letter of February 6, 1978, what action you wish the Commission to take relative to the issues raised concerning the C&K Petroleum, Inc. well drilled under the provisions of Order No. R-5332. I have forwarded one copy of your letter to C&K requesting that they contact you and attempt to resolve the issues about which you have complained. If this does not prove successful you may request a hearing before the Commission to amend Order No. R-5332 to change the risk factor, to require accounting of costs and income, or to make such other changes or relief as you desire. You of course would be required to present testimony at such a hearing in support of your application. Further, if you have entered into a voluntary operating agreement with C&K, such agreement may take precedence over Order No. R-5332.

Very truly yours,

R. L. STAMETS
Technical Support Chief

RLS/jr

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 12-5
Submitted by Taylor
Hearing Date

12-5

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

JERRY APODACA
GOVERNOR

NICK FRANKLIN
SECRETARY

April 21, 1978

Apr 21 2 01 PH 1978

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

Received with
Biderman letter dated
April 25, 1978.

Paid 4/28/78

Mr. Paul Biderman
Assistant Attorney General
Office of the Attorney General
Bataan Memorial Building
Santa Fe, New Mexico 87501

Re: Case No. 5807
Order No. R-5332,
Bill Taylor

Dear Paul:

Enclosed is a copy of the order entered by the Oil Conservation Division on the application of C & K Petroleum for compulsory pooling. As you can see from the terms of the order, the Division has jurisdiction over such problems as well costs and risk factor. As to portion of production owned by Mr. Taylor, we can only go by the acreage figures given us. If these are erroneous, it is up to the parties to clear up titles and present the proper information to the Division. We cannot adjudicate titles.

Mr. Taylor has complained that C & K failed to furnish an estimated well cost to him after the order was issued (11-30-76) and 30 days prior to the spudding of the well (1-16-77). I have been unable to determine from our file whether or not we ever received this. However, C & K presented an AFE for $625,000 at the hearing held 11-10-76, at which Mr. Taylor was present. The actual well costs of $562,867 were filed only nine days late, the well having been completed on March 16, 1977. The well costs were received in this office on June 27, 1977. But Mr. Taylor failed to file objections within the requisite 45 days, not filing until February 8, 1978.

Overall, it appears to me that Mr. Taylor has failed to avail himself of administrative remedies. Most of these disputes should have been solved before the Division long ago, or else as a private matter between the parties. If Mr. Taylor feels that C & K has behaved fraudulently, I can only suggest that he request a hearing before the Division to remove C & K as operator and appoint himself in their stead. I doubt that a court could take

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 12-6
Submitted by Taylor
Hearing Date

12-6

jurisdiction since he failed to exhaust administrative remedies.

In any case, Mr. Taylor, although filing objections, has never requested that the Division set a hearing or take any other action. In his letter of March 30, 1978, he states: "I intend to seek a rehearing on the Order R-5332 in the future upon my retaining legal counsel." We have received no application to date

Mr. Taylor seems to feel the 120 percent risk factor is unfair. I can only point out that he endorsed that figure at the hearing in 1976. He also has declined to sign any division orders, apparently believing that the Order is sufficient. However, a division order between parties is a legal necessity and protects both. Order R-5332 makes no provision for payment of interests in production and therefore the separate contract is required. C & K's letter of April 14, 1978, enclosed, suggests that they are willing to discuss and compromise that contract. Again, that is a matter for the parties themselves.

I hope this provides you with enough information to respond to Mr. Taylor. Please let me know if I can help in any other way.

Very truly yours,

LYNN TESCHENDORF
Assistant Attorney General

LT/dr
enc.

Enclosed were:
1. Copy of letter from Tompson, dated Apr. 14, 1978
2. Copy of OCC Order R-5332, Case # 5807
} ASS'

(3)

Memo

From

R. L. STAMETS
TECHNICAL
SUPPORT CHIEF

To

Tabulation actual exp reid 6-27-77
$547,466 shows copy to Taylor

No estimate of well costs in file
after date of hearing
Exhibit #2 shows $625000

Case 5807
R5332 Nov 30, 1976

Well spud 1-16-77

Comp ready to prod 3-16-77

Mult pr Test 8-3-77

Con 6-21-77 Thompson

Call from G.C. 915 683-3311
Midland Texas
Re Status
3-10-78

OIL CONSERVATION COMMISSION-SANTA FE

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 12-7
Submitted by Taylor
Hearing Date

12-7

512 Welshire
Carlsbad, NM 88220
February 26, 1977

Mr. Ed. Hooper
C & K Petroleum, Inc.
P.O. Drawer 3546
Midland, Tx 79701

Dear Mr. Hooper:

When they are available, I would like to have a copy of the logs for the well discussed in NMOCC Case No. 5807 concerning the N/2 Sec. 13-22S-26E, NMPM, Eddy County, NM, if the costs are economical and feasible.

I attempted to contact you by phone November 12, 1976, to discuss various items. You were unavailable and I stated to your secretary my main reason was to follow up our discussions in Santa Fe and to ask if C & K had a preference between the 120% penalty and our paying our share of the well costs.

The other items of discussion would have been legal documents concerning our rights to gas in kind; forced pooling of only the Wolfcamp through the Pennsylvanian formations; and methods and timing of drilling costs payments. These were discussed with you and Mr. Jason Kellahan and you desired your legal division to carry through on further necessary legal steps.

I have not been contacted by your legal division so I am assuming the NMOCC Order No. R-5332 along with the statement into the Commission record at the hearing Nov. 10, 1976, of our right to gas in kind is adequate to C & K. I understand your desire that we each be bound by the NMOCC ruling was the reason you and Mr. Kellahan continued the hearing before the NMOCC rather than cancel it last Nov. 10 (1976).

If C & K needs further legal documents on any points we have discussed, please contact me. If no answer from C & K is received in the immediate future, I shall assume the statement into record of our rights to gas in kind and order No. R-5332 are all that are needed by each of us to legally bind us to our respective positions.

Sincerely,

Bill Taylor

Bill Taylor

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 13-4
Submitted by Taylor
Hearing Date

13-4

C & K Petroleum, Inc.

POST OFFICE DRAWER 3546
600 C & K PETROLEUM BUILDING
MIDLAND TEXAS 79701
(915) 683-3311

June 24, 1977

New Mexico Oil Conservation Commission
P. O. Box 1088
Santa Fe, New Mexico 87501

Re: Case No. 5807
Order No. R-5332
Dated 11-30-76
C & K, Carlsbad "13" No. 1 Well
N/2 sec. 13, T-22-S, R-26-E
Eddy County, New Mexico

Gentlemen:

According to the requirement contained in the compulsory pooling order referred to above, we herewith enclose an itemized schedule of actual well costs relative to the drilling of the Carlsbad "13" No. 1 well. The total amount of drilling and completion costs to be recovered is $547,466. By the terms of the subject order, we are entitled to recover these costs plus 120%.

By copy of this letter we are advising the working interest owners of this filing with the Commission and this letter with the attached schedule shall be their notice of actual well cost.

Please let us know if you require additional information and please advise when the Commission has determined that these costs are indeed reasonable well costs.

Very truly yours,

C & K PETROLEUM, INC.

Danie Lebow

(Ms.) Danie Lebow
Senior Landman

DML/tm

Enclosure

CC/Encl. The Desana Corporation
610 Vaughn Building
Midland, Texas 79701
Attn: Darrell Smith

Bill G. Taylor & W. A. Page
512 Welshire
Carlsbad, New Mexico 88220

Mr. Jason W. Callahan
Attorney at Law
P. O. Box 1769
Santa Fe, New Mexico 87501

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 14-1
Submitted by Taylor
Hearing Date

14-1

Recap of Drilling and Completion Costs

Acctg. - April, 1977 — Carlsbad "13" #1

CODE	DESCRIPTION	TOTAL COST
091	Location, Pits and Roads	$ 7,007.00
095	Damages, Permits & Right-of-way	4,110.00
097	Rig Expenses	193,670.00
107	Cement & Cementing Services	15,952.00
103	Fluids, Mud and Chemicals	30,891.00
110	Formation Evaluation	22,606.00
117	Perforating	5,362.00
119	Stimulation	9,648.00
097	Rig Expenses (Completion)	9,385.00
041	Transportation Expense	7,708.00
035	Tool & Equipment Rental	10,297.00
093 & 105	Water, Power & Fuel	9,456.00
073	Miscellaneous Labor, Services & Supplies	7,736.00
213	Overhead	2,408.00
125	Supervision & Professional	5,621.00
490	Other	49.00
301	Casing	131,210.00
302	Tubing	33,463.00
318	Auxiliary Casing Equipment	267.00
309	Packers & Anchors	8,431.00
307	Wellhead Equipment	16,709.00
317	Production Equipment	8,540.00 *
315 & 320	Flow Lines & Miscellaneous Equipment	403.00 *
347	Installation Costs	6,458.00 *
	Well Control Insurance $1.323/ft. drilled - TD 11,701'	15,480.00
	Total	$562,867.00
	Less: Nonrisk Items	15,401.00
	Drilling and Completion Costs to be Recovered	$547,466.00

* These are nonrisk items.

C&K Petroleum, Inc.

January 13, 1978

To All Working Interest Owners

RE: Carlsbad 12 - 1 & 13 - 1
Eddy County, New Mexico

Gentlemen:

Enclosed please find a payout statement covering operations on the above captioned well for the following period:

Inception through November 30, 1977

Should you have any questions concerning this statement, please contact Mr. David E. Bott at the address below.

Yours very truly,

Mickey Shackelford

Mickey Shackelford
Tax Manager

MS/ls

Enclosure

cc: B. Kyse
J. Wilson
D. Lebow
M. Black, Jr.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 15-1
Submitted by Taylor
Hearing Date

1 HOUSTON CENTER • SUITE 2600 • HOUSTON, TEXAS 77002 • 713/654-4466 • CABLE ADDRESS: CANDK

C & K PETROLEUM, INC.
CARLSBAD 12 - 1 and CARLSBAD 13 - 1 - PAYOUT STATUS
Inception Through Novmeber 30, 1977

	Carlsbad "13" No. 1	Carlsbad "12" No. 1	Total	
Expenses:				
November, 1976	$ 652	$ -	$ 652	
December, 1976	6,130	-	6,130	
January, 1977	90,649	-	90,649	
February, 1977	255,264	-	255,264	
March, 1977	176,337	24,351	200,688	
April, 1977	16,948	41,030	57,978	
May, 1977	5,594	585	6,179	
June, 1977	10,067	61,861	71,928	
July, 1977	619	384,820	385,439	
August, 1977	15,248	121,785	137,033	
September, 1977	1,003	23,050	24,053	
October, 1977	704	1,308	2,012	
November, 1977	396	5,517	5,913	
	$ 579,611	$ 664,307	$1,243,918	
Total Cost to be Recovered at November 30, 1977				$1,243,918
Income: Net of Taxes:				
June, 1977	$ 14,634	$ -	$ 14,634	
July, 1977	74,548	-	74,548	
August, 1977	90,616	-	90,616	
September, 1977	80,696	-	80,696	
October, 1977	90,794	-	90,794	
November, 1977	74,108	-	74,108	
	$ 425,396	$ -	$ 425,396	
Percentage Applicable to WI Owners			.7881292	335,267
Unrecovered Balance at November 30, 1977				$ 908,651

ls
1/13/78

C&K Petroleum, Inc.

Paid 3/24/78

March 21, 1978

The Desana Corporation
610 Vaughn Building
Midland, Texas 79701

Mrs. Adele Frost
Estate of Jack Frost
1802 National Bank of Commerce Building
San Antonio, Texas 78205
Attention: Mr. Ben M. Patterson, Jr.

Marcella L. Greathouse
125 Hedges Street
Abilene, Texas 79601

W. A. Page, Jr.
10129 Monaco Drive
El Paso, Texas 79925

Bill G. Taylor
512 Welshire Street
Carlsbad, New Mexico 88220

RE: Carlsbad "13" No. 1
Carlsbad "12" No. 1
Eddy County, New Mexico

Gentlemen:

Enclosed please find two payout statements covering operations on the above wells for the following period:

December 1, 1977 through January 31, 1978

Should you have any questions concerning these statements, please contact Mr. David E. Bott at the address below.

Yours very truly,

Mickey Shackelford
Tax Manager

MS/ls

Enclosures

1 HOUSTON CENTER • SUITE 2600 • HOUSTON, TEXAS 77002 • 713/654-4466 • CABLE ADDRESS: CANDK

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 15-2
Submitted by Taylor
Hearing Date

15-2

cc: B. Kyse
J. Wilson
M. Black, Jr.
D. Lebow

MS 3/21/78

C & K Petroleum, Inc.
Carlsbad 13 #1 - Payout Status
December 1, 1977 Through January 31, 1978

Unrecovered Balance at November 30, 1977		$128,088
Expenditures:		
December, 1977	$ 516	
January, 1978	(16,628)	
	$(16,112)	
Applicable WI Percentage for Payout #1	.1418597	
	$ (2,286)	
220% Cost Recovery	2.2	(5,029)
Total Unrecovered Cost		$123,059
Income, Net of Taxes & Royalties:		
December, 1977	$ 72,767	
January, 1978	72,511	
	$145,278	
Percentage Applicable to WI Owners	.1241272	18,033
Unrecovered Balance at January 31, 1978		$105,026

ls
3/20/78

MS

C & K Petroleum, Inc.
Carlsbad 13-1 & Carlsbad 12-1 - Payout Status
December 1, 1977 Through January 31, 1978

	Carlsbad "13" #1	Carlsbad "12" #1	Total	
Unrecovered Balance at November 30, 1977				$908,651
Expenditures:				
December, 1977	$ 516	$ 7,412	$ 7,928	
January, 1978	(16,628)	4,430	(12,198)	
	$(16,112)	$ 11,842	$ (4,270)	
Total Unrecovered Cost				(4,270)
				$904,381
Income, Net of Taxes:				
November, 1977	$ -	$ 28,037	$ 28,037	
December, 1977	72,767	37,723	110,490	
January, 1978	72,511	31,203	103,714	
	$145,278	$ 96,963	$242,241	
Percentage Applicable to WI Owners			.7881292	190,917
Unrecovered Balance at January 1, 1978				$713,464

ls
3/20/78

MS

C&K Petroleum, Inc.

January 13, 1978

The Desana Corporation
610 Vaughn Building
Midland, Texas 79701

Mrs. Adele Frost
Estate of Jack Frost
1802 National Bank of Commerce Building
San Antonio, Texas 78205
Attention: Mr. Ben M. Patterson, Jr.

Marcella L. Greathouse
125 Hedges Street
Abilene, Texas 79601

W. A. Page, Jr.
10129 Monaco Drive
El Paso, Texas 79925

Bill G. Taylor
512 Welshire Street
Carlsbad, New Mexico 88220

RE: Carlsbad "13" No. 1
Eddy County, New Mexico

Gentlemen:

Enclosed please find a payout statement on the above referenced well covering operations from inception through September 10, 1977. Please be advised that Payout No. 1 occured on September 10, 1977.

The Revenue Department has been notified of this payout and changes in the working interest percentages are currently being made.

Should you have any questions, don't hesitate to call.

Yours very truly,

David E. Bott

David E. Bott
Supervisor, Partnership Accounting

DEB/ls

Enclosure

cc: B. Kyse
J. Wilson

1 HOUSTON CENTER • SUITE 2600 • HOUSTON, TEXAS 77002 • 713/654-4466 • CABLE ADDRESS: CANDK

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 15-3
Submitted by Taylor
Hearing Date

15-3

cc: D. Lebow
M. Black, Jr.

C & K PETROLEUM, INC.
CARLSBAD 13 - 1 - PAYOUT #1 STATUS
Inception Through September 10, 1977

Expenses:			
November, 1976	$ 652		
December, 1976	6,130		
January, 1977	90,649		
February, 1977	255,264		
March, 1977	176,337		
April, 1977	16,948		
May, 1977	5,594		
June, 1977	10,067		
July, 1977	619		
August, 1977	15,248		
September, 1977	344		
	$ 577,852		
Applicable WI Percentage for Payout #1	.1418597		
	81,974		
220% Cost Recovery	2.2		$180,343
Income, Net of Taxes:			
June, 1977	$ 14,634		
July, 1977	74,548		
August, 1977	90,616		
September, 1977	26,899	$206,697	
Less: 1/8 Royalty			
June, 1977	$ 1,829		
July, 1977	9,319		
August, 1977	11,327		
September, 1977	3,362	25,837	180,860
Excess Amount Recovered at September 10, 1977			$ (517)

ls
1/13/78

C&K Petroleum, Inc.

2/3/78

January 30, 1978

The Desana Corporation
610 Vaughn Building
Midland, Texas 79701

Mrs. Adele Frost
Estate of Jack Frost
1802 National Bank of Commerce Building
San Antonio, Texas 78205
Attention: Mr. Ben M. Patterson, Jr.

Marcella L. Greathouse
125 Hedges Street
Abilene, Texas 79601

W. A. Page, Jr.
10129 Monaco Drive
El Paso, Texas 79925

Bill G. Taylor
512 Welshire Street
Carlsbad, New Mexico 88220

RE: Carlsbad "13" No. 1
Eddy County, New Mexico

Gentlemen:

Enclosed please find a revised payout statement on the above referenced well covering operations from inception through November 30, 1977.

Please note the change from 100% net revenue less production taxes and royalties to a .1241272 applicable percentage. This percentage is 7/8 of .1418597 which is the applicable working interest less royalties.

I regret any inconvience this may have caused. Should you have any questions concerning this revised payout statement, don't hesitate to call.

Yours very truly,

David E. Bott

David E. Bott
Supervisor, Partnership Accounting

DEB/ls

Enclosure

1 HOUSTON CENTER • SUITE 2600 • HOUSTON, TEXAS 77002 • 713/654-4466 • CABLE ADDRESS: CANDK

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 15-4
Submitted by Taylor
Hearing Date

15-4

cc: B. Kyse
J. Wilson
M. Black, Jr.
D. Lebow

C & K PETROLEUM, INC.
CARLSBAD 13 - 1 - PAYOUT #1 STATUS
Inception Through November 30, 1977

Expenses:		
November, 1976	$ 652	
December, 1976	6,130	
January, 1977	90,649	
February, 1977	255,264	
March, 1977	176,337	
April, 1977	16,948	
May, 1977	5,594	
June, 1977	10,067	
July, 1977	619	
August, 1977	15,248	
September, 1977	1,003	
October, 1977	704	
November, 1977	396	
	$ 579,611	
Applicable WI Percentage for Payout #1	$ .1418597	
	$ 82,223	
220% Cost Recovery	2.2	$180,891
Income, Net of Taxes & Royalties:		
June, 1977	$ 14,634	
July, 1977	74,548	
August, 1977	90,616	
September, 1977	80,696	
October, 1977	90,794	
November, 1977	74,108	
	$ 425,396	
Percentage Applicable to WI Owners	.1241272	52,803
Unrecovered Balance at November 30, 1977		$128,088

ls 1/30/78

C&K Petroleum, Inc.

June 22, 1978

The Desana Corporation
610 Vaughn Building
Midland, Texas 79701

Mrs. Adele Frost
Estate of Jack Frost
1802 National Bank of Commerce Building
San Antonio, Texas 78205
Attention: Mr. Ben M. Patterson, Jr.

Marcella L. Greathouse
125 Hedges Street
Abilene, Texas 79601

W. A. Fage, Jr.
10129 Monaco Drive
ElPaso, Texas 79925

Bill C. Taylor
512 Welshire Street
Carlsbad, New Mexico 88220

RE: Carlsbad "13" No. 1
Carlsbad "12" No. 1
Eddy County, New Mexico

Gentlemen:

Enclosed please find two payout statements covering operations on the above wells for the following period:

February 1, 1978 through April 30, 1978

Should you have any questions concerning these statements, please contact Mr. David E. Bott at the address below.

Yours very truly,

Bill Newkirk
Tax Manager

BN/ch
Enclosure
cc: B. Kyse
J. Wilson
H. Black, Jr.
D. Lebow
G. Thompson

1 HOUSTON CENTER • SUITE 2600 • HOUSTON, TEXAS 77002 • 713/654-4466 • CABLE ADDRESS: CANDK

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 15-5
Submitted by Taylor
Hearing Date

15-5

C & K PETROLEUM, INC.
CARLSBAD 13 #1 - PAYOUT STATUS
February 1, 1978 through April 30, 1978

Unrecovered Balance at January 31, 1978		$105,026
Expenditures:		
February, 1978	$ 7,635	
March, 1978	793	
April, 1978	579	
	$ 9,007	
Applicable WI Percentage for Payment #1	.1418597	
	1,278	
220% Cost Recovery	2.2	2,811
Total Unrecovered Cost		$107,837
Income, Net of Taxes & Royalties		
February, 1978	$ 64,035	
March, 1978	66,460	
April, 1978	61,873	
	$192,368	
Percentage Applicable to WI Owners	.1241272	23,878
Unrecovered Balance at April 30, 1978		$ 83,959

C & K PETROLEUM, INC.
CARLSBAD 13-1 & CARLSBAD 12-1 - PAYOUT STATUS
February 1, 1978 through April 30, 1978

	CARLSBAD "13" #1	CARLSBAD "12" #1	TOTAL	
Unrecovered Balance at January 1, 1978				$713,464
Expenditures:				
February, 1978	$ 7,635	$ 756	$ 8,391	
March, 1978	793	956	1,749	
April, 1978	579	2,846	3,425	13,565
Total Unrecovered Cost	$ 9,007	$ 4,558	$ 13,565	$727,029
Income, Net of Taxes:				
February, 1978	$ 64,035	$23,122	$ 87,157	
March, 1978	66,460	22,685	89,145	
April, 1978	61,873	23,143	85,016	
	$192,368	$68,950	$261,318	
Percentage Applicable to WI Owners			.7881292	205,952
Unrecovered Balance at April 30, 1978				$521,077

July 10, 1978
512 Welshire
Carlsbad, New Mexico 88220

Mr. David E. Bott, Supervisor,
Partnership Accounting
C&K Petroleum, Inc.
1 Houston Center
Suite 2600
Houston, Texas 77002

Re: Carlsbad '13', No. 1
NMOCD Order R-5332

Dear Mr. Bott:

This is to notify C&K that I have again filed with the NMOCD objections to and dispute with C&K: 1. "well costs"; 2. continued addition of expences without accounting for; 3. applying risk factor percentage to such; 4. using payout methods tieing my interests together with others interests (one system); and 5. the tieing of one well's working interests with another well's working interests in order to obtain C&K payout of both wells under the same accounting.

These are in conflict with Order R-5332 and regulations of the NMOCD. Accounting is to be honest, accurate, and each interest is to be treated as though it were an individual production unit except in the sharing of operating costs.

Sincerely,

Bill Taylor

Bill Taylor

Xerox copy; NMOCD

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 15-6
Submitted by Taylor
Hearing Date

15-6

January 24, 1978
512 Welshire
Carlsbad, NM 88220

Revenue Department
C & K Petroleum, Inc.
1 Houston Center
Suite 2600
Houston, Tx. 77002

Gentlemen:

I have received a statement from Mr. David E. Bott as to payout of my interest in Carlsbad "13", No. 1, Eddy County, New Mexico; copy of front page enclosed.

He states the payout occurred September 10, 1977.

When do I begin receiving my share of this well? It would seem you are four months behind.

Sincerely,

Bill Taylor

Bill Taylor

Enclosure

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 16-1
Submitted by Taylor
Hearing Date

16-1

January 24, 1978
512 Welshire
Carlsbad, NM 88220

Geneva M. Bell
C & K Petroleum, Inc.
600 C & K Petroleum Building
P.O. Drawer 3546
Midland, Texas 79702

Dear Ms. Bell:

Enclosed are copies of deeds: Book 215, page 647; Book 222, page 248; and a certified copy of a deed dated January 24, 1978 pertaining to my ownership of Lot 13, Block 5, Hoose Acres, Eddy County, New Mexico.

You designate this: Carlsbad "13" No. 1 Well; N½ Sec. 13, T-22S, R-26E, NMPM, Eddy County, New Mexico.

These should answer your problem of my ownership.

As the .0167118 interest you mention is pertaining to the one lot and is not representive of the other ownership in said well (approximately 13½ %), I respectively decline to sign your division order.

Sincerely,

Bill Taylor

Bill Taylor
Soc. Sec. # 525-66-1649

Enclosures

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 16-2
Submitted by Taylor
Hearing Date

16-2

SHORT FORM WARRANTY DEED—New Mexico Statutory Form—Approved by State Comptroller as Standard Form Oct. 6th, 1941.

WARRANTY DEED

Bill G. Taylor, a married man dealing in his sole and separate property, joined pro forma by Wanda J. Taylor, his wife for consideration paid, grant to J. H. Taylor Sr. and June Taylor, his wife

the following described real estate in Eddy County, New Mexico:

Lots 1,2,3,4,5,6,7,8,9,10,11,12,13,14, and 16, Block 5

Lots 1,2,3,4,5,6,8,10,11,12,13,14, and 16, Block 6

All in Hoose Acres in Eddy County, New Mexico, according to the map on file in the office of the County Clerk of Eddy County, New Mexico, in Book 4, Page 69, Map Records, with warranty covenants; subject to:

Seller reserves an undivided one-half interest in the gas and oil rights.

Note ↑

with warranty covenants.

WITNESS our hands and seals this 26th day of July 19 73

Bill G. Taylor (SEAL)

(SEAL)

Wanda J. Taylor (SEAL)

(SEAL)

STATE OF ~~NEW MEXICO~~ KANSAS }
County of HASKELL } ss.

On this 26th day of July 19 73 before me personally appeared Bill G. Taylor and Wanda J. Taylor, his wife

to me known to be the person s described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

Witness my hand and seal the day and year last above written.

My commission expires 7/9/ 19 76

Phyllis J. Gray Notary Public

STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the 30th day of July 19 73 at 11:40 o'clock A. M. and duly recorded in Book 215, page 647 of the Records and Deeds of said county, on this 30th day of July A. D. 19 73

Geraldine Bishopp County Clerk

By Virgie Cole Deputy

Printed and for Sale by Myers Printing Co., Carlsbad, N. M.

248

STORY FORM WARRANTY DEED—New Mexico Statutory Form—Approved by State Comptroller as Standard Form Oct. 8th, 1941.

WARRANTY DEED

W.H.Taylor and June D.Taylor, his wife

for consideration paid, grant to Bill G.Taylor, a married man dealing in his sole and separate property

the following described real estate in EDDY County, New Mexico:

Lot 27, Block 9, Valley View Heights, a subdivision in the City of Carlsbad, Eddy County, New Mexico.

Lot 14, Block D, Hughes Second Subdivision in the City of Carlsbad, Eddy County, New Mexico.

Lot Six(6) Block Eight(8) Valley View Heights, a subdivision of part of the SE¼ of Section 2, Township 22 S., Range 26 E., N.M.P.M. Eddy County, New Mexico.

A portion of Block Five(5) of Valley View Heights subdivision, City of Carlsbad, Eddy County, New Mexico, described as follows: Commencing 76.3 ft. North of the Southwest corner of Block 5; thence North on the West boundary line of said Block 5 a distance of 60 feet to a point 155 ft. South of the Northwest corner of said Block 5; thence East, parallel to the South line of said Block 5, a distance of 105.8 ft. to a pont 100 ft. West of the East line of said Block 5; thence South parallel to the East line of said Block 5, a distance of 60 ft. to a pont 76.3 ft. North of the South line of said Block 5; thence West parallel to the South line of said Block 5, distance of 105.8 ft. to a point 76.3 ft. North of the Southwest corner of said Block 5 and the point of beginning of the tract herein described.

Lots 1,2,3,4,5,6,7,8,9,10,11,12, 14, and 16, Block 5 Lots 1,2,3,4,5,6,8,10, 11,12,13,14, and 16 Block 6 All in Hoose Acres in Eddy County, New Mexico, according to the map on file in the office of the County Clerk of Eddy County, New Mexico, in Book 4, Page 69, Map Records.

Note

with warranty covenants.

WITNESS our hand S and seal S this 18th day of January, 19 75

W.H. Taylor Jr. (SEAL) _____ (SEAL)

June D. Taylor (SEAL) _____ (SEAL)

STATE OF NEW MEXICO, }
County of Eddy } ss.

On this 18th day of January, 19 75, before me personally appeared W. H. Taylor, Sr. and June D. Taylor, his wife

to me known to be the person S described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

Witness my hand and seal the day and year last above written.

My commission expires 10/15, 19 76

Notary Public

STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the 7 day of May, 19 75 at 1:15 o'clock P. M. and duly recorded in Book 222, page 248 of the Records and Deeds of said county, on this 7 day of May, A. D. 19 75

Mildred Branch
County Clerk

By Karen Davis
Deputy

Printed and for Sale by Hyers Printing Co., Carlsbad, N. M.

W.H.Taylor,Sr. and June Taylor, his wife,

for consideration paid, grant s to Bill G. Taylor, a married man dealing in his sole and separate property,

whose address is 512 Welshire Street, Carlsbad, NewMexico,

the following described real estate in Eddy County, New Mexico.

All gas, oil and other minerals of
lot 13, Block 5.
In Hoose acres a Subdivision in the NW¼
of Sec.13.Twp. 22S,Rge.26E,N.M.P.M.
as per plat on file in the office of the
Clerk of Eddy County, New Mexico.

CLERK'S CERTIFICATE
Certified this 24 day of Jan 19 78
as a true and correct copy of the original on
file in this office.
Geraldine McKelvey
Clerk of Eddy County, N. Mex.
Carol C. Boyd Deputy

with warranty covenants.

WITNESS our hands and seals this 24TH day of JANUARY, 1978

W.H. Taylor Sr. (SEAL) _____ (SEAL)

June Taylor (SEAL) _____ (SEAL)

STATE OF NEW MEXICO,
County of EDDY } ss.

On this 24TH day of JANUARY, 1978, before me personally appeared

W. H. TAYLOR SR. & JUNE D. TAYLOR HIS WIFE

to me known to be the person s described in and who executed the foregoing instrument and acknowledged that THEY executed the same as THEIR free act and deed.

Witness my hand and seal the day and year last above written.

My commission expires 9/1/8, 19 81 June Thompson Notary Public

STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the 24 day of January, 19 78 at 10:30 o'clock A. M., and duly recorded in Book 233, page 519, of the Records and Deeds of said county, on this 24 day of January, A. D. 19 78

Geraldine McKelvey County Clerk

By Karen Davis Deputy

Printed and for Sale by Myers Printing Co., Carlsbad, N. M.

March 15, 1978
512 Welsnire
Carlsbad, NM 88220

Ms. Geneva M. Bell
C & K Petroleum, Inc.
P.O. Drawer 3546
Midland, Texas 79702

Dear Ms. Bell:

Please be advised that the withholding of royalty rights (payments) delegated to myself under Order # R-5332 of the NMOCC is working a hardship upon me. I have called this and other failures of C & K to the attention of the NMOCC. The royalty is due from C & K's Carlsbad 13 Well, N½ Sec. 13-T22S-R26E, NMPM.

Since no question has been raised concerning my acreage prior your letter of Jan. 20, 1978, my answer to you with copies of legal documents on Jan. 24, 1978, in answering your questions should fulfill your legal requirements of ownership. At the time of your letter, I had received a letter from Mr. David Bott of C & K stating total payout of my interest had occurred (Bott letter of Jan. 13, 1978). My answer to you reflected my interpretation of Mr. Bott's letter in relationship to the total acreage. It would seem from present information that your figure of .0167118 is an acceptable figure of the total well income for my royalty as reflected in the OCC order. No other conditions concerning payments other than those established by the NMOCC in its order should be needed by C & K. Please become current with both my and Mr. W.A. Page, Jr.'s royalty payments in accordance with the OCC orders.

Mr. R.L. Stamets of the NMOCC has sent me a letter stating he has requested C & K contact me and an attempt be made to resolve problems of which I have complained concerning C & K. I would welcome such a contact by Mr. E.W. Hooper in the immediate future.

Sincerely,

Bill Taylor

Bill Taylor

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 16-3
Submitted by Taylor
Hearing Date

16-3

March 30, 1978
512 Welshire
Carlsbad, NM 88220

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

Gentlemen:

Ref: NMOCC Order R-5332, C & K Petroleum, Inc. Carlsbad "13" Well, NE 13-T22S-R26E, NMPM, Eddy County, New Mexico.

I have received a letter from Ms. Geneva M. Bell of C & K dated March 28, 1978 (copy enclosed). It is in answer to my letter to C & K dated March 15, 1978 (copy enclosed).

Ms. Bell makes reference to a C & K Division Order supposively mailed in November 1977. I enclose a copy of that "Order" along with Ms. Bell's letter of January 20, 1978 with which it was enclosed (two months after November). I object to various sections as giving C & K legal rights I am opposed to their obtaining. For the record, I state there are several errors in the "interest" percentage for various individuals, involving considerable money. Also the acreages leased and forced pooled totaled do not add up to the 336.6 acres allotted to the well. My information is available to the OCC.

In answer to Ms. Bell's request, I sent copies of deeds proving one-half ownership to the one lot (Lot 13, Blk 5, Hoose Acres). By January 24, 1978 dated deed, I acquired the additional one-half interest from W.H. & June Taylor and sent a certified copy of this along with my social security number.

Mr. Stamets's letter of February 14, 1978 raises a question of possible voluntary operating agreements with C & K as taking precedence over Order R-5332. None of C & K's offerings have been in accordance with the NMOCC Order R-5332 and so I have declined to sign any, including the "Division Order". Mr. Stamets letter also requested C & K contact me to seek issue resolvement. They have not done so; consequently I initiated an effort as evidenced in my letter to C & K of March 15, 1978.

NMOCC Order R-5332 does not state the necessity for me to sign further restrictions upon myself in order to receive the one-eighth royalty C & K is ordered to pay. If the OCC requires futher agreements, please so inform me. If not, please request C & K to become current and remain current with the royalty portion of the Order.

Since C & K obviously does not desire to resolve the issues between us privately, I intend seeking a rehearing on the Order R-5332 in the future upon my retaining legal counsel.

Sincerely,

Bill Taylor

Bill Taylor

Enclosures
Xerox Copy: C & K Petroleum

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 16-4
Submitted by Taylor
Hearing Date

16-4

April 19, 1978
512 Melonire
Carlsbad, NM 88220

Mr. G.C. Tompson
Manager of Production
C & K Petroleum, Inc.
P.O. Drawer 3546
Midland, Tx 79702

Re: C & K's Carlsbad '13' No. 1 Well
N/2 Sec. 13, T22S, R26E, Eddy Cty, NM

Tompson letter of April 14, 1978.

Dear Mr. Tompson:

I have no quarrel with C & K's designation of .0167118 as a royalty factor for me.

I have confidence in C & K's ability to gain full monetary value for produced gas and have no objection to the gas sale to Transwestern Pipeline Co.

Furnishing customary proof of ownership of any disputed acreage is just---as long as payments are continued on any other acres not disputed.

C & K should not be held responsible for distributing money to a change of individuals until they have received notification by writing: certified mail is an acceptable method.

These points I agree to. All others I cannot as long as there is the contention between us that presently exists.

I would appreciate knowing exactly what amounts---royalties and working interest---of monies ordered under the NMOCC Order #R-5332 are credited to me todate, how and where.

As it now stands, we are fast approaching a collision, first before the NMOCC and very possibly in the civil courts thereafter. Constructive steps we can undertake to resolve our problems would be welcomed by myself.

Sincerely,

Bill Taylor

Bill Taylor

Xerox copy: NMOCC

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 16-5
Submitted by Taylor
Hearing Date

16-5

May 3, 1978
512 Welshire
Carlsbad, NM 88220

Mr. G.C. Tompson &
Ms. Geneva M. Bell

C & K Petroleum, Inc.
P.O. Drawer 3546
Midland, Texas 79702

Re: NMOCC Order R-5332

Dear people:

C & K has not answered my letter of April 19, 1978 whereby I sought to work out our problems of C & K's Division Order as per requested in Mr. Tompson's letter of April 14, 1978.

Enclosed is a signed copy of C & K's Division Order with objectionable sections crossed out and other additions. The enclosed Division Order should accomplish Mr. Tompson's desire for me to accept the percentage you state. This signed Division Order offer is subject to C & K's immediate acceptance and will be evidenced by immediate payment of royalties owed to me. I emphasize that time is of the essence and a reasonable time for transit of the material in the mail to be the major time consuming factor.

In my letter of April 19, 1978, I requested "knowing exactly what amounts---royalties and working interest---of monies ordered under the NMOCC Order #R-5332 are credited to me todate, how and where." I repeat my request. It is my hope you will take a positive step and reply, enclosing a check bringing my royalties up todate.

Sincerely,

Bill Taylor

Bill Taylor

Enclosures

Xerox Copy: NMOCD

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 16-6
Submitted by Taylor
Hearing Date

16-6

(REVISED FORMS)

Division Order No. 00632-03

Field: South Carlsbad (Morrow)

Unit or Farm: _____

Carlsbad "13"

DIVISION ORDER

TO: C & K PETROLEUM, INC.
P.O. Drawer 3546
Midland, Texas 79701

Date: November 16, 1977

Each of the undersigned warrants that he is the owner of the interest credited to him below in the proceeds derived from the sale of oil and/or gas from wells on the Carlsbad "13" No. 1 farm or lease located in Eddy County, State of New Mexico, more particularly described as follows:

N/2 Section 13, T-22-S, R-26-E,
NMPM, as to the Wolfcamp and
Pennsylvanian formations only.

Effective date of 1st runs (6-15-77), and until further written notice, you are hereby authorized to give credit for all proceeds derived from the sale of oil and/or gas from said property subject to the conditions, covenants and directions following:

Credit to:
Owner Name and Address — Division of Interest

SEE EXHIBIT "A" ATTACHED HERETO

FIRST: It is understood that all or a portion of the gas produced from the above described lands is being sold under contract dated May 6, 1977, between C & K Petroleum, Inc. (Seller) and Transwestern Pipeline Co. (Buyer) as indicated under the provisions of said contract, reference to which is here made, and that said contract, and any amendments, extensions or renewals thereof, shall govern as to the price to be paid for said gas and the times when such payments are to be made. ~~If it is ever determined that you are obligated to refund any portion of~~ the money paid to the undersigned by virtue of any regulation, order or court proceeding, the undersigned agrees to reimburse you for such overpayment and in addition to such other legal remedies as you may then have you are hereby authorized to recoup such overpayment out of future production from the above described land which is attributable to the undersigned's interest. Further, if there is a question as to whether there may be refund obligations as aforesaid you are hereby authorized to withhold proceeds allocable thereto until such question has been resolved. Each of the undersigned stipulates that he or she is entitled to no greater interest than that set out beside his or her name. The undersigned hereby ratify the leases under which oil, gas and other minerals ~~are being produced and agree that their interest in the above described land is subject to such leases~~.

SECOND: Payments are to be made by your checks to be delivered or mailed to the parties hereto entitled. ~~However, it is agreed if, at any settlement date, the amount payable to any~~ party hereunder shall be less than $10.00, you may withhold payment, without interest, and in lieu of the scheduled payment, make payment when such withheld amounts have accumulated to $10.00 or more at annual intervals, whichever shall first occur. The undersigned authorizes you to withhold from the proceeds of any and all gas referred to here in the amount of any tax placed thereon, or on the production thereof, by any governmental authority, and to pay the same on our behalf. Prior to computing any royalties or other interest hereunder, you are authorized to deduct any and all federal, state or local taxes imposed on or incident to the severance, production, gathering, processing and marketing of gas, ~~all costs of treating such gas to make it merchantable and all costs which you have incurred in transporting such to any purchaser~~. This provision subject to revocation upon change of status quo.

THIRD: In case of any adverse claim or title or in case title shall not be satisfactory to you at any time during the term of this division order, each of the undersigned agrees to furnish evidence of title satisfactory to you ~~and authorizes you to withhold payment, without obligation to pay interest~~ on the amount so withheld, until satisfactory indemnity shall be furnished to you against such adverse claims or any such defects in title, or until title shall be made satisfactory to you. Each undersigned party as to the interest of such party hereunder, respectively agrees, in the event suit is filed in any court affecting title to said gas, either before or after severance, to indemnify and save you harmless against any liability for loss, cost, damage and expense which you may suffer or incur on account of receiving and paying said party the proceeds derived from the sale of said gas. Where you, pursuant to the provision hereof, withhold payment, or any part hereof, each undersigned party from whom payment is so withheld severally agrees to indemnify and hold you harmless from all liability for any tax, together with all interest and penalties incident thereto, imposed or assessed against, or paid by you on account of the sum or sums so withheld from payment to said party, and severally agrees that you may deduct ~~all such taxes, interest and penalties so paid by you from any sums owing by you to said party~~. ~~Payment may be withheld from questioned acreage provided royalty is paid on undisputed acreage of royalty owner~~.

FOURTH: The undersigned agree to notify you of any change of ownership, and no transfer of interest shall be binding upon you until transfer order and the recorded instrument evidencing such transfer, or a certified copy thereof, shall be furnished to you. Transfer of interest shall be made effective on the first day of the calendar month in which notice is received by you. You are hereby relieved of any responsibility for determining if and when any of the interests hereinabove set forth shall or should revert to or be owned by other parties as a result of the completion or discharge of money or other payments from said interests and the signers hereof whose interests are affected by such money or other payments, if any, agree to give you notice in writing by registered letter addressed to C & K PETROLEUM, INC., Midland, Texas, when any such money or other payments have been completed or discharged or when any other division of interest than that set forth above shall, for any reason, become effective and to furnish transfer orders accordingly, and that in the event such notice shall not be received, you shall be held harmless in the event of, and are hereby released from any and all damages or loss which might arise out of any overpayment.

FIFTH: This division order shall become valid and binding on each and every owner above named as soon as signed by such owner, regardless of whether or not all of the above named owners have so signed.

IMPORTANT: TO AVOID DELAY IN PAYMENT, YOUR CORRECT ADDRESS AND YOUR SOCIAL SECURITY NUMBER OR TAX ACCOUNT NUMBER MUST BE SHOWN.

WITNESS:

Bill S Taylor 5/2/78

512 Wellshire
Carlsbad, N. M. 88220
S.S. # 525-66-1649

EXHIBIT "A"

Attached to and made a part of division order dated November 15, 1977, concerning C & K Petroleum, Inc.-Carlsbad "13" No. 1 well located in N/2 Section 13, T-22-S, R-26-E, NMPM, Eddy County, New Mexico.

ROYALTY

	INTEREST
Michael S. Hales 11338 West 63rd Street Shawnee, Kansas 66203	.0025423
John C. Shackleford 1004 North Edwards Carlsbad, New Mexico 88220	.0025423
Richardson Brothers, Inc. P. O. Box 447 Carlsbad, New Mexico 88220	.0050845
Robert E. Pond and William Pond, as joint tenants 506 South Lake Street Carlsbad, New Mexico 88220	.0050845
Western States Broadcasting, Inc. (Unknown)	.0039253
Mary L. Hartley and husband Earl E. Hartley P. O. Box 465 Albuquerque, New Mexico 87103	.0176638
Allen Seale, Mrs. Valta Sneed, Mrs. Cecil Crews and Nina Mae Ryden (Unknown)	.0111584
E. W. Douglass and wife Cleo Douglass 1113 Tracy Place Carlsbad, New Mexico 88220	~~.0005830~~
Arthur B. Gibson, Jr. and wife Anna Gibson (Unknown	~~.0120329~~
Carlsbad Irrigation District 303 West Fox Carlsbad, New Mexico 88220	.0216201
Blufford Burnett and wife Ara Faye Burnett 105 East Quay Carlsbad, New Mexico 88220	.0015302
Alma W. Lytle 742 Standpipe Road Carlsbad, New Mexico 88220	.0006034
The Standpipe Road Veteran's Club, Inc. Standpipe Road Carlsbad, New Mexico 88220	.0008045
John E. Brown, Sr. and wife Ruby W. Brown 106 East Curry Carlsbad, New Mexico 88220	.0007647

ROYALTY (Continued)	INTEREST
	.0046009
Lowry Hagerman P. O. Box 941 Santa Fe, New Mexico 87501	.0011502
Geraldine A. Stevens Rural Route 2 Crawfordsville, Indiana 47933	.0011502
Phyllis M. Battiste 1202 Bryan Circle Carlsbad, New Mexico 88220	.0011502
Barbara Birdwell 2323 Pine Drive Alamogordo, New Mexico 88310	.0011502
Janet Miles 811 North Mesa Carlsbad, New Mexico 88220	.0007655
Charles Q. Phillips and wife Connie A. Phillips 6420 Alderfer Odessa, Texas 79760	.0007655
John B. Phillips and wife Essie M. Phillips 312 East Curry Carlsbad, New Mexico 88220	.0005103
Julian Fuentes and wife Arnelia G. Fuentes 501 East Quay Carlsbad, New Mexico 88220	.0001701
Brigido Saldana and wife Manuela Saldana 310 East Quay Carlsbad, New Mexico	.0005103
Yolanda V. Martinez (Unknown)	.0005103
Pete B. Parraz and wife Felicita Parraz 301 East Quay Carlsbad, New Mexico 88220	.0005103
Pablo R. Gonzales and wife Lupe M. Gonzales 503 West Pompa Carlsbad, New Mexico 88220	.0010206
Donald Howell and wife Eleanor Howell Route 1, Box 348 Farmington, New Mexico 87401	.0006125
Carlton A. Schoolcraft, Sr., and wife Pauline K. Schoolcraft 108 North 3rd Street Carlsbad, New Mexico 88220	.0004081
Bobby Don Burnett 201 East Quay or 116 North Canyon Carlsbad, New Mexico 88220	

ROYALTY (Continued)

	INTEREST
Raymon Reed and wife Edith H. Reed 206 East Curry Carlsbad, New Mexico 88220	.0013187
E. V. Elliott and wife Wanda Elliott 202 East Curry Carlsbad, New Mexico 88220	.0001415
L. M. Reed and wife Charlotte Reed 108 East Curry Carlsbad, New Mexico 88220	.0005103
Bigsky Estates, Inc. P. O. Box 248 Carlsbad, New Mexico 88220	.0005120
James L. Mason and wife Sherrill Mason 310 Radio Boulevard Carlsbad, New Mexico 88220	.0011648
Kenneth Wayne Blair and wife Glenda Blair 308 Radio Boulevard Carlsbad, New Mexico 88220	.0003715
Bill T. Emerson and wife Josephine Emerson 412 Radio Boulevard Carlsbad, New Mexico 88220	.0015363
Susano C. Garcia and Elia Garcia (Unknown)	.0010242
William C. Strawbridge, Sr. (Unknown)	.0010242
Kenneth L. Porter and wife Ina Mae Porter 211 Curry Carlsbad, New Mexico 88220	.0010242
Kenneth Wayne Blair and wife Glenda Blair 308 Radio Boulevard Carlsbad, New Mexico 88220	.0005121
C. H. Hughes 206 Radio Boulevard Carlsbad, New Mexico 88220	.0014749
T. W. Phillips and wife Gail Phillips (Unknown)	.0000614
Agnes Mae Weldy and husband William T. Weldy 112 Radio Boulevard Carlsbad, New Mexico	.0010242
Clyde L. Brooks and wife Wanda J. Brooks 1208 Cedar Street Carlsbad, New Mexico 88220	.0005098
Clarence W. Wells 603 North 2nd Street Carlsbad, New Mexico 88220	.0007647

ROYALTY (Continued)

	INTEREST
Augustine L. Flores 605 South Alameda Carlsbad, New Mexico 88220	.0006034
Joe L. Flores and wife Matilde Flores 602 Alvarado Carlsbad, New Mexico 88220	.0006034
Juan L. Hernandez and wife Lilly N. Hernandez 108 Radio Boulevard Carlsbad, New Mexico 88220	.0007647
Antonio Bonilla and wife Eva C. Bonilla Route 8, Box 302 Silver City, New Mexico 88061	.0007647
Lillie Mae Roberts 702 North Maple Carlsbad, New Mexico 88220	.0007682
Donald H. Greetan and wife Mary F. Greetan (Unknown)	.0007682
John G. Mills and wife Joyce S. Mills 202 Radio Boulevard Carlsbad, New Mexico 88220	.0015362
W. A. Page, Jr. 10129 Monaco Drive El Paso, Texas 79925	.0010207
Bill G. Taylor ~~and wife Wanda J. Taylor~~ 512 Welshire Carlsbad, New Mexico 88220	.0167118
Consuelo Saldana (Unknown)	.0000851
Enrique Saldana (Unknown)	.0000851
Epifanio Saldana (Unknown)	.0000851
Amy Saldana (Unknown)	.0000851
W. H. Taylor, Sr. & wife June Taylor c/o Bill G. Taylor 512 Welshire Carlsbad, New Mexico 88220	.0000000

July 7, 1978
512 Welshire
Carlsbad, NM 88220

Mr. G. C. Tompson
C&K Petroleum, Inc.
P. O. Drawer 3546
Midland, Texas 79702

Dear Mr. Tompson:

I have this day received your letter dated June 16, 1978. I am unable to account for the period of elapsed time between your date and arrival. Thank you for the information; I have been awaiting it.

My attempts to satisfy your desire for a Division Order with the Division Order I sent to you on May 3, 1978 with portions crossed out was met with solid disapproval of my attorneys and contributed to differences between us.

I again state my position that C&K Petroleum, Inc. has never allowed me the opportunity of participating in the well; and that the suspension of my royalty interests is in violation of Order R-5332 of the NMOCD.

I am overruling my attorneys desires to pursue these facts in civil court and am requesting a hearing before the NMOCD first.

I would respectfully request you to relay to Mr. E. W. Hooper that the penalty for perjury before the NMOCD at any hearing is a minimum of six months to a maximum of five years imprisonment in the state penitentiary. I have no present desire that he should face such punishment and would suggest he refresh his memory concerning our relations.

I will most likely (but such is not promised) attempt to contact Mr. Bruce McIntire of your Houston office once I obtain a hearing date from the NMOCD.

Sincerely,

Bill Taylor

Bill Taylor

Xerox copy: NMOCD

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 16-7
Submitted by Taylor
Hearing Date

16-7

C & K Petroleum, Inc.

600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915) 683-3311

April 14, 1978

Rec'd 4/17/78 11:16 a.m.

Mr. Bill Taylor
512 Welshire
Carlsbad, New Mexico 88220

Re: C & K Petroleum, Inc.
Carlsbad "13" No. 1 Well
N/2 Sec. 13, T-22-S, R-26-E,
Eddy County, New Mexico

Dear Mr. Taylor:

I have just become aware of the recent correspondence between you and our Mrs. Geneva Bell.

The controversy seems to revolve around our division order. If you have had previous experience with oil and gas operations, I am sure you realize it is necessary that we have a signed division order before we can disburse runs. This not only protects us but it protects the royalty or working interest owner. By signing this division order you are agreeing that the interest we show beside your name is your correct interest. If you do not feel the interest is correct we will be glad to discuss it with you. In your letter to the New Mexico Oil Conservation Commission dated March 30, 1978, you indicate there are sections in our division order you object to. I think you will find this is a rather standard agreement, but we would be glad to discuss the wording with you. I would hope that these are things we can work out between us without creating unnecessary problems for the Oil Conservation Commission.

One thing I feel should be made clear is that we cannot and will not disburse runs without a signed division order. We want to pay you your money. To keep track of it in suspense only increases our accounting burden, but for your protection and ours we must have a signed division order.

Won't you please either contact me directly or through your attorney so that we can work out whatever differences may exist.

Yours very truly,

C & K PETROLEUM, INC.

G. C. Tompson

G. C. Tompson,
Manager of Production

GCT/meb

cc: New Mexico Oil Conservation
Commission
P. O. Box 2088
Santa Fe, New Mexico 87501
Attn: Mr. R. L. Stamets

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 16-8
Submitted by Taylor
Hearing Date

16-8

C & K Petroleum, Inc.

600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915)683-3311

May 19, 1978

Rec'd 5/20/78

Mr. Bill Taylor
512 Welshire
Carlsbad, New Mexico 88220

Re: Carlsbad "13" No. 1 Well
Eddy County, New Mexico

Dear Mr. Taylor:

We are in receipt of your letter of May 3, 1978, with the attached division order. I do appreciate your responding to my letter of April 19, but you have deleted so much of the body of the division order that I cannot agree to accept it.

The massive deletions you are asking be made in the division order takes out legal protections we feel are necessary in making payments for production. For example, the first deletion you make is designed to allow us to recover any money paid to you in error. This does not give us the right to recoup legal payments, but only overpayments or payments made to the wrong party. Your second deletion removes language which allows us to accumulate payments until they total at least $10.00. This provision is usually used when the amount due an interest becomes so small on a monthly basis that the postage exceeds the payment. If this is a special concern I feel we can work out language that would be less than $10.00, i.e., it might be that we could agree that when your interest drops below $1.00 per month we could pay on an annual basis. However, you have also deleted language which authorizes us to withhold the taxes due on your share of the production and to pay these taxes in your behalf. We feel this is very important and I believe that the state requires that we pay the taxes for all parties. At the end of the second paragraph you have added the sentence, "This provision subject to revocation upon change of status quo." It is not clear to me what provision you are referring to.

At the top of the second page you have deleted more language. This is language included in all division orders so far as I know, and it is this language that allows the party responsible for disbursing the revenues from production to suspend payments when an interest is contested. We feel this is necessary language. We do not question your ownership since it is reflected by our division order title opinion, but we can never know when

Tompson letter

Signed Division Order Included. (Returned).

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 16-9
Submitted by Taylor
Hearing Date

16-9

any interest might be contested. We recently had a situation where two different parties presented what appeared to be authentic legal instruments claiming the same interest in the same property. We had no choice but to put the monies due this interest in suspense until the two parties could either work out a satisfactory solution between them or through the court.

Mr. Taylor, much of what you are asking we delete is material our attorneys tell us should be in the division order. Since you are raising a legal question, let me suggest that you ask your attorney to contact our attorney and see if the two of them cannot work out this matter. Perhaps if our attorney could explain to your attorney the reasons for the inclusion of this language he in turn could reassure you; or perhaps your attorney can work out with our attorney alternate language that will be satisfactory to both of us. Our attorney is Martin L. Allday, 201 Wall Towers East, Midland, Texas 79701, telephone 915/683-3351.

I have asked our accounting department to give me a record of the monies held in suspense for your account, and I will pass this information on to you as soon as I have it.

Yours very truly,

C & K PETROLEUM, INC.

G C Tompson

G. C. Tompson,
Manager of Production

GCT/meb

cc: Martin L. Allday
cc: Revenue Accounting

Division Order returned has "Received MAY 11 1978 C & K Petroleum, Inc Midland, Texas" on reverse side.

Division Order refiled in Primary Papers

C & K Petroleum, Inc.

600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915)683-3311

June 16, 1978

Paid 7/7/78 pss.

Mr. Bill Taylor
512 Welshire
Carlsbad, New Mexico 88220

Re: Carlsbad "13" No. 1 Well
Eddy County, New Mexico

Dear Mr. Taylor:

When I wrote you on May 19, 1978, I told you I would ask our accounting department to give me a record of the monies now being held in suspense for your account. They have now responded to my inquiry and tell me that as of the May 1978 accounting period, which would include production through April, there was $12,751.82 being held in suspense for payment to you. They also advised that another payout statement is in the process of being prepared and should be sent to you very soon.

Where?

I have not heard from you since my letter of May 19. We are anxious to conclude this matter and begin making payments to your account. I do feel that the differences between us could be quickly resolved if you put your attorney in touch with our attorney. We certainly want you to receive everything that is rightfully yours, but the people in our industry have found through many years of experience that we need certain legal protections in making payment to the royalty and working interest owners. We are only asking for the generally accepted protection given to those who disburse the proceeds from oil and gas runs. I hope we will hear from you soon.

Yours very truly,

C & K PETROLEUM, INC.

GC Tompson

G. C. Tompson,
Manager of Production

GCT/meb

cc: Land Department
cc: Martin L. Allday
cc: Revenue Accounting

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 16-10
Submitted by Taylor
Hearing Date

16-10

Signed H.N. Aicklen Supervisor Gas Purchase Contract Administration
7/13/77
Rec'd 7/15/77

NEW MEXICO OIL CONSERVATION COMMISSION

Supersedes Old C-111 and C-114
Effective 1-1-65

GAS PURCHASERS MONTHLY REPORT

ACQUISITION

(Transfer Total Take To Sheet No. 1)

Report of: TRANSWESTERN PIPELINE COMPANY

Date: FOR THE MONTH OF: June, 1977

DETAIL OF TAKE (Total Each Pool)

PRODUCER	LEASE	WELL NO.	U.L.	S	T	R	KIND OF WELL	VOLUME
CARLSBAD SOUTH (MORROW) FIELD (Con't)								
1187-1 C & K Petroleum, Inc.	Carlsbad "13"Com.	1		13	22S	26E	Gas	9,791
								9,791
1043-1 Corinne Grace	GoPoGo	2	G	25	22S	26E	Gas	56,408
1044-1 Corinne Grace	GoPoGo	1	G	25	22S	26E	Gas	5,460
1046-1 Corinne Grace	City of Carlsbad Com.	1	O	25	22S	26E	Gas	5,022
1047-1 Corinne Grace	Humble-Grace Company	1	P	2	23S	26E	Gas	-0-
1048-1 Corinne Grace	Gradonoco	1	H	2	23S	26E	Gas	-0-
								66,890
1166-1 Cotton Petr. Corp.	Mary K. Knobel	1	J	32	22S	27E	Gas	3,075
								3,075
1089-1 Mobil Oil Corporation	Federal "LL"	1	N	13	23S	26E	Gas	385
1090-1 Mobil Oil Corporation	Federal "PP"	1	F	24	23S	26E	Gas	341
								726
1054-1 Pennzoil Company	Mobil "12" Fed.	1	B	12	23S	26E	Gas	29,891
1057-1 Pennzoil Company	Gulf Federal	1	K	1	23S	26E	Gas	17,501
1063-1 Pennzoil Company	Echols	1	J	12	23S	26E	Gas	38,696

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 17-1
Submitted by Taylor
Hearing Date

Signed by H. N. Anklam
Aug. 12, 77
Rec'd Aug. 15, 77

NEW MEXICO OIL CONSERVATION COMMISSION

Effective 1-1-65

GAS PURCHASERS MONTHLY REPORT

ACQUISITION

(Transfer Total Take To Sheet No. 1)

Report of: TRANSWESTERN PIPELINE COMPANY

Date: FOR THE MONTH OF: July 1977

DETAIL OF TAKE (Total Each Pool)

PRODUCER	LEASE	WELL NO.	U.L.	S	T	R	KIND OF WELL	VOLUME
CARLSBAD SOUTH (MORROW) FIELD (Con't)								
1187-1 C & K Petroleum, Inc.	Carlsbad "13"Com.	1		13	22S	26E	Gas	49,538
								49,538
1043-1 Corinne Grace	GoPoGo	2	G	25	22S	26E	Gas	57,459
1044-1 Corinne Grace	GoPoGo	1	G	25	22S	26E	Gas	4,985
1046-1 Corinne Grace	City of Carlsbad Com.	1	O	25	22S	26E	Gas	4,604
1047-1 Corinne Grace	Humble-Grace Company	1	P	2	23S	26E	Gas	-0-
1048-1 Corinne Grace	Gradonoco	1	H	2	23S	26E	Gas	-0-
								67,048
1166-1 Cotton Petr. Corp.	Mary K. Knobel	1	J	32	22S	27E	Gas	3,224
								3,224
1089-1 Mobil Oil Corporation	Federal "LL"	1	N	13	23S	26E	Gas	1,078
1090-1 Mobil Oil Corporation	Federal "PP"	1	F	24	23S	26E	Gas	531
								1,609
1054-1 Pennzoil Company	Mobil "12" Fed.	1	B	12	23S	26E	Gas	36,187
1057-1 Pennzoil Company	Gulf Federal	1	K	1	23S	26E	Gas	24,934
1063-1 Pennzoil Company	Echols	1	J	12	23S	26E	Gas	46,287

(Con't)

Signed N. M. Aiken
Sept. 13, 77
Rec'd Sept 16, 77

NEW MEXICO OIL CONSERVATION COMMISSION
GAS PURCHASERS MONTHLY REPORT

Form C-111
Sheet No. 2
Supersedes Old C-111 and C-114
Effective 1-1-65

ACQUISITION

(Transfer Total Take To Sheet No. 1)

Report of: TRANSWESTERN PIPELINE COMPANY

Date: FOR THE MONTH OF: August 1977

DETAIL OF TAKE (Total Each Pool)

PRODUCER	LEASE	WELL NO.	U.L.	S	T	R	KIND OF WELL	VOLUME
CARLSBAD SOUTH (MORROW) FIELD (Con't)								
1187-1 C & K Petroleum, Inc.	Carlsbad "13"Com.	1		13	22S	26E	Gas	54,191
								54,191
1043-1 Corinne Grace	GoPoGo	2	G	25	22S	26E	Gas	56,329
1044-1 Corinne Grace	GoPoGo	1	G	25	22S	26E	Gas	5,074
1046-1 Corinne Grace	City of Carlsbad Com.	1	O	25	22S	26E	Gas	4,152
1047-1 Corinne Grace	Humble-Grace Company	1	P	2	23S	26E	Gas	-0-
1048-1 Corinne Grace	Gradonoco	1	H	2	23S	26E	Gas	-0-
								65,555
1166-1 Cotton Petr. Corp.	Mary K. Knobel	1	J	32	22S	27E	Gas	3,488
								3,488
1089-1 Mobil Oil Corporation	Federal "LL"	1	N	13	23S	26E	Gas	328
1090-1 Mobil Oil Corporation	Federal "PP"	1	F	24	23S	26E	Gas	365
								693
1054-1 Pennzoil Company	Mobil "12" Fed.	1	B	12	23S	26E	Gas	35,808
1057-1 Pennzoil Company	Gulf Federal	1	K	1	23S	26E	Gas	21,127
1063-1 Pennzoil Company	Echols	1	J	12	23S	26E	Gas	43,958
		(Con	t)					

Sign H.N. Quillen
10/11/77
Rec'd 10/14/77

NEW MEXICO OIL CONSERVATION COMMISSION

Supersedes Old C-111 and C-114
Effective 1-1-65

GAS PURCHASERS MONTHLY REPORT

ACQUISITION
(Transfer Total Take To Sheet No. 1)

Report of: TRANSWESTERN PIPELINE COMPANY

Date: FOR THE MONTH OF: Sept. 1977

DETAIL OF TAKE (Total Each Pool)

PRODUCER	LEASE	WELL NO.	U.L.	S	T	R	KIND OF WELL	VOLUME
CARLSBAD SOUTH (MORROW) FIELD (Con't)								
1187-1 C & K Petroleum, Inc.	Carlsbad "13"Com.	1		13	22S	26E	Gas	53,623
								53,623
1043-1 Corinne Grace	GoPoGo	2	G	25	22S	26E	Gas	48,648
1044-1 Corinne Grace	GoPoGo	1	G	25	22S	26E	Gas	4,972
1046-1 Corinne Grace	City of Carlsbad Com.	1	O	25	22S	26E	Gas	3,707
1047-1 Corinne Grace	Humble-Grace Company	1	P	2	23S	26E	Gas	-0-
1048-1 Corinne Grace	Gradonoco	1	H	2	23S	26E	Gas	-0-
								57,327
1166-1 Cotton Petr. Corp.	Mary K. Knobel	1	J	32	22S	27E	Gas	2,937
								2,937
1089-1 Mobil Oil Corporation	Federal "LL"	1	N	13	23S	26E	Gas	-0-
1090-1 Mobil Oil Corporation	Federal "PP"	1	F	24	23S	26E	Gas	328
								328
1054-1 Pennzoil Company	Mobil "12" Fed.	1	B	12	23S	26E	Gas	34,069
1057-1 Pennzoil Company	Gulf Federal	1	K	1	23S	26E	Gas	13,112
1063-1 Pennzoil Company	Echols	1	J	12	23S	26E	Gas	40,655

Con't

Signed by N. N. Ackles
11/14/77
Rec'd 11/16/77

NEW MEXICO OIL CONSERVATION COMMISSION

GAS PURCHASERS MONTHLY REPORT

Form C-111
Sheet No. 2
Supersedes Old C-111 and C-114
Effective 1-1-55

ACQUISITION

(Transfer Total Take To Sheet No. 1)

Report of	Date
TRANSWESTERN PIPELINE COMPANY	FOR THE MONTH OF: Oct. 1977

DETAIL OF TAKE (Total Each Pool)

PRODUCER	LEASE	WELL NO.	U.L.	S	T	R	KIND OF WELL	VOLUME
CARLSBAD SOUTH (MORROW) FIELD (Con't)								
1187-1 C & K Petroleum, Inc.	Carlsbad "13"Com.	1		13	22S	26E	Gas	55,110
								55,110
1043-1 Corinne Grace	GoPoGo	2	G	25	22S	26E	Gas	5,026
1044-1 Corinne Grace	GoPoGo	1	G	25	22S	26E	Gas	4,873
1046-1 Corinne Grace	City of Carlsbad Com.	1	O	25	22S	26E	Gas	3,335
1047-1 Corinne Grace	Humble-Grace Company	1	P	2	23S	26E	Gas	-0-
1048-1 Corinne Grace	Gradonoco	1	H	2	23S	26E	Gas	-0-
								13,234
1166-1 Cotton Petr. Corp.	Mary K. Knobel	1	J	32	22S	27E	Gas	3,478
								3,478
1089-1 Mobil Oil Corporation	Federal "LL"	1	N	13	23S	26E	Gas	-0-
1090-1 Mobil Oil Corporation	Federal "PP"	1	F	24	23S	26E	Gas	254
								254
1054-1 Pennzoil Company	Mobil "12" Fed.	1	B	12	23S	26E	Gas	33,556
1057-1 Pennzoil Company	Gulf Federal	1	K	1	23S	26E	Gas	3,005
1063-1 Pennzoil Company	Echols	1	J	12	23S	26E	Gas	39,351

(Con't)

by H.N. Aichler
12/12/77
Rev'd 12/14/77

NEW MEXICO OIL CONSERVATION COMMISSION

GAS PURCHASERS MONTHLY REPORT

Form C-111
Sheet No. 2
Supersedes Old C-111 and C-114
Effective 1-1-65

ACQUISITION

(Transfer Total Take To Sheet No. 1)

Report of: TRANSWESTERN PIPELINE COMPANY

Date: FOR THE MONTH OF: Nov. 1977

DETAIL OF TAKE (Total Each Pool)

PRODUCER	LEASE	WELL NO.	U.L.	S	T	R	KIND OF WELL	VOLUME
CARLSBAD SOUTH (MORROW) FIELD (Con't)								
1187-1 C & K Petroleum, Inc	Carlsbad "13" Com.	1		13	22S	26E	Gas	48,960
1192-1 C & K Petroleum, Inc.	Carlsbad "12" Com.	1	O	12	22S	26E	Gas	18,532
								67,492
1043-1 Corinne Grace	GoPoGo	2	G	25	22S	26E	Gas	48,701
1044-1 Corinne Grace	GoPoGo	1	G	25	22S	26E	Gas	5,576
1046-1 Corinne Grace	City of Carlsbad Com.	1	O	25	22S	26E	Gas	3,201
1047-1 Corinne Grace	Humble-Grace Company	1	P	2	23S	26E	Gas	--0-
1048-1 Corinne Grace	Gradonoco	1	H	2	23S	26E	Gas	-0-
								57,478
1166-1 Cotton Petr. Corp.	Mary K. Knobel	1	J	32	22S	27E	Gas	3,603
								3,603
1089-1 Mobil Oil Corporation	Federal "LL"	1	N	13	23S	26E	Gas	-0-
1090-1 Mobil Oil Corpora...	Federal "PP"	1	F	24	23S	26E	Gas	323
								323
1054-1 Pennzoil Company	Mobil "12" Fed.	1	B	12	23S	26E	Gas	33,353
1057-1 Pennzoil Company	Gulf Federal	1	K	1	23S	26E	Gas	26,806
1063-1 Pennzoil Company	Echols	1	J	12	23S	26E	Gas	38,470

(Con't)

Signed by N. M. Ausbun
1/16/78
Rec'd 1/20/78

GAS PURCHASERS MONTHLY REPORT

Effective 1-1-65.

ACQUISITION

(Transfer Total Take To Sheet No. 1)

Report of: TRANSWESTERN PIPELINE COMPANY

Date: FOR THE MONTH OF: Dec. 1977

DETAIL OF TAKE (Total Each Pool)

PRODUCER	LEASE	WELL NO.	U.L.	S	T	R	KIND OF WELL	VOLUME
CARLSBAD SOUTH (CANYON) FIELD								
1045-1 Corinne Grace	Panagra	1	B	11	23S	26E	Gas	229
								229
1089-2 Mobil Oil Corporation	Federal "LL"	1	N	13	23S	26E	Gas	-0-
								-0-
CARLSBAD SOUTH (DELAWARE) FIELD							Field Total:	229
1096-1 Hannifin & Cook	Merland	1	J	24	22S	26E	Oil	-0-
							Field Total:	-0-
CARLSBAD SOUTH (MORROW) FIELD								
1071-1 Cities Service Co.	Strackbein "A"	1	E	32	22S	27E	Gas	4,716
1072-1 Cities Service Co.	Spencer "A"	1	O	30	22S	27E	Gas	384
1073-1 Cities Service Co.	Merland "B" Com.	1	G	30	22S	27E	Gas	10,305
1074-1 Cities Service Co.	Merland "A" Com.	1	O	19	22S	27E	Gas	3,995
1083-1 Cities Service Co.	Merland "C"	1	F	19	22S	27E	Gas	12,667
1160-1 Cities Service Co.	Tracy "B"	1	I	18	22S	27E	Gas	66,218
1165-1 Cities Service Co.	Colonia "A" Com.	1	K	18	22S	27E	Gas	46,208
								144,493
1187-1 C & K Petroleum, Inc.	Carlsbad "13" Com.	1		13	22S	26E	Gas	48,073

(Con't)

Signed H.N. Anken
1/16/78
Rec'd 1/20/78

NEW MEXICO OIL CONSERVATION COMMISSION
GAS PURCHASERS MONTHLY REPORT

Form C-111
Sheet No. 2
Supersedes Old C-111 and C-114
Effective 1-1-65

ACQUISITION
(Transfer Total Take To Sheet No. 1)

Con of: TRANSWESTERN PIPELINE COMPANY

Date: FOR THE MONTH OF: Dec. 1977

DETAIL OF TAKE (Total Each Pool)

PRODUCER	LEASE	WELL NO.	U.L.	S	T	R	KIND OF WELL	VOLUME
ARLSBAD SOUTH (MORROW) FIELD (Con't)								
192-1 & K Petroleum, Inc	Carlsbad "12" Com	1	O	12	22S	26E	Gas	24,934
193-1 & K Petroleum, Inc.	Carlsbad "7" Com.	1	M	7	22S	27E	Gas	11,159
								84,166
043-1 brinne Grace	GoPoGo	2	G	25	22S	26E	Gas	18,586
044-1 brinne Grace	GoPoGo	1	G	25	22S	26E	Gas	4,798
046-1 brinne Grace	City of Carlsbad Com.	1	O	25	22S	26E	Gas	2,814
047-1 brinne Grace	Humble-Grace Company	1	P	2	23S	26E	Gas	-0-
048-1 brinne Grace	Gradonoco	1	H	2	23S	26E	Gas	-0-
								26,198
166-1 otton Petr. Corp.	Mary K. Knobel	1	J	32	22S	27E	Gas	3,142
								3,142
089-1 obil Oil Corporation	Federal "LL"	1	N	13	23S	26E	Gas	-0-
090-1 obil Oil Corporation	Federal "PP"	1	F	24	23S	26E	Gas	144
								144
054-1 ennzoil Company	Mobil "12" Fed.	1	B	12	23S	26E	Gas	33,997
057-1 ennzoil Company	Gulf Federal	1	K	1,	23S	26E	Gas	26,131
063-1 ennzoil Company	Echols	1	J	12	23S	26E	Gas	36,931

(Con't)

Signed H.N. Archer
Feb. 13, 78

Rec. Feb 16, 78

NEW MEXICO OIL CONSERVATION COMMISSION
GAS PURCHASERS MONTHLY REPORT

Effective 1-1-65

ACQUISITION
(Transfer Total Take To Sheet No. 1)

Report of: TRANSWESTERN PIPELINE COMPANY

Date: FOR THE MONTH OF: Jan. 1978

DETAIL OF TAKE (Total Each Pool)

PRODUCER	LEASE	WELL NO.	U.L.	S	T	R	KIND OF WELL	VOLUME
CARLSBAD SOUTH (CANYON) FIELD								
1045-1 Corinne Grace	Panagra	1	B	11	23S	26E	Gas	2,253
								2,253
1089-2 Mobil Oil Corporation	Federal "LL"	1	N	13	23S	26E	Gas	-0-
								-0-
CARLSBAD SOUTH (DELAWARE) FIELD					Field Total:			2,253
1096-1 Hannifin & Cook	Merland	1	J	24	22S	26E	Oil	-0-
					Field Total:			-0-
CARLSBAD SOUTH (MORROW) FIELD								
1071-1 Cities Service Co.	Strackbein "A"	1	E	32	22S	27E	Gas	3,025
1072-1 Cities Service Co.	Spencer "A"	1	O	30	22S	27E	Gas	155
1073-1 Cities Service Co.	Merland "B" Com.	1	G	30	22S	27E	Gas	7,744
1074-1 Cities Service Co.	Merland "A" Com.	1	O	19	22S	27E	Gas	3,730
1083-1 Cities Service Co.	Merland "C"	1	F	19	22S	27E	Gas	12,119
1160-1 Cities Service Co.	Tracy "B"	1	I	18	22S	27E	Gas	64,118
1165-1 Cities Service Co.	Colonia "A" Com.	1	K	18	22S	27E	Gas	48,606
								139,497
1187-1 C & K Petroleum, Inc.	Carlsbad "13" Com.	1		13	22S	26E	Gas	47,840

Signed by N. N. Anklam
Feb. 13, 78
Rec'd 2/16/78

NEW MEXICO OIL CONSERVATION COMMISSION

GAS PURCHASERS MONTHLY REPORT

Sheet No. 2
Supersedes Old C-111 and C-114
Effective 1-1-65

ACQUISITION

(Transfer Total Take To Sheet No. 1)

port of: TRANSWESTERN PIPELINE COMPANY

Date: FOR THE MONTH OF: Jan. 1978

DETAIL OF TAKE (Total Each Pool)

PRODUCER	LEASE	WELL NO.	U.L.	S	T	R	KIND OF WELL	VOLUME
ARLSBAD SOUTH (MORROW) FIELD (Con't)								
192-1 & K Petroleum, Inc	Carlsbad "12" Com.	1	O	12	22S	26E	Gas	20,485
193-1 & K Petroleum, Inc.	Carlsbad "7" Com.	1	M	7	22S	27E	Gas	796
								69,121
043-1 prinne Grace	GoPoGo	2	G	25	22S	26E	Gas	3,997
044-1 prinne Grace	GoPoGo	1	G	25	22S	26E	Gas	2,608
046-1 prinne Grace	City of Carlsbad Com.	1	O	25	22S	26E	Gas	758
047-1 prinne Grace	Humble-Grace Company	1	P	2	23S	26E	Gas	4,984
048-1 prinne Grace	Gradonoco	1	H	2	23S	26E	Gas	-0-
								12,347
166-1 otton Petr. Corp.	Mary K. Knobel	1	J	32	22S	27E	Gas	3,214
								3,214
089-1 obil Oil Corporation	Federal "LL"	1	N	13	23S	26E	Gas	-0-
090-1 obil Oil Corporation	Federal "PP"	1	F	24	23S	26E	Gas	62
								62
054-1 ennzoil Company	Mobil "12" Fed.	1	B	12	23S	26E	Gas	33,344
057-1 ennzoil Company	Gulf Federal	1	K	1	23S	26E	Gas	24,450
063-1 ennzoil Company	Echols	1	J	12	23S	26E	Gas	36,782

Signed by H. Nat Aucker
Mar. 14, 1978
Rec'd 3/17/78

NEW MEXICO OIL CONSERVATION COMMISSION

Effective 1-1-65

GAS PURCHASERS MONTHLY REPORT

ACQUISITION
(Transfer Total Take To Sheet No. 1)

Report of: TRANSWESTERN PIPELINE COMPANY

Date: FOR THE MONTH OF: Feb. 1978

DETAIL OF TAKE (Total Each Pool)

PRODUCER	LEASE	WELL NO.	U.L.	S	T	R	KIND OF WELL	VOLUME
CARLSBAD SOUTH (CANYON) FIELD								
1045-1 Corinne Grace	Panagra	1	B	11	23S	26E	Gas	2,382
								2,382
1089-2 Mobil Oil Corporation	Federal "LL"	1	N	13	23S	26E	Gas	-0-
								-0-
CARLSBAD SOUTH (DELAWARE) FIELD					Field Total:			2,382
1096-1 Hannifin & Cook	Merland	1	J	24	22S	26E	Oil	-0-
					Field Total:			-0-
CARLSBAD SOUTH (MORROW) FIELD								
1071-1 Cities Service Co.	Strackbein "A"	1	E	32	22S	27E	Gas	1,322
1072-1 Cities Service Co.	Spencer "A"	1	O	30	22S	27E	Gas	774
1073-1 Cities Service Co.	Merland "B" Com.	1	C	30	22S	27E	Gas	12,443
1074-1 Cities Service Co.	Merland "A" Com.	1	O	19	22S	27E	Gas	3,254
1083-1 Cities Service Co.	Merland "C"	1	F	19	22S	27E	Gas	12,422
1160-1 Cities Service Co.	Tracy "B"	1	I	18	22S	27E	Gas	53,053
1165-1 Cities Service Co.	Colonia "A" Com.	1	K	18	22S	27E	Gas	32,100
								115,368
1187-1 C & K Petroleum, Inc.	Carlsbad "13" Com	1		13	22S	26E	Gas	42,249

Sent H.U. Andes
Apr. 11, 78
Revd 4/17/78

N MEXICO OIL CONSERVATION COMMISSION

Effective 1-1-65

GAS PURCHASERS MONTHLY REPORT

ACQUISITION

(Transfer Total Take To Sheet No. 1)

Report of: TRANSWESTERN PIPELINE COMPANY

Date: FOR THE MONTH OF: March 1978

DETAIL OF TAKE (Total Each Pool)

PRODUCER	LEASE	WELL NO.	U.L.	S	T	R	KIND OF WELL	VOLUME
CARLSBAD SOUTH (CANYON) FIELD								
1045-1 Corinne Grace	Panagra	1	B	11	23S	26E	Gas	2,593
								2,593
1089-2 Mobil Oil Corporation	Federal "LL"	1	N	13	23S	26E	Gas	-0-
								-0-
CARLSBAD SOUTH (DELAWARE) FIELD					Field Total:			2,593
1096-1 Hannifin & Cook	Merland	1	J	24	22S	26E	Oil	-0-
					Field Total:			-0-
CARLSBAD SOUTH (MORROW) FIELD								
1071-1 Cities Service Co.	Strackbein "A"	1	E	32	22S	27E	Gas	1,035
1072-1 Cities Service Co.	Spencer "A"	1	O	30	22S	27E	Gas	591
1073-1 Cities Service Co.	Merland "B" Com.	1	G	30	22S	27E	Gas	16,177
1074-1 Cities Service Co.	Merland "A" Com.	1	O	19	22S	27E	Gas	4,383
1083-1 Cities Service Co.	Merland "C"	1	F	19	22S	27E	Gas	13,284
1160-1 Cities Service Co.	Tracy "B"	1	I	18	22S	27E	Gas	51,775
1165-1 Cities Service Co.	Colonia "A" Com.	1	K	18	22S	27E	Gas	36,381
								123,626
1187-1 C & K Petroleum, Inc.	Carlsbad "13" Com.	1		13	22S	26E	Gas	43,849

Signed by H. M. Akin
Susan Jan Purdum, Contract Adm.
5/16/78

NEW MEXICO OIL CONSERVATION COMMISSION

Supersedes [illegible]
Effective 1-1-65

Rec'd 5/19/78.

GAS PURCHASERS MONTHLY REPORT

ACQUISITION
(Transfer Total Take To Sheet No. 1)

Report of: TRANSWESTERN PIPELINE COMPANY

Date: FOR THE MONTH OF: April 1978

DETAIL OF TAKE (Total Each Pool)

PRODUCER	LEASE	WELL NO.	U.L.	S	T	R	KIND OF WELL	VOLUME
CARLSBAD SOUTH (CANYON) FIELD								
1045-1 Corinne Grace	Panagra	1	B	11	23S	26E	Gas	2,915
								2,915
1089-2 Mobil Oil Corporation	Federal "LL"	1	N	13	23S	26E	Gas	-0-
								-0-
							Field Total	2,915
CARLSBAD SOUTH (DELAWARE) FIELD								
1096-1 Hannifin & Cook	Merland	1	J	24	22S	26E	Oil	-0-
							Field Total	-0-
CARLSBAD SOUTH (MORROW) FIELD								
1071-1 Cities Service Co.	Strackbein "A"	1	E	32	22S	27E	Gas	740
1072-1 Cities Service Co.	Spencer "A"	1	O	30	22S	27E	Gas	328
1073-1 Cities Service Co.	Merland "B" Com.	1	G	30	22S	27E	Gas	12,372
1074-1 Cities Service Co.	Merland "A" Com.	1	O	19	22S	27E	Gas	3,815
1083-1 Cities Service Co.	Merland "C"	1	F	19	22S	27E	Gas	12,771
1160-1 Cities Service Co.	Tracy "B"	1	I	18	22S	27E	Gas	47,861
1165-1 Cities Service Co.	Colonia "A" Com.	1	K	18	22S	27E	Gas	38,538
								116,425
1187-1 C & K Petroleum, Inc.	Carlsbad "13" Com.	1		13	22S	26E	Gas	40,548

Signed H. N. Acciden
6/14/78
Rec'd 6/19/78

GAS PURCHASERS MONTHLY REPORT

ACQUISITION
(Transfer Total Take To Sheet No. 11)

Report of: TRANSWESTERN PIPELINE COMPANY

Date: FOR THE MONTH OF: May 1978

DETAIL OF TAKE (Total Each Pool)

PRODUCER	LEASE	WELL NO.	U.L.	S	T	R	KIND OF WELL	VOLUME
CARLSBAD SOUTH (CANYON) FIELD								
1045-1 Corinne Grace	Panagra	1	B	11	23S	26E	Gas	2,875
								2,875
1089-2 Mobil Oil Corporation	Federal "LL"	1	N	13	23S	26E	Gas	498
								498
					Field Total:			3,373
CARLSBAD SOUTH (DELAWARE) FIELD								
1096-1 Hannifin & Cook	Merland	1	J	24	22S	26E	Oil	-0-
					Field Total:			-0-
CARLSBAD SOUTH (MORROW) FIELD								
1071-1 Cities Service Co.	Strackbein "A"	1	E	32	22S	27E	Gas	761
1072-1 Cities Service Co.	Spencer "A"	1	O	30	22S	27E	Gas	535
1073-1 Cities Service Co.	Merland "B" Com.	1	G	30	22S	27E	Gas	14,349
1074-1 Cities Service Co.	Merland "A" Com.	1	O	19	22S	27E	Gas	4,289
1083-1 Cities Service Co.	Merland "C"	1	F	19	22S	27E	Gas	12,684
1160-1 Cities Service Co.	Tracy "B"	1	I	18	22S	27E	Gas	47,632
1165-1 Cities Service Co.	Colonia "A" Com.	1	K	18	22S	27E	Gas	38,761
								119,011
1187-1 C & K Petroleum, Inc.	Carlsbad "13" Com.	1	G	13	22S	26E	Gas	43,190

Signity H.N. Aucklan
7/17/78
Rec'd 7/19/78

NEW MEXICO OIL CONSERVATION COMMISSION

GAS PURCHASERS MONTHLY REPORT

Effective 1-1-65

ACQUISITION

(Transfer Total Take To Sheet No. 1)

Report of	Date
TRANSWESTERN PIPELINE COMPANY	FOR THE MONTH OF: June 1978

DETAIL OF TAKE (Total Each Pool)

PRODUCER	LEASE	WELL NO.	U.L.	S	T	R	KIND OF WELL	VOLUME
CARLSBAD SOUTH (CANYON) FIELD								
1045-1 Corinne Grace	Panagra	1	B	11	23S	26E	Gas	2,675
								2,675
1089-2 Mobil Oil Corporation	Federal "LL"	1	N	13	23S	26E	Gas	904
								904
CARLSBAD SOUTH (DELAWARE) FIELD					Field Total:			3,579
1096-1 Hannifin & Cook	Merland	1	J	24	22S	26E	Oil	-0-
					Field Total:			-0-
CARLSBAD MORROW, SO. (PRORATED GAS)								
1071-1 Cities Service Co.	Strackbein "A"	1	E	32	22S	27E	Gas	721
1072-1 Cities Service Co.	Spencer "A"	1	O	30	22S	27E	Gas	3,551
1073-1 Cities Service Co.	Merland "B" Com.	1	G	30	22S	27E	Gas	9,269
1074-1 Cities Service Co.	Merland "A" Com.	1	O	19	22S	27E	Gas	3,600
1083-1 Cities Service Co.	Merland "C" Com.	1	F	19	22S	27E	Gas	12,516
1160-1 Cities Service Co.	Tracy "B" Com.	1	I	18	22S	27E	Gas	40,463
1165-1 Cities Service Co.	Colonia "A" Com.	1	K	18	22S	27E	Gas	30,461
								100,581
1187-1 C & K Petroleum, Inc.	Carlsbad "13" Com.	1	G	13	22S	26E	Gas	40,515

(Con't)

NEW MEXICO OIL CONSERVATION COMMISSION
BOX 2088 SANTA FE, NEW MEXICO

OPERATOR'S MONTHLY REPORT

STATEWIDE FORM C 115 (REV. 12-1-7
SUBMIT: ORIGINAL TO OCC SANTA
ONE COPY TO OCC DIST O
ONE COPY TO TRANSPORT

Operator C & K PETROLEUM, INC. (Address) P.O. BOX 3546, Midland, Tx. 79701 FOR MONTH June-1977 Page 2

POOL NAME (Underline) LEASE NAME / WELL NO. UNIT SEC. TWP. RNG.	WELL STATUS	TOTAL LIQUIDS PRODUCED: MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED	GAS PRODUCED MCF	DAYS PROD.	DISPOSITION OF GAS: VENTED	USED ON LEASE	SOLD	PURCH.	OTHER	CODE	DISPOSITION OF OIL: OIL ON HAND BEG. OF MONTH	BARRELS TO TRANSPORTER	OTHER	CODE	TRANSPORTER	OIL ON HAND END OF MO.
LEASE NAME - Include State Land Lease Number or Federal Lease Number																		
Bow Canyon-Delaware																		
Allied Chemical Federal #1 29-0557822																		
[illegible] 24 26	P	720	322	2391	0	24			0	---			165	0			PER	165
[illegible] 1-E 4 24 26 API																		
South Carlsbad																		
Allied Chemical Federal #2 NM-05507822																		
C E 3 24 26	F		0	9	8108	30			8108				0	0				0
		New well - started producing 6-21-77.																
Carlsbad 13 Com.																		
G 13 22 26	F		0	19	10,042	10			10,042	TWP			0	0			---	0
Herold Olive																		
O 14 22 26	F		0	0	1370	28			1370	EPG			150	0			PER	150
(Eddy Co.,)																		
East Atoka Morrow																		
Redriver																		
[illegible] 18 18 26	F		92	7	41,136	30			41,136	TWP			77	0			NRC	77
[illegible] owles (Drinkard)																		
[illegible] 34																		
K 34 16 37	F	6180	4421	0	4054	30			4054	TRC			348	4180			WCI	4180
N 34 16 37	F		905	122	831	29			831				112	917				917
			5326	122	4885				4885				660	5397				5397
White City Penn																		
Nixon Federal																		
F 17 24 26	P		0	65	25,314	30			25,314	EPG			0	0			---	0

WELLS CODE
- [illegible] FLOWING
- [illegible] PUMPING
- [illegible] GAS LIFT
- [illegible] SHUT IN
- [illegible] TEMP. ABANDONED
- [illegible] INJECTION

"OTHER" GAS DISPOSITION CODE
- X ..... USED OFF LEASE
- D ..... USED FOR DRILLING
(DESTINATION MUST BE SHOWN ON FORM C-111)
- G ..... GAS LIFT
- L ..... LOST (MCF ESTIMATED)
- E ..... EXPLANATION ATTACHED
- R ..... REPRESSURING OR PRESSURE MAINTENANCE

"OTHER" OIL DISPOSITION CODE
- C ..... CIRCULATING OIL
- L ..... LOST
- S ..... SEDIMENTATION (BS&W)
- E ..... EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE.

Juanita R Hosier (SIGNATURE) 7/20/- (DATE)

Production Clerk (POSITION)

BEFORE THE OIL CONSERVATION COMMISSION

NEW MEXICO OIL CONSERVATION COMMISSION
BOX 2088 SANTA FE, NEW MEXICO

OPERATOR'S MONTHLY REPORT

STATEWIDE FORM C-115 (REV. 12-1-72)
SUBMIT: ORIGINAL TO OCC SANTA FE
ONE COPY TO OCC DIST. OFFICE
ONE COPY TO TRANSPORTER

BEFORE THE OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 12-24
Submitted by Taylor
Hearing Date

17-2a

C & K PETROLEUM, INC. (Address) P.O. BOX 3546, Midland, Tx. 79701 FOR MONTH June-1977 Page 2

POOL NAME (Continued) LEASE NAME UNIT SEC. TWP. RNG. (LEASE NAME - Include State Land Lease Number or Federal Lease Number)	WELL STATUS	TOTAL LIQUIDS PRODUCED: MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED	GAS PRODUCED MCF	DAYS PROD.	DISPOSITION OF GAS: VENTED	USED ON LEASE	SOLD	PURCH.	OTHER	CODE	DISPOSITION OF OIL: OIL ON HAND BEG. OF MONTH	BARRELS TO TRANSPORTER	OTHER	CODE	TRANSPORTER	OIL HAND END MO.
ow Canyon-Delaware																		
ed Chemical Federal #1 29-0557822																		
24 26	P	720	322	2391	0	24			0	---			165	0			PER	1/2
th Carlsbad																		
ed Chemical Federal #2 NM-05507822																		
3 24 26	F	0	9	8108	30				8108				0	0				0
		New well - started producing 6-21-77.																
lsbad 13 Com.																		
13 22 26	F		0	19	10,042	10			10,042	TWP			0	0			---	0
old Olive																		
14 22 26	F		0	0	1370	28			1370	EPG			150	0			PER	1/2
dy Co.,)																		
t Atoka Morrow																		
iver																		
18 18 26	F		92	7	41,136	30			41,136	TWP			77	0			NRC	1
owles (Drinkard)																		
34																		
34 16 37	F	6180	4421	0	4054	30			4054	TRC			548	4180			WCI	1
34 16 37	F		965	122	831	29			831				112	917				1
			5386	122	4885				4885				660	5397				5
te City Penn																		
on Federal																		
17 24 26	P		0	65	25,314	30			25,314	EPG			0	0			---	0

"CODE
...FLOWING
...PUMPING
...GAS LIFT
...SHUT-IN
...TEMP. ABANDONED
...INJECTION

"OTHER" GAS DISPOSITION CODE
X ..... USED OFF LEASE (DESTINATION MUST BE SHOWN ON FORM C-111)
D ..... USED FOR DRILLING
G ..... GAS LIFT
L ..... LOST (MCF ESTIMATED)
E ..... EXPLANATION ATTACHED
R ..... REPRESSURING OR PRESSURE MAINTENANCE

"OTHER" OIL DISPOSITION CODE
C ..... CIRCULATING OIL
L ..... LOST
S ..... SEDIMENTATION (BS&W)
E ..... EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE.

Juanita R. Hoover (SIGNATURE)

7/20/77 (DATE)

Production Clerk (POSITION)

NEW MEXICO OIL CONSERVATION COMMISSION

BOX 2088 SANTA FE, NEW MEXICO

OPERATOR'S MONTHLY REPORT

STATEWIDE FORM C 115 (REV. 12-1-
SUBMIT: ORIGINAL TO OCC SANT
ONE COPY TO OCC DIST
ONE COPY TO TRANSPO

Company or Operator: C & K PETROLEUM, INC. (Address) P.O. BOX 3546, Midland, Tx. 79701 FOR MONTH: June - 1977 Page 2

POOL NAME (Underline) *LEASE NAME / WELL NO. UNIT SEC. TWP. RNG.	WELL STATUS	TOTAL LIQUIDS PRODUCED: MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED: ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED: BARRELS OF WATER PRODUCED	GAS PRODUCED MCF	DAYS PROD.	DISPOSITION OF GAS: VENTED	USED ON LEASE	SOLD	PURCH.	OTHER	CODE	DISPOSITION OF OIL: OIL ON HAND BEG. OF MONTH	BARRELS TO TRANSPORTER	OTHER	CODE	TRANSPORTER	OTHER
*LEASE NAME - Include State Land Lease Number or Federal Lease Number																		
Elbow Canyon-Delaware																		
Allied Chemical Federal #1 29-0557822																		
1 [illegible] 24 26	P																PER	
South Carlsbad																		
Allied Chemical Federal #2 NM-05507822																		
2 E 3 24 26	F				2350				2350	Sold to Carlsbad 12-21								
Carlsbad 13 Com.																		
1 G 13 22 26	F		0	19	100/2	10			100/2	TWP			0	0			---	0
Harold Olive																		
1 O 14 22 26	F									EPG							PER	
(Eddy Co.,)																		
West Atoka Morrow																		
Sandiver																		
1 M 18 18 26	F									TWP							NRC	
West Knowles (Drinkard)																		
Shipp 34																		
1 K 34 16 37	F									TRC							WCI	
2 M 34 16 37	F																	
White City Penn																		
Exxon Federal																		
1 F 17 24 26	P									EPG							---	

RECEIVED
AUG 1 1977
O. C. D.
ARTESIA, OFFICE

STATUS CODE
F ..... FLOWING
P ..... PUMPING
G ..... GAS LIFT
S ..... SHUT IN
A ..... TEMP. ABANDONED
I ..... INJECTION

"OTHER" GAS DISPOSITION CODE
X ..... USED OFF LEASE
D ..... USED FOR DRILLING (DESTINATION MUST BE SHOWN ON FORM C-111)
Q ..... GAS LIFT
L ..... LOST (MCF ESTIMATED)
E ..... EXPLANATION ATTACHED
R ..... REPRESSURING OR PRESSURE MAINTENANCE

"OTHER" OIL DISPOSITION CODE
C ..... CIRCULATING OIL
L ..... LOST
S ..... SEDIMENTATION (BS&W)
E ..... EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRU
COMPLETE TO THE BEST OF MY KNOWLEDGE.

Juanita R. Chavez (SIGNATURE) 7/29/ (DATE)

Production Clerk (POSITION)

NEW MEXICO OIL CONSERVATION COMMISSION

BOX 2088 SANTA FE, NEW MEXICO

OPERATOR'S MONTHLY REPORT

STATE: Form C-115 (REV. 12-1-72)
SUBMIT: ORIGINAL TO OCC SANTA FE
ONE COPY TO OCC DIST. OFFICE
ONE COPY TO TRANSPORTER

Company or Operator: C & K PETROLEUM, INC. (Address) P.O. BOX 3546, Midland, Tx. 79701 FOR MONTH July-1977 Page 2

POOL NAME (Underline) / LEASE NAME / WELL NO. UNIT SEC. TWP. RNG.	WELL STATUS	TOTAL LIQUIDS PRODUCED: MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED	GAS PRODUCED MCF	DAYS PROD.	DISPOSITION OF GAS: VENTED	USED ON LEASE	SOLD	PURCH.	OTHER	CODE	DISPOSITION OF OIL: OIL ON HAND BEG. OF MONTH	BARRELS TO TRANSPORTER	OTHER	CODE	TRANSPORTER	OIL ON HAND END OF MO.
*LEASE NAME – Include State Land Lease Number or Federal Lease Number																		
Elbow Canyon-Delaware																		
Allied Chemical Federal #1 29-0557822																		
I 1 24 26	P	744	125	2894	0	31			0	---			271	0			PER	3
South Carlsbad																		
Allied Chemical Federal #2 NM-05507822																		
I E 3 24 26	F		0	10	6244	31			6244				0	0				0
Carlsbad 13 Com.																		
1 G 13 22 26	F		0	54	50,806	31			50,806	TWP			0	0			---	0
Harold Olive																		
1 O 14 22 26	F		9	4	1,109	27			1,109	EPG			150	0	4		PER	15
(Eddy Co.,)																		
West Atoka Morrow																		
Vandiver																		
1 N 18 18 26	F		85	8	43,785	31			43,785	TWP			169	169			NRC	8
West Knowles (Drinkard)																		
Shipp 34																		
1 K 34 16 37	F	6386	4988	0	5503	31			5503	TRC			506	4923			WCI	5
2 N 34 16 37	F		780	124	896	31			896				82	769				
			5768	124	6399				6399				588	5692				66
White City Penn																		
Exxon Federal																		
1 F 17 24 26	P		0	34	28,147	31			28,147	EPG			0	0			---	0

WELL STATUS CODE
F .... FLOWING
P .... PUMPING
G .... GAS LIFT
S .... SHUT IN
T .... TEMP. ABANDONED
I .... INJECTION

"OTHER" GAS DISPOSITION CODE
X ..... USED OFF LEASE
D ..... USED FOR DRILLING (DESTINATION MUST BE SHOWN ON FORM C-111)
G ..... GAS LIFT
L ..... LOST (MCF ESTIMATED)
E ..... EXPLANATION ATTACHED
R ..... REPRESSURING OR PRESSURE MAINTENANCE

"OTHER" OIL DISPOSITION CODE
C ..... CIRCULATING OIL
L ..... LOST
S ..... SEDIMENTATION (BS&W)
E ..... EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE.

Juanita R. Hosier (SIGNATURE)

8/18/ (DATE)

Production Clerk (POSITION)

NEW MEXICO OIL CONSERVATION COMMISSION

BOX 2088 SANTA FE, NEW MEXICO

OPERATOR'S MONTHLY REPORT

STATEWIDE FORM C-115 (REV. 12-1
SUBMIT: ORIGINAL TO OCC SA
ONE COPY TO OCC DI
ONE COPY TO TRANSP

Company or Operator) C & K PETROLEUM, INC. (Address) P.O. BOX 3546, Midland, Tx. 79701 FOR MONTH _____ Page 2

POOL NAME (Underline) / LEASE NAME / WELL NO. UNIT SEC. TWP. RNG.	WELL STATUS	TOTAL LIQUIDS PRODUCED: MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED	GAS PRODUCED MCF	DAYS PROD.	DISPOSITION OF GAS: VENTED	USED ON LEASE	SOLD	PURCH.	OTHER	CODE	DISPOSITION OF OIL: OIL ON HAND BEG. OF MONTH	BARRELS TO TRANSPORTER	OTHER	CODE	TRANSPORTER	CODE
LEASE NAME - Include State Land Lease Number or Federal Lease Number																		
Elbow Canyon-Delaware																		
Allied Chemical Federal #1 29-0557822																		
1 4 24 26	P	744	125	2338	0	27			0	---			396	358			PER	1
South Carlsbad																		
Allied Chemical Federal #2 NM-05507822																		
2 E 3 24 26	F		0	11	12950	30			12950				0	0				
Carlsbad 13 Com.																		
1 G 13 22 26	F		0	116	55,578	29			55,578	TWP			0	0			---	0
Harold Olive																		
1 O 14 22 26	F		0	0	483	23			483	EPG			159	0			PER	1
(Eddy Co.,)																		
West Atoka Morrow																		
Vandiver																		
1 M 18 18 26	F		88	8	42658	30			42658	TWP			85	0			NRC	1
We Knowles (Drinkard)																		
Shipp 34																		
1 K 34 16 37	F	6386	4710	0	5791	31			5791	TRC			564	4964			WC1	3
2 M 34 16 37	F		831	120	1022	31			1022				100	876				
			5541	120	6813				6813				664	5840				3
White City Penn																		
Exxon Federal																		
1 F 17 24 26	P		0	23	25,477	30			25,477	EPG			0	0			---	(

STATUS CODE
F ..... FLOWING
P ..... PUMPING
G ..... GAS LIFT
S ..... SHUT IN
T ..... TEMP. ABANDONED
I ..... INJECTION

"OTHER" GAS DISPOSITION CODE
X ..... USED OFF LEASE
D ..... USED FOR DRILLING } (DESTINATION MUST BE SHOWN ON FORM C-111)
G ..... GAS LIFT
L ..... LOST (MCF ESTIMATED)
E ..... EXPLANATION ATTACHED
R ..... REPRESSURING OR PRESSURE MAINTENANCE

"OTHER" OIL DISPOSITION CODE
C ..... CIRCULATING OIL
L ..... LOST
S ..... SEDIMENTATION (BS&W)
E ..... EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRU COMPLETE TO THE BEST OF MY KNOWLEDGE.

Jeri Moore (SIGNATURE) 9/21 (DATE)

Production Clerk (POSITION)

NEW MEXICO OIL CONSERVATION COMMISSION
BOX 2088 SANTA FE, NEW MEXICO

OPERATOR'S MONTHLY REPORT

STATEWIDE FORM C-115 (REV. 12
SUBMIT: ORIGINAL TO OCC SA
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ONE COPY TO TRANSP

Company or Operator: C & K PETROLEUM, INC. (Address) P.O. BOX 3546, Midland, Tx. 79701 FOR MONTH September 1977 Page 2

POOL NAME (Underline) / LEASE NAME / WELL NO. UNIT SEC. TWP. RNG.	WELL STATUS	TOTAL LIQUIDS PRODUCED: MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED	GAS PRODUCED MCF	DAYS PROD.	DISPOSITION OF GAS: VENTED	USED ON LEASE	SOLD	PURCH.	OTHER	CODE	DISPOSITION OF OIL: OIL ON HAND BEG. OF MONTH	BARRELS TO TRANSPORTER	OTHER	CODE	TRANSPORTER
*LEASE NAME - Include State Land Lease Number or Federal Lease Number																	
Elbow Canyon-Delaware																	
Allied Chemical Federal #1 29-0557822																	
1 4 24 26	P	720	132	2801	0	30			0	---			163	0			PER
South Carlsbad																	
Allied Chemical Federal #2 NM-05507822																	
2 E 3 24 26	F		0	0	12,085	30			12,085				0	0			
Carlsbad 13 Com.																	
1 G 13 22 26	F		0	9	54,996	30			54,996	TWP			0	0			---
Harold Olive																	
1 O 14 22 26	F		26	0	1004	29			1004	EPG			159	0			PER
(Eddy Co.,)																	
West Atoka Morrow																	
Vandiver																	
1 M 18 18 26	F		81	8	40,833	30			40,833	TWP			173	174			NRC
[illegible] Knowles (Drinkard)																	
Shipp 34																	
1 K 34 16 37	F	6120	4673	0	5997	30			5997	TRC			318	4391			WCI
2 M 34 16 37	F		698	116	896	30			896				47	656			
			5371	116	6893				6893				365	5047			
White City Penn																	
Exxon Federal																	
1 F 17 24 26	P		0	35	29,619	30			29,619	EPG			0	0			---

WELL STATUS CODE
1 .... FLOWING
P .... PUMPING
G .... GAS LIFT
S .... SHUT IN
T .... TEMP. ABANDONED
I .... INJECTION

"OTHER" GAS DISPOSITION CODE
X ..... USED OFF LEASE
D ..... USED FOR DRILLING (DESTINATION MUST BE SHOWN ON FORM C-111)
G ..... GAS LIFT
L ..... LOST (MCF ESTIMATED)
E ..... EXPLANATION ATTACHED
R ..... REPRESSURING OR PRESSURE MAINTENANCE

"OTHER" OIL DISPOSITION CODE
C ..... CIRCULATING OIL
L ..... LOST
S ..... SEDIMENTATION (BS&W)
E ..... EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS T
COMPLETE TO THE BEST OF MY KNOWLEDGE.

Deri Moore (SIGNATURE) 10/1 (DA

Production Clerk (POSITION)

NEW MEXICO OIL CONSERVATION COMMISSION

BOX 2088 SANTA FE, NEW MEXICO

OPERATOR'S MONTHLY REPORT

STATEWIDE FORM C-115 (REV. 1:
SUBMIT: ORIGINAL TO OCC S:
ONE COPY TO OCC O
ONE COPY TO TRANS

Name of Operator C & K PETROLEUM, INC. Address P.O. BOX 3546, Midland, Tx. 79701 FOR MONTH October - 79 Page 2

POOL NAME (Undesignated) / LEASE NAME / WELL NO. UNIT SEC. TWP. RNG.	WELL STATUS	TOTAL LIQUIDS PRODUCED: MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED	GAS PRODUCED MCF	DAYS PROD.	DISPOSITION OF GAS: VENTED	USED ON LEASE	SOLD	PURCH.	OTHER	CODE	DISPOSITION OF OIL: OIL ON HAND BEG. OF MONTH	BARRELS TO TRANS-PORTER	OTHER	CODE	TRANS-PORTER
*LEASE NAME - Include State Land Lease Number or Federal Lease Number																	
Elbow Canyon-Delaware																	
Allied Chemical Federal #1 29-0557822																	
J 4 24 26	P	744	0	0	0	1			0	---			295	0			PER
South Carlsbad																	
Allied Chemical Federal #2 NM-05507822																	
2 E 3 24 26	F		0	0	10492	31			10492				0	0			
Carlsbad 13 Com.																	
1 G 13 22 26	F		10	116	56,521	31			56,521	TWP			0	0			---
Harold Olive																	
1 O 14 22 26	F		10	0	1209	31			1209	EPG			185	181			PER
(Eddy Co.,)																	
West Atoka Morrow																	
Landiver																	
1 H 13 18 26	F		103	8	41,001	31			41,001	TWP			80	0			NRC
[illegible] Knowles (Drinkard)																	
Shipp 34																	
1 K 34 16 37	F	6324	4597	0	5861	31			5861	TRC			593	4455			WCI
2 K 34 16 37	F		748	128	954	31			954				96	726			
			5345	128	6815				6815				689	5184			
White City Penn																	
Exxon Federal																	
1 F 17 24 26	P		0	116	28949	30			28949	EPG			0	0			---

STATUS CODE
F ..... FLOWING
P ..... PUMPING
G ..... GAS LIFT
S ..... SHUT IN
T ..... TEMP. ABANDONED
I ..... INJECTION

"OTHER" GAS DISPOSITION CODE
X ..... USED OFF LEASE (DESTINATION MUST BE SHOWN ON FORM C-111)
O ..... USED FOR DRILLING
G ..... GAS LIFT
L ..... LOST (MCF ESTIMATED)
E ..... EXPLANATION ATTACHED
R ..... REPRESSURING OR PRESSURE MAINTENANCE

"OTHER" OIL DISPOSITION CODE
C ..... CIRCULATING OIL
L ..... LOST
S ..... SEDIMENTATION (BS&W)
E ..... EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRU
COMPLETE TO THE BEST OF MY KNOWLEDGE.

Jeri Moore (SIGNATURE) 11-16 (DATE)

Production Clerk (POSITION)

OPERATOR'S MONTHLY REPORT

P. O. Box 2088, Santa Fe 87501

ORIGINAL TO OCC SANTA FE
ONE COPY TO OCC DIST. OFFICE
ONE COPY TO TRANSPORTER(S)

(Rev. 1-1-65)

(Operator) C & K Petroleum, Inc. (Address) P.O. Drawer 3546, Midland, Texas (Zip) 79701 (Month & Year) November 1977 Page 2

POOL NAME (Underline) *Lease Name WELL NO UNIT SEC TWP RNG	WELL STATUS	INJECTION VOLUME	INJECTION PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS SOLD	DISPOSITION OF GAS TRANSPORTER	DISPOSITION OF GAS OTHER	DISPOSITION OF GAS CODE	DISPOSITION OF OIL OIL ON HAND AT BEG. OF MONTH	DISPOSITION OF OIL BARRELS TO TRANSPORTER	DISPOSITION OF OIL TRANSPORTER	DISPOSITION OF OIL OTHER	DISPOSITION OF OIL CODE
*LEASE NAME - Include State Land Lease Number or Federal Lease Number																	
Northwest Lusk (Morrow)																	
Greenwood Federal 6-1																	
I N 6 19 32	F				0	29	1675	30	1675	PHP			37	0	PER		
South Carlsbad																	
Allied-Chemical Federal #2	NM-05507822																
2 E 3 24 26	F				0	0	10021	30	10021	EPG			0	0	---		
Carlsbad 12-1 Com.																	
1 O 12 22 26	F				0	344	19,006	21	19006	TWP			0	0	---		
Carlsbad 13 Com.																	
1 G 13 22 26	F				0	28	50,213	30	50213	TWP			0	0	---		0
Harold Olive																	
1 O 14 22 26	F				26	10	1614	30	1614	EPG			14	0	PER		
(Eddy Co.)																	
West Atoka Morrow																	
Vandiver																	
1 N 18 18 26	F				29	8	31,327	30	31,327	TWP			183	175	NRC		
West Knowles (Drinkard)																	
Shipp 34																	
1 N 34 16 37	F				4087	0	4989	30	4989	TRC			723	4563	WCI		
2 N 34 16 37	F				721	135	881	30	881				127	805			
TOTAL				6120	4808	135	5870		5870				850	5368			
White City Penn																	
Exxon Federal																	
1 F 17 24 26	P				0	10	28297	30	28297	EPG			0	0	---		

STATUS CODE
F.....FLOWING
P.....PUMPING
G.....GAS LIFT
S.....SHUT IN
T.....TEMP ABANDONED
I.....INJECTION
D.....DISCONTINUED

"OTHER" GAS DISPOSITION CODE
X.....USED OFF LEASE
D.....USED FOR DRILLING } DETAIL ON FORM C-111
G.....GAS LIFT
L.....LOST (MCF ESTIMATED)
E.....EXPLANATION ATTACHED
R.....REPRESSURING OR PRESSURE MAINTENANCE
V.....VENTED
U.....USED ON LEASE

"OTHER" OIL DISPOSITION CODE
C.....CIRCULATING OIL
L.....LOST
S.....SEDIMENTATION (BS&W)
E.....EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE.

Juanita R. Hosier
(NAME)
PRODUCTION CLERK
(POSITION)
Juanita R. Hosier 12/

P. O. Box 2088, Santa Fe 87501

ONE COPY TO OCC DIST. OFFICE
ONE COPY TO TRANSPORTER(S)

C & K Petroleum, Inc. (Name) P.O. Drawer 3546, Midland, Texas (City) 79701 (State) December 1977 Page 2 of

NAME (Underline) *Lease Name NO UNIT SEC TWP RNG	WELL STATUS	INJECTION VOLUME	INJECTION PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS SOLD	DISPOSITION OF GAS TRANSPORTER	DISPOSITION OF GAS OTHER	DISPOSITION OF GAS CODE	DISPOSITION OF OIL OIL ON HAND AT BEG. OF MONTH	DISPOSITION OF OIL BARRELS TO TRANSPORTER	DISPOSITION OF OIL TRANSPORTER	DISPOSITION OF OIL OTHER	DISPOSITION OF OIL CODE	DISPOSITION OF OIL OIL ON HAND AT END OF MONTH
*Include State Land Lease Number or Federal Lease Number																		
ch Carlsbad																		
llied Chem. Fed. #2		NM-055	07822															
E 3 24 26	F				0	0	9853	30	9853	EPG			0	0	---			0
rlsbad 7-1																		
M 7 22 27	F				25	6	11,445	28	11,445	TWP			0	0	PER			25
rlsbad 12-1 Com.																		
O 12 22 26	F				0	628	25,522	30	25,522	TWP			0	0	---			0
arlsbad 13-1 Com.																		
G 13 22 26	F				0	49	49,304	30	49,304	TWP			0	0	---			0
arold Olive																		
O 14 22 26	F				0	0	1,186	30	1,186	EPG			40	0	PER			40
ly Co.)																		
t Atoka Morrow																		
andiver																		
M 18 18 26	F				110	8	38,222	30	38,222	TWP			37	0	NRC			147
t Knowles (Drinkard)																		
ipp 34																		
K 34 16 37	F				4367	0	5250	29	5250	TRC			252	4246	WCI			374
M 34 16 37	F				653	145	785	30	785				38	634				57
OTAL					5020	145	6035		6035				290	4880				430
te City Penn																		
xon Federal																		
F 17 24 26	F				0	9	26,919	30	26,919	EPG			0	0	---			0

STATUS CODE
F.....FLOWING
P.....PUMPING
G.....GAS LIFT
S.....SHUT IN
T.....TEMP ABANDONED
I.....INJECTION
D.....DISCONTINUED

"OTHER" GAS DISPOSITION CODE
X.....USED OFF LEASE } DETAIL ON FORM C-111
D.....USED FOR DRILLING }
G.....GAS LIFT
L.....LOST (MCF ESTIMATED)
E.....EXPLANATION ATTACHED
R.....REPRESSURING OR PRESSURE MAINTENANCE
V.....VENTED
U.....USED ON LEASE

"OTHER" OIL DISPOSITION CODE
C.....CIRCULATING OIL
L.....LOST
S.....SEDIMENTATION (BS&W)
E.....EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE

Juanita R. Hosier (Name)

Production Clerk (Position)

Juanita R. Hosier (Signature) 1-19-78 (Date)

ONE COPY TO TRANSPORTER(S)

C & K Petroleum, Inc. P.O. Drawer 3546, Midland, Texas 79701 January 1, 1978

POOL NAME (Underline) *Lease Name / WELL NO UNIT SEC TWP RNG	WELL STATUS	INJECTION VOLUME	INJECTION PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS SOLD	DISPOSITION OF GAS TRANSPORTER	DISPOSITION OF GAS OTHER	DISPOSITION OF GAS CODE	DISPOSITION OF OIL OIL ON HAND AT BEG. OF MONTH	DISPOSITION OF OIL BARRELS TO TRANSPORTER	DISPOSITION OF OIL TRANSPORTER	DISPOSITION OF OIL OTHER	DISPOSITION OF OIL CODE
*LEASE NAME - Include State Land Lease Number or Federal Lease Number																	
South Carlsbad																	
Allied Chem. Fed. #2		NM-05507822															
2 E 3 24 26	F			775	0	0	9404	29	9404	EPG			0	0	---		
Carlsbad 7-1																	
1 M 7 22 27	F				0	3	816	7	816	TWP	3	S	25	0	PER		
Carlsbad 12-1 Com.																	
O 12 22 26	F				0	687	21,009	31	21,009	TWP			0	0	---		
Carlsbad 13-1 Com.																	
1 G 13 22 26	F				0	53	49,065	31	49,065	TWP			0	0	---		
Harold Olive																	
1 O 14 22 26	F				0	0	2,113	31	2,113	EPG			40	0	PER		
(Eddy Co.)																	
West Atoka Morrow																	
Vandiver																	
1 M 18 18 26	F				56	8	37,055	31	37,055	TWP			147	166	NRC		
West Knowles (Drinkard)																	
Shipp 34																	
1 K 34 16 37	F			6324	4317	0	5025	31	5025	TRC			378	4067	WCI		
M 34 16 37	F				589	141	685	31	685				52	535			
TOTAL					4906	141	5710		5710				430	4622			
White City Penn																	
Exxon Federal																	
1 F 17 24 26	F				0	13	26092	31	26092	EPG			0	0	---		

STATUS CODE
F.....FLOWING
P.....PUMPING
G.....GAS LIFT
S.....SHUT IN/
T.....TEMP ABANDONED
I.....INJECTION
D.....DISCONTINUED

"OTHER" GAS DISPOSITION CODE
X.....USED OFF LEASE } DETAIL ON FORM C-111
O.....USED FOR DRILLING }
G.....GAS LIFT
L.....LOST (MCF ESTIMATED)
E.....EXPLANATION ATTACHED
R.....REPRESSURING OR PRESSURE MAINTENANCE
V.....VENTED
U.....USED ON LEASE

"OTHER" OIL DISPOSITION CODE
C.....CIRCULATING OIL
L.....LOST
S.....SEDIMENTATION (BSCW)
E.....EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDG

Juanita R. Hosier
(NAME)

Production Clerk
(POSITION)

Juanita R. Hosier 2/27/
(SIGNATURE)

P. O. Box 2088, Santa Fe 87501

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ONE COPY TO TRANSPORTER(S)

(Rev.

C & K Petroleum, Inc. P.O. Drawer 3546, Midland, Texas 79701 April 1978 Page 2

POOL NAME (Underline) *Lease Name WELL NO UNIT SEC TWP RNG	WELL STATUS	INJECTION VOLUME	INJECTION PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS SOLD	DISPOSITION OF GAS TRANSPORTER	DISPOSITION OF GAS OTHER	DISPOSITION OF GAS CODE	DISPOSITION OF OIL OIL ON HAND AT BEG. OF MONTH	DISPOSITION OF OIL BARRELS TO TRANSPORTER	DISPOSITION OF OIL TRANSPORTER	DISPOSITION OF OIL OTHER	DISPOSITION OF OIL CODE	DISPOSITION OF OIL CODE
*Lease Name - Include State Land Lease Number or Federal Lease Number																		
South Carlsbad																		
Allied Chem. Fed. #2		NM-05507822																
2 E 3 24 26	F				0	0	8901	30	8901	EPG			0	0	---			
Carlsbad 7-1		Final Report - Plugged & abandoned 4-78																
1 M 7 22 27	F				0	0	0	0	0	TWP			0	0	PER			
Carlsbad 12-1 Com.																		
1 J 12 22 26	F				0	0	15,096	30	15,096	TWP			0	0	---			
Carlsbad 13-1 Com.																		
1 G 13 22 26	F				0	0	40,456	30	40,456	TWP			0	0	---			
Harold Olive																		
1 O 14 22 26	F				0	0	906	29	926	EPG			40	0	PER			
(Eddy Co.)																		
West Atoka Morrow																		
Vandiver																		
1 M 18 18 26	F				52	6	25,575	30	25,575	TWP			20	0	NRC			
West Knowles (Drinkard)																		
Shipp 34																		
1 K 34 16 37	F			6120	3506	0	4925	30	4925	TRC			322	3/17	WCI			
2 34 16 37	F				433	135	609	30	609				40	422				
TOTAL					3939	135	5534		5534				362	3839				
White City Penn																		
Exxon Federal																		
1 F 17 24 26	F				0	0	2040	30	2040	EPG			0	0	---			

STATUS CODE
F.....FLOWING
P.....PUMPING
G.....GAS LIFT
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I.....INJECTION
D.....DISCONTINUED

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X.....USED OFF LEASE } DETAIL ON FORM C-111
O.....USED FOR DRILLING }
G.....GAS LIFT
L.....LOST (MCF ESTIMATED)
E.....EXPLANATION ATTACHED
R.....REPRESSURING OR PRESSURE MAINTENANCE
V.....VENTED
U.....USED ON LEASE

"OTHER" OIL DISPOSITION CODE
C.....CIRCULATING OIL
L.....LOST
S.....SEDIMENTATION (BS&W)
E.....EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE

Juanita R. Hosier
(NAME)
Production Clerk
(POSITION)
Juanita R. Hosier 5/22/78

P. O. Box 2088, Santa Fe 87501

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ONE COPY TO TRANSPORTER(S)

(Company) C & K Petroleum, Inc. (Address) P.O. Drawer 3546, Midland, Texas (Zip) 79701 (For Month) May-1978 Page 2

POOL NAME (Underline) *Lease Name WELL NO UNIT SEC TWP RNG	WELL STATUS	INJECTION VOLUME	INJECTION PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS SOLD	DISPOSITION OF GAS TRANSPORTER	DISPOSITION OF GAS OTHER	DISPOSITION OF GAS CODE	DISPOSITION OF OIL OIL ON HAND AT BEG. OF MONTH	DISPOSITION OF OIL BARRELS TO TRANSPORTER	DISPOSITION OF OIL TRANSPORTER	DISPOSITION OF OIL OTHER	DISPOSITION OF OIL CODE	DISPOSITION OF OIL OIL ON HAND END OF MO
*Lease Name - Include State Land Lease Number or Federal Lease Number																		
South Carlsbad																		
Allied Chem. Fed. #2 2 E 3 24 26	F	NM-05507822			0	0	9,055	30	9,055	EPG			0	0	---			0
										TWP					PER			
Carlsbad 12-1 Com. 1 O 12 22 26	F				0	525	10,164	30	10,164	TWP			0	0	---			0
Carlsbad 13-1 Com. 1 G 13 22 26	F				0	35	43,189	30	43,189	TWP			0	0	---			0
Harold Olive 1 O 14 22 26	F				0	0	981	30	981	EPG			40	0	PER			40
(Eddy Co.)																		
West Atoka Morrow																		
Vandiver 1 M 18 18 26	F					7	31,170	30	31,170	TWP			132		NRC			14
West Knowles (Drinkard)																		
Shipp 34 1 K 34 16 37	F			6324	2394	50	3865	26	3865	TRC			323	2344	WCI			
? ' 34 16 37	F				422	132	99	30	99				69	414				
TOTAL					2816	182	3964		3964				462	2758				56
White City Penn																		
Exxon Federal 1 F 17 24 26	F				0	0	16344	30	16344	EPG			0	0	---			0

STATUS CODE
F.....FLOWING
P.....PUMPING
G.....GAS LIFT
S.....SHUT IN
T.....TEMP ABANDONED
I.....INJECTION
D.....DISCONTINUED

"OTHER" GAS DISPOSITION CODE
X.....USED OFF LEASE } DETAIL ON FORM C-111
D.....USED FOR DRILLING }
G.....GAS LIFT
L.....LOST (MCF ESTIMATED)
E.....EXPLANATION ATTACHED
R.....REPRESSURING OR PRESSURE MAINTENANCE
V.....VENTED
U.....USED ON LEASE

"OTHER" OIL DISPOSITION CODE
C.....CIRCULATING OIL
L.....LOST
S.....SEDIMENTATION (OSEM)
E.....EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE

Juanita R. Hosier
(NAME)
Production Clerk
(POSITION)
Juanita R. Hosier 6/
(SIGNATURE) (DATE)

C & K Petroleum, Inc.

600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915) 683-3311

Picked up 5/18/78 from OCD office Artesia

RECEIVED
MAY - 4 1978
O. C. C.
ARTESIA, OFFICE

May 3, 1978

The New Mexico Oil Conservation Commission
P.O. Drawer DD
Artesia, New Mexico 88210

Re: Amended Reports, Form C-115 for Wells in South Carlsbad Field, West Atoka Morrow Field and White City (Penn) Field, Eddy Co., New Mexico

Gentlemen:

Mr. R. L. Stamets, in your Santa Fe office, has called to our attention, the fact that we have been reporting gas on your form C-115 for wells in the above subject fields where the gas is purchased by Transwestern Gas Pipeline at the wrong pressure base. Transwestern reports gas volumes purchased at a pressure base of 14.65# which is the contract base, and the people filing our reports had failed to adjust to 15.025# pressure base, required by The State of New Mexico. We do regret this error.

You will find enclosed one form with an attachment showing reported volumes and corrected volumes for all months since first production through December, 1977. We are filing corrected reports for the months of January, February and March, 1978. It was Mr. Stamets suggestion that this procedure would be satisfactory.

Yours very truly,

C & K PETROLEUM, INC.

G. C. Tompson
G. C. Tompson
Manager of Production

GCT/sm
Enclosures

cc: Transwestern Pipeline Co., Houston, Texas
Associated Tax Consultants, Dallas, Texas
The New Mexico Oil Conservation Commission, Santa Fe, New Mexico
The New Mexico Oil Conservation Commission, Hobbs, New Mexico
The New Mexico Oil & Gas Accounting Commission, Santa Fe, New Mexico

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 17-26
Submitted by Taylor
Hearing Date

17-26

P. O. Box 2088, Santa Fe 87501

AMENDED REPORT

ONE COPY TO OCC DIST. OFFICE
ONE COPY TO TRANSPORTER(S)

Name C & K Petroleum, Inc. Address P.O. Drawer 3546, Midland, Texas 79701 Reason "See Note Below" Page 1 of

L. NAME (Underline) *Lease Name / L NO UNIT SEC TWP RNG	WELL STATUS	INJECTION VOLUME	INJECTION PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS SOLD	DISPOSITION OF GAS TRANSPORTER	DISPOSITION OF GAS OTHER	DISPOSITION OF GAS CODE	DISPOSITION OF OIL OIL ON HAND AT BEG. OF MONTH	DISPOSITION OF OIL BARRELS TO TRANSPORTER	DISPOSITION OF OIL TRANSPORTER	DISPOSITION OF OIL OTHER	DISPOSITION OF OIL CODE	DISPOSITION OF OIL OIL ON HAND AT END OF MONTH
NAME - Include State Lead Lease Number or Federal Lease Number																		
th Carlsbad arlsbad 7-1 M 7 22 27	F	This C-115 being filed to correct gas volume produced and sold for month of December-1977. "See Attachment."								TWP						PER		
arlsbad 12-1 Com. O 12 22 26	F	This C-115 being filed to correct gas volume produced and sold for months November and December-19 "See Attachment."								TWP						---		
Isbad 13-1 Com. G 13 22 26	F	This C-115 being filed to correct gas volume produced and sold for period June-1977 thru December 1977. "See Attachment."								TWP						---		
Atoka Morrow ndlver M 18 18 26	F	This C-115 being filed to correct gas volume produced and sold for period April-1973 thru December 1977. "See Attachment."								TWP						NRC		
e City (Penn) deral 22 Com. F 22 24 26	F	This C-115 being filed to correct gas volume produced and sold for period January-1976 thru Decem 1977. "See Attachment."								TWP						---		
nnzoll Federal #1 K 15 24 26	F	This C-115 being filed to correct gas volume produced and sold for period December-1976 thru Dece ber-1977. "See Attachment."								TWP						PER		

RECEIVED
MAY - 4 1978
O. C. D.
ARTESIA, OFFICE

STATUS CODE
F.....FLOWING
P.....PUMPING
G.....GAS LIFT
S.....SHUT IN
T.....TEMP ABANDONED
I.....INJECTION
D.....DISCONTINUED

"OTHER" GAS DISPOSITION CODE
X.....USED OFF LEASE } DETAIL ON FORM C-111
D.....USED FOR DRILLING }
G.....GAS LIFT
L.....LOST (MCF ESTIMATED)
E.....EXPLANATION ATTACHED
R.....REPRESSURING OR PRESSURE MAINTENANCE
V.....VENTED
U.....USED ON LEASE

"OTHER" OIL DISPOSITION CODE
C.....CIRCULATING OIL
L.....LOST
S.....SEDIMENTATION (BS&W)
E.....EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE

Juanita R. Hosler
(NAME)
Production Clerk
(POSITION)
Juanita R. Hosler 05/04/78
(SIGNATURE) (DATE)

CARLSBAD 7-1 Lease, Carlsbad, South (Morrow) Field

Month/Year	Mcf Reported	Corrected Mcf
12-77	11,445	11,159

CARLSBAD 12-1 Lease, Carlsbad, South (Morrow) Field

11-77	19,006	18,531
12-77	25,572	24,933

CARLSBAD 13-1 Lease, Carlsbad, South (Morrow) Field

06-77	10,042	9,791
07-77	50,806	49,536
08-77	55,578	54,188
09-77	54,996	53,621
10-77	56,521	55,108
11-77	50,213	48,958
12-77	49,304	48,071

P. O. Box 2088, Santa Fe 87501

ONE COPY TO TRANSPORTER(S)

C & K Petroleum, Inc. P.O. Drawer 3546, Midland, Texas 79701 January-1978 Page 2

NAME (Underline) *Lease Name / L NO UNIT SEC TWP RNG	WELL STATUS	INJECTION VOLUME	INJECTION PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS SOLD	DISPOSITION OF GAS TRANSPORTER	DISPOSITION OF GAS OTHER	DISPOSITION OF GAS CODE	DISPOSITION OF OIL OIL ON HAND AT BEG. OF MONTH	DISPOSITION OF OIL BARRELS TO TRANSPORTER	DISPOSITION OF OIL TRANSPORTER	DISPOSITION OF OIL OTHER	DISPOSITION OF OIL CODE	DISPOSITION OF OIL OIL ON HAND AT END OF MONTH
NAME - Include State Lead Lease Number or Federal Lease Number																		
South Carlsbad																		
Allied Chem. Fed. #2		NM-05507822																
E 3 24 26	F			775	0	0	9404	29	9404	EPG			0	0	---			0
Carlsbad 7-1																		
M 7 22 27	F				0	3	816	7	816	TWP	3	S	25	0	PER			22
Carlsbad 12-1 Com.																		
O 12 22 26	F				0	687	21,009	31	21,009	TWP			0	0	---			0
Carlsbad 13-1 Com.																		
G 13 22 26	F				0	53	49,065	31	49,065	TWP			0	0	---			0
Harold Olive																		
1 O 14 22 26	F				0	0	2,113	31	2,113	EPG			40	0	PER			40
(Eddy Co.)																		
East Atoka Morrow																		
Vandiver																		
1 M 18 18 26	F				56	8	37,055	31	37,055	TWP			147	166	NRC			37
East Knowles (Drinkard)																		
Shipp 34																		
1 K 34 16 37	F		6324	4317	0	5025	31	5025	TRC				378	4067	WCI			628
1 34 16 37	F			589	141	685	31	685					521	535				86
TOTAL				4906	141	5710		5710					430	1622				714
Forte City Penn																		
Exxon Federal																		
1 F 17 24 26	F				0	13	26092	31	26092	EPG			0	0	---			0

STATUS CODE
F.....FLOWING
P.....PUMPING
G.....GAS LIFT
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I.....INJECTION
D.....DISCONTINUED

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"OTHER" OIL DISPOSITION CODE
C.....CIRCULATING OIL
L.....LOST
S.....SEDIMENTATION (BS&W)
E.....EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE

Juanita R. Hosier
(NAME)

Production Clerk
(POSITION)

Juanita R. Hosier 2/27/78
(SIGNATURE) (DATE)

P. O. Box 2088, Santa Fe 87501

ONE COPY TO TRANSPORTER(S)

C & K Petroleum, Inc. P.O. Drawer 3546, Midland, Texas 79701 February 1978 2

L NAME (Underline) *Lease Name / LL NO UNIT SEC TWP RNG	WELL STATUS	INJECTION VOLUME	INJECTION PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS SOLD	DISPOSITION OF GAS TRANSPORTER	DISPOSITION OF GAS OTHER	DISPOSITION OF GAS CODE	DISPOSITION OF OIL OIL ON HAND AT BEG. OF MONTH	DISPOSITION OF OIL BARRELS TO TRANSPORTER	DISPOSITION OF OIL TRANSPORTER	DISPOSITION OF OIL OTHER	DISPOSITION OF OIL CODE	DISPOSITION OF OIL OIL ON HAND AT END OF MONTH
E NAME - Include State Land Lease Number or Federal Lease Number																		
uth Carlsbad																		
Allied Chem. Fed. #2		NM-05507822																
2 E 3 24 26	F				0	0	7931	28	7931	EPG			0	0	---			0
Carlsbad 7-1		DW Process to PNA.																
1 M 7 22 27	F				0	0	0	0	0	TWP			22	0	PER			22
rlsbad 12-1 Com.																		
1 O 12 22 26	F				0	525	15,568	28	15,568	TWP			0	0	---			0
Carlsbad 13-1 Com.																		
1 G 13 22 26	F				0	62	43,330	28	43,330	TWP			0	0	---			0
Harold Olive																		
1 O 14 22 26	F				0	0	1229	28	1,229	EPG			40	0	PER			10
ddy Co.)																		
st Atoka Morrow																		
Vandiver																		
1 M 18 18 26	F				107	7	32,372	28	32,372	TWP			37	0	NRC			144
st Knowles (Drinkard)																		
Shipp 34																		
K 34 16 37	F			5712	3421	0	4789	28	4789	TRC			643	4193	WCI			37
M 34 16 37	F				436	129	532	28	532				71	466				71
TOTAL					4357	129	5321		5321				714	4659				411
ite City Penn																		
Exxon Federal																		
1 F 17 24 26	F				0	0	22398	28	22,398	EPG			0	0	---			0

STATUS CODE
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S.....SEDIMENTATION (BS&W)
E.....EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GI... IS TRUE AND COMPLETE TO THE BEST OF MY KNOWL...

Juanita R. Hosier (NAME)

Production Clerk (POSITION)

Juanita R. Hosier (SIGNATURE) 03/1...

P. O. Box 2088, Santa Fe 87501

AMENDED REPORT

ONE COPY TO TRANSPORTER(S)

C & K Petroleum, Inc. (Address) P.O. Drawer 3546, Midland, Texas (ZIP) 79701 (Month) March-1978 Page 2

NAME (Underline) *Lease Name / L NO UNIT SEC TWP RNG	WELL STATUS	INJECTION VOLUME	INJECTION PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS SOLD	DISPOSITION OF GAS TRANSPORTER	DISPOSITION OF GAS OTHER	DISPOSITION OF GAS CODE	DISPOSITION OF OIL OIL ON HAND AT BEG. OF MONTH	DISPOSITION OF OIL BARRELS TO TRANSPORTER	DISPOSITION OF OIL TRANSPORTER	DISPOSITION OF OIL OTHER	DISPOSITION OF OIL CODE	DISPOSITION OF OIL OIL ON HAND END OF MONTH
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South Carlsbad																		
Allied Chem. Fed. #2		NM-05507822																
J E 3 24 26	F									EPG								
Carlsbad 7-1																		
L M 7 22 27	F				0	0	0	0	0	TWP			22	0	PER	22	3	
Carlsbad 12-1 Com.																		
L O 12 22 26	F				0	594	14,892	31	14,892	TWP			0	0	---			
Carlsbad 13-1 Com.																		
L G 13 22 26	F				0	104	43,847	31	43,847	TWP			0	0	---			
Harold Olive																		
L O 14 22 26	F									EPG					PER			
(Eddy Co.)																		
East Atoka Morrow																		
Vandiver																		
L M 18 18 26	F				95	8	33,479	31	33,479	TWP			144	169	NRC			
East Knowles (Drinkard)																		
Shipp 34																		
K 34 16 37	F									TRC					WCI			
M 34 16 37	F																	
TOTAL																		
Lite City Penn																		
Exxon Federal																		
L F 17 24 26	F									EPG					---			

RECEIVED
MAY - 4 1978
O. C. D.
ARTESIA, OFFICE

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I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE

Juanita R. Hosier
(NAME)
Production Clerk
(POSITION)
Juanita R. Hosier 05/01/78
(SIGNATURE)

...CONTING COMMISSION

OIL AND GAS ACCOUNTING REPORT BY P.U.N.

REPORT MONTH AUGUST 1977 DATE ISSUED NOV. 08, 1977

		PRODUCT SALES		DEDUCTIONS		TAXES AND ROYALTY REMITTED								
		VOLUME	VALUE	TRUCKING	ROYALTY	SCHOOL TAX	SEVERANCE TAX	CONSERVATION TAX	AD VALOREM TAX	STATE ROYALTY	STATE LEASE		S.D.	M.O.
16558	14722	1,227	2,421.59		302.70	54.03	53.68	4.03	28.92	.00			8/	77
16560	66322	565	956.92		.00	24.40	25.98	1.82	9.77	.00			8/	77
16562	14722	65	116.87		.00	2.98	3.15	.22	1.29	.00			8/	77
16563	113212	225	2,376.32		.00	60.60	89.11	4.51	39.29	.00			8/	77
16567	14721	11,967	21,602.11		2,700.26	482.00	523.56	35.91	318.07	.00			8/	77
16568	14721	13,007	18,999.48		2,374.94	423.93	569.06	31.59	279.73	.00			8/	77
16569	14721	37,234	67,212.58		8,401.57	1,499.68	1,628.99	111.74	989.62	.00			8/	77
16572	43421	1,522	2,702.66		337.83	60.30	66.59	4.50	24.13	337.83	000454		8/	77
16573	14722	3,539	5,814.23		726.78	129.73	154.83	9.67	76.13	.00			8/	77
16575A	66712	138	1,606.48		200.81	35.84	52.71	2.67	15.87	200.81	LG3378		8/	77
16575B	66712	138	1,606.48		.00	40.97	60.24	3.05	18.14	.00			8/	77
16575A	14722	10,576	19,692.51		2,461.57	439.39	451.15	32.74	194.57	2,461.57	LG3378		8/	77
16575B	14722	10,576	19,889.46		.00	507.19	515.60	37.79	224.60	.00			8/	77
16579	14722	33,579	59,350.22		7,418.78	1,324.25	1,432.38	98.67	506.25	.00			8/	77
16580	138621	3,537	6,000.60		750.08	133.89	154.75	9.98	53.58	750.08	Z01145		8/	77
16581	64212	3,247	37,724.77		.00	961.98	1,461.15	71.68	384.98	.00			8/	77
16582A	14722	4,267	6,700.34		837.54	149.50	182.00	11.14	66.20	837.54	Z01146		8/	77
16582A	45521	11,094	17,867.55		2,233.44	398.66	.00	29.70	176.54	2,233.44	Z01146		8/	77
16582B	14722	7,111	11,167.22		1,395.90	249.17	303.32	18.57	110.34	.00			8/	77
16583	66712	3,047	31,233.17		.00	796.45	1,171.24	59.34	467.33	.00			8/	77
16584	73212	2,781	32,407.16	2920	.00	751.90	1,105.74	56.02	300.91	.00			8/	77
16584	61921	147	161.70		.00	4.12	7.35	.31	1.91	.00			7/	77
16584	61921	4,100	4,510.00		.00	115.01	205.00	8.57	46.02	.00			8/	77
16585	38412	1,167	13,595.20		1,699.40	303.34	446.09	22.60	115.97	.00			8/	77
16586	14722	13,586	22,406.99		2,800.87	499.96	579.51	37.25	221.40	.00			8/	77
16592	43611	310	155,953.88		19,494.23	3,479.72	110.64	259.27	1,541.02	.00			8/	77
16592	43621	137,751	210,404.30		26,300.53	4,694.65	6,026.61	349.80	2,079.07	.00			7/	77
16592	43621	156,574	186,816.12	Net Incr.	10,852.02	1,937.08	6,850.09	144.33	857.86	.00			8/	77
16593	66712	190	1,946.37		324.40	41.36	60.82	3.08	26.21	(1205.50)			8/	77
16596	157421	- 10,042	15,822.02	14,616.52	=1,455.33 MCF .00	.040171	403.46	.05908	593.32	.00299 30.06	.01774 178.66		6/	77
16596	157421	- 50,806	80,601.18	74,459.98	=1,480.14 MCF .00	.04035	2,055.33	.05148	3,022.55	.0030 153.14	.0129 910.18		7/	77
16596	157421	- 61,432	97,574.42	90,509.52	=1,478.33 MCF .00	.04046	2,498.34	.05198	3,674.04	.00318 186.16	.018 1,106.36		8/	77
16600	66712	175	1,086.69		235.84		42.10		61.91	3.14	18.18			77
16604	21921	2,301	3,736.35		.00		95.28		140.11	7.10	42.19		6/	77
16604	21921	8,109	13,167.47		.00		335.77		405.45	25.02	148.69		7/	77
16604	21921	3,223	5,234.06		.00	.0114	133.47	.05	161.15	.00308 9.94	.018336 59.10		8/	77
16613	92821	342	228.87		.00		5.84		8.58	.43	2.23		8/	77
16614	92821	121	80.98		.00		2.06		3.04	.16	.79		8/	77
		9055,443	56389,356.42	8912	17204,111.93	3550,582.36	6560,283.16	264019.04	1647,952.40	6244,621.65				

55,571 MCF Net Incr. 5,858 MCF Net Incr.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 17-3
Submitted by Taylor
Hearing Date

16593	1132	1	199	2,149.95	.00	54.82	80.62	4.08	31.99	.00			9477
16597	1474	1	653	3,911.47	438.93	78.35	115.22	5.84	45.53	.00			9477
16597	1472	1	17,865	32,226.50	4,028.31	719.06	781.59	53.58	417.84	.00			9477
16598	1472	1	11,640	16,990.64	2,123.87	379.11	509.25	28.25	220.29	.00			9477
16598	1472	1	198	1,001.73	125.22	22.35	32.87	1.67	12.99	.00			9477
16598	1472	1	29,692	53,561.10	6,695.13	1,195.09	1,299.03	89.04	694.46	.00			9477
16599	667	2	1,163	13,846.27	.00	353.13	519.31	26.31	151.45	.00			9477
16599	434	1	185	2,199.77	274.97	49.08	72.84	3.66	22.69	274.97	0G0454		9477
16599	434	1	2,360	5,869.57	733.75	130.97	144.38	9.76	60.55	733.75	0G0454		9477
16599	1472	2	1,520	12,356.11	1,544.51	275.70	329.00	20.54	163.30	.00			9477
16599	931	1	27,415	59,084.94	7,485.62	1,336.18	1,639.56	99.56	591.71	.00			8477
16599	931	1	119,358	190,663.30	23,832.91	4,254.17	5,222.02	316.98	1,824.54	.00			9477
16599A	667	2	164	1,948.18	243.52	43.47	63.92	3.24	18.64	243.52	LG3378		9477
16599B	667	2	163	1,948.18	.00	49.68	73.06	3.70	21.31	.00			9477
16599A	1472	2	8,926	16,621.14	2,077.64	370.86	380.76	27.63	159.06	2,077.64	LG3378		9477
16599B	1472	2	8,927	16,781.55	.00	427.93	435.20	31.89	183.52	.00			9477
16599	384	1	1,173	13,964.47	1,745.56	311.58	458.21	23.22	132.14	.00			9477
16599	1472	2	98,497	100,358.52	12,544.82	2,239.25	2,495.28	166.85	949.62	.00			9477
16600	384	2	1,105	13,101.75	1,645.22	293.67	431.87	21.88	135.77	1,645.22	Z01145		9477
16600	1380	1	12,980	22,766.57	2,845.82	507.98	567.85	37.85	234.84	2,045.82	Z01145		9477
16601	386	1	3,247	37,724.77	.00	961.98	1,414.68	71.68	384.98	.00			8477
16601	386	1	6,457	76,740.61	.00	1,956.89	2,877.77	145.81	904.66	.00			9477
16601	542	1	6,457	76,740.61	.00	1,956.89	2,905.65	145.81	904.66	.00			9477
16602A	147	2	4,230	7,872.01	984.12	175.67	180.47	13.09	75.34	984.12	Z01146		9477
16602B	147	2	7,050	13,121.67	1,640.21	292.78	300.74	21.81	125.57	.00			9477
16603	667	2		349.86	.00	8.92	13.12	.66	5.23	.00			8477
16603	667	2	3,661	38,476.60	.00	981.15	1,442.87	73.11	581.17	.00			9477
16605	384	2	6,139	73,078.54	9,134.82	1,630.56	2,397.89	121.49	691.49	.00			9477
16606	1472	2	89,495	147,553.09	18,444.14	3,292.28	3,817.54	245.31	1,412.00	.00			9477
16607	1472	2	518	511.99	.00	23.26	25.25	1.73	10.04	.00			7477
16607	1472	2	12,098	21,299.74	.00	543.14	589.80	40.47	234.52	.00			8477
16607	1472	2	11,263	19,829.64	.00	505.66	549.05	37.68	234.31	.00			9477
16608	667	2	675	7,387.96	1,231.33	156.99	230.87	11.70	67.67	.00			9477
16609	1472	1	1,410	2,622.36	.00	66.87	70.50	4.99	27.31	.00			9477
16592	426	1	384	4,221.26	527.66	94.18	138.50	7.01	40.39	.00			9477
16592	426	2	140,765	215,007.54	26,875.95	4,797.35	6,158.43	357.44	2,057.44	.00			9477
16592	667	2	5,133	53,951.63	8,991.94	1,146.47	1,685.96	85.42	738.15	.00			9477
16594	304	2	673	8,019.12	1,002.39	178.93	263.13	13.33	99.17	1,002.39	K06844		9477
16596	1574	1		.00	.00	.00	402.25-	.00	.00	.00			7477
16596	1574	2		.00	.00	.00	602.44-	.00	.00	.00			8477
16596	1574	1	54,996	86,772.03	.00	2,212.69	2,748.30	164.87	948.98	.00			9477
16596	1472	1	22,519	41,621.24	5,207.67	929.57	1,002.71	69.26	540.16	.00			9477
16599	223	1	283	4,562.60	570.33	101.80	149.71	7.59	43.18	570.33	E05073		9477
16600	667	2	251	3,382.74	422.84	84.40	124.12	6.29	36.44	.00			7477
16600	667	2	176	1,941.83	242.73	43.33	63.72	3.23	20.08	.00			9477
16602	1472	1	25,217	45,155.60	2,123.63	1,097.33	1,204.61	81.77	637.64	.00			9477
16602	6202	1	21,118	34,994.66	4,374.33	780.82	1,148.26	58.18	361.81	.00			9477
16604	2192	1	109	177.32	.00	4.52	5.45	.34	2.01	.00			9477

Net Increase 80,677.19

Totals 6,074.84

Reads

149.95		.00	54.02	80.62	4.08	31.99	.00			9/77
911.47		438.03	78.35	115.22	5.84	45.53	.00			9/77
226.50		4,028.31	719.06	781.59	53.50	417.84	.00			9/77
990.64		2,123.87	379.11	509.25	28.25	220.29	.00			9/77
001.73		125.22	22.35	32.87	1.67	12.99	.00			9/77
661.10		6,695.13	1,195.08	1,299.03	89.04	694.46	.00			9/77
8.27		.00	353.13	519.31	26.31	151.45	.00			9/77
159.77		274.97	49.08	72.84	3.66	22.69	274.97	060454		9/77
869.97		733.75	130.97	144.38	9.76	60.55	733.75	060454		9/77
356.11		1,544.51	275.70	329.00	20.54	163.30	.00			9/77
884.94		7,485.62	1,336.18	1,639.56	99.56	591.71	.00			8/77
263.30		23,032.91	4,254.17	5,222.02	316.98	1,024.54	.00			9/77
548.18		243.52	43.47	63.92	3.24	18.64	243.52	LG3378		9/77
648.18		.00	49.68	73.06	3.70	21.31	.00			9/77
621.14		2,077.64	370.86	380.76	27.63	159.06	2,077.64	LG3378		9/77
781.55		.00	427.93	435.20	31.89	183.52	.00			9/77
964.47		1,745.56	311.58	458.21	23.22	132.14	.00			9/77
350.52		12,544.82	2,239.25	2,495.28	166.05	949.62	.00			9/77
161.75		1,645.22	293.67	431.87	21.88	135.77	1,645.22	701145		9/77
766.57		2,845.82	507.98	567.05	37.85	234.84	2,045.82	701145		9/77
724.77		.00	961.98	1,414.68	71.68	384.98	.00			8/77
740.61		.00	1,956.89	2,877.77	145.81	904.66	.00			9/77
740.61		.00	1,956.89	2,905.65	145.81	904.66	.00			9/77
873.01		984.12	175.67	180.47	13.09	75.34	984.12	701146		9/77
121.67		1,640.21	292.78	300.74	21.81	125.57	.00			9/77
349.86		.00	8.92	13.12	.66	5.23	.00			8/77
476.60		.00	981.15	1,442.87	73.11	581.17	.00			9/77
078.54		9,134.82	1,630.56	2,397.89	121.49	691.49	.00			9/77
553.09		18,444.14	3,292.20	3,817.54	245.31	1,412.00	.00			9/77
911.99		.00	23.26	25.25	1.73	10.04	.00			7/77
295.14		.00	543.14	589.80	40.47	234.52	.00			8/77
829.64		.00	505.66	549.05	37.68	234.31	.00			9/77
387.96		1,231.33	156.99	230.87	11.70	64.17	.00			9/77
622.36		.00	66.87	70.50	4.99	27.31	.00			9/77
221.28		527.66	94.18	138.50	7.01	40.39	.00			9/77
007.54		26,875.95	4,797.35	6,158.43	357.44	2,057.44	.00			9/77
991.63		8,991.94	1,146.47	1,685.96	85.42	738.15	.00			9/77
019.12		1,002.39	178.93	263.13	13.33	99.17	1,002.39	K06844		9/77
.00	Not known	.00	.00	482.25-	.00	.00	.00			7/77
.00		.00	.00	602.44-	.00	.00	.00	Texas		8/77
772.03	80,617.19	.00	2,212.69	2,748.30	164.87	948.98	.00	G-07484		9/77
621.24		5,207.66	929.57	1,402.71	69.26	540.16	.00			9/77
562.60		570.33	101.80	149.71	7.59	43.18	570.33	E05073		9/77
182.74		472.84	84.40	124.12	6.29	36.44	.00			7/77
941.03		242.73	43.33	63.72	3.23	20.08	.00			9/77
155.60		2,123.63	1,097.33	1,204.61	81.77	637.64	.00			9/77
994.66		4,374.33	780.82	1,148.26	58.18	361.81	.00			9/77
177.32		.00	4.52	5.45	.34	2.01	.00			9/77

Reads

04 BLOOMFIELD
09 EUNICE
10 FARMINGTON
13 HOBBS
15 JAL

COUNTY

01 CHAVES
02 EDDY
03 LEA
04 MCKINLEY
05 ROOSEVELT
06 RIO ARRIBA
07 SANDOVAL
08 SAN JUAN
09 HARDING

KIND

1- OIL
2- GAS

O OR P

O- OPERATOR
P- PURCHASER

VOLUME

FPC- VALUE SUBJECT TO FEDERAL POWER COMMISSION APPROVAL

Sept 77 Prod Mo.

BY P.U.C.

MONTHLY REPORT OF OIL PRODUCTION — OCT. 1977 — PAID ON OR BEFORE JAN. 09, 1978

PRODUCTION			PRODUCT SALES		DEDUCTIONS		TAXES AND ROYALTY WITHHELD								
			BBLS	VALUE	TRUCKING	ROYALTY	SCHOOL TAX	SEVERANCE TAX	CONSERVATION TAX	AD VALOREM TAX	STATE ROYALTY				
16586	455	1 1	212	2,585.15		323.14	64.97	107.68	4.84	28.20	.00			10	77
16586	147	2 2	64,355	106,810.00		13,351.25	2,383.20	2,745.14	177.57	1,022.11	.00			10	77
16587	147	2 2	11,192	19,704.64		.00	502.47	545.60	37.44	232.84	.00			9	77
16588	665	1 2	225-	2,458.60-		409.77-	52.25-	76.83-	3.89-	21.36-	.00			10	77
16588	665	1 2	671	3,376.00		570.32	71.54	105.21	5.33	29.24	.00			10	77
16589	147	2 1	524	1,742.26		.00	44.43	46.20	3.32	18.15	.00			10	77
16591	16	1 2	562	1,749.39		960.67	173.01	221.12	12.88	82.83	.00			10	77
16591	384	1 2	562	1,749.39		960.67	172.91	221.11	12.88	82.84	.00			10	77
16592	436	2 1	121,584	194,674.50		24,359.31	4,348.13	5,581.77	323.97	1,864.79	.00			10	77
16593	667	1 2	2,638	30,563.40		5,093.90	649.47	955.11	48.39	418.16	276.49	KC6844		10	77
16594A	384	1 2	182	2,211.90		276.49	49.35	71.56	3.68	27.36	2,849.59	B07590		9	77
16595A	162	1 1	12,357	22,796.71		2,849.59	508.65	540.60	37.90	215.71	3,660.13	B07590		10	77
16595A	162	1 1	15,760	29,201.02		3,660.13	653.33	689.50	48.68	277.06	.00	Taxes		9	77
16595B	162	1 1	37,072	68,390.14	Not known	8,548.76	1,525.95	1,621.90	113.70	647.12	.00			10	77
16595B	162	1 1	47,282	87,843.07		10,980.38	1,960.00	2,068.59	146.04	831.19	.00	6,267.47		10	77
16596	1574	2 1	26,521	49,768.80	83,501.33	.00	2,289.10	2,826.05	170.56	981.76	.00			10	77
16598	147	1 1	85	454.51		56.81	10.14	14.91	.76	5.90	.00			10	77
16598	147	2 1	16,743	30,637.35		3,829.67	683.60	732.51	50.94	397.24	7.40	E05073		9	77
16599	229	1 1	5	59.22		7.40	1.32	1.94	.10	.55	.00			10	77
16600	667	1 2	163	1,847.00		230.89	41.21	60.61	3.07	19.10	.00			10	77
16602	147	1 1	136	1,513.01		70.92	36.78	54.06	2.74	21.38	.00			10	77
16602	147	2 1	23,353	59,562.84		2,802.13	1,447.89	1,589.48	107.89	841.38	.00			10	77
16603	620	2 1	15,889	26,333.64		3,291.71	587.57	864.07	43.78	272.26	.00			10	77
16606	667	1 2	282	3,165.57		.00	80.72	118.71	6.01	37.40	.00			10	77
16607	667	1 2	2,228	28,330.42		3,541.30	632.12	929.59	47.10	267.44	.00			9	77
16607	458	2 2	45,012	72,207.22		9,025.90	1,611.12	2,145.74	120.04	681.63	.00			10	77
16607	458	2 2	121,366	193,284.18		16,417.43	4,510.10	3,880.62	336.04	1,908.12	.00			9	77
16607	481	2 1	4,039	2,837.32		354.66	63.31	176.70	4.72	26.78	.00			10	77
16607	481	2 1	3,274	6,194.48		774.31	138.21	143.30	10.30	58.47	.00			10	77
16608	109	2 1	23,442	38,497.29		4,812.16	858.97	1,025.60	64.00	368.40	.00			10	77
16608	109	2 1	32,499	54,576.51		6,022.06	1,217.74	1,421.85	90.73	522.27	.00			10	77
16610	109	2 1	11,557	19,961.13		2,495.14	445.38	505.60	33.19	191.02	2,495.14	Z01149		10	77
16612	304	1 2	1,028	11,652.13		1,456.52	259.99	382.34	19.37	110.26	1,456.52	K06850		10	77
16613	384	1 2	507	5,758.55		.00	146.84	215.95	10.94	62.28	.00			10	77
16613	528	2 1	1,525	1,036.68		.00	26.44	38.88	1.96	11.21	.00			10	77
16614	384	1 2	334	3,794.58		.00	96.76	142.30	7.21	41.04	.00			10	77
16614	928	2 1	728	494.86		.00	12.62	18.56	.94	5.35	.00			10	77
16615	384	1 2	2,005	22,210.45		2,776.31	495.57	728.78	36.92	332.51	.00			10	77
16616A	147	2 2	23,657	39,574.51		4,946.81	883.00	1,163.05	65.79	374.66	4,946.81	L00619		10	77
16616B	147	2 2	5,088	14,940.94		1,867.62	333.37	387.67	24.84	141.37	.00			9	77
16617	286	2 1		19,199.80		.00	489.60	.00	36.48	209.97	.00			10	77
16617	286	2 1	3,526	5,000.45		.00	127.51	176.30	9.50	54.68	.00			10	77
16618	286	2 1	3,425	5,498.50		.00	140.22	171.25	10.45	60.12	.00			10	77
16618	286	2 1	322	505.41		63.18	11.20	14.09	.84	4.84	.00			10	77
16619	286	2 1	30,122	54,644.38		.00	1,393.43	1,506.10	103.82	597.61	.00			9	77
16620	458	2 2	45,012-	72,207.22-		9,025.90-	1,611.12-	2,145.74-	120.04-	954.32-	.00			9	77
16621	667	1 2	65-	837.87-		104.72-	18.70-	27.49-	1.39-	7.91-	.00			10	77
16621	667	1 2	1,335	16,241.97		2,030.23	362.40	532.94	27.00	153.32	.00			10	77
16621	458	2 2	119,014	176,352.74		22,044.10	3,934.87	5,210.44	293.19	1,664.76	.00			10	77
16624	147	1 1	61	410.43		51.30	9.16	13.47	.68	5.33	.00			10	77
16624	147	2 1	40,978	70,444.46		8,805.56	1,571.79	1,792.79	117.11	913.36					

Page T.W. $84,170.30

Page $90,799

Page $41,010.39

PY P.U.L.

DELIVERY FROM OCT. 1977 PREPARED JAN. 09, 1978

VALUE	DEDUCTIONS: TRUCKING	DEDUCTIONS: ROYALTY	TAXES AND ROYALTY REMITTED: SCHOOL TAX	SEVERANCE TAX	CONSERVATION TAX	AD VALOREM TAX	STATE ROYALTY	LEASE	BEN	CO	S.D.	MON
2,585.15		323.14	64.97	107.68	4.84	28.20	.00				10	77
6,810.00		13,351.25	2,383.20	2,745.14	177.57	1,022.11	.00				10	77
704.64		.00	502.47	545.60	37.44	232.84	.00				10	77
3,458.00-		409.77-	52.25-	76.83-	3.89-	21.36-	.00				9	77
2,376.00		570.32	71.54	105.21	5.33	29.24	.00				10	77
1,742.26		.00	44.43	46.20	3.32	18.15	.00				10	77
7,749.35		968.67	173.01	221.12	12.88	82.83	.00				10	77
7,749.39		968.67	172.91	221.11	12.88	82.84	.00				10	77
4,674.50		24,359.31	4,348.13	5,581.77	323.97	1,864.79	.00				10	77
0,563.40		5,093.90	649.47	955.11	48.39	418.16	.00				10	77
2,211.90		276.49	49.35	71.56	3.60	27.36	276.49	KC6844			10	77
2,796.71		2,849.59	508.65	540.60	37.90	215.71	2,849.59	B07590			9	77
9,281.02		3,660.13	653.33	689.50	48.68	277.06	3,660.13	B07590			10	77
8,390.14	Net Incom	8,548.76	1,525.95	1,621.90	113.70	647.12	.00	Taxes			9	77
7,843.07		10,980.38	1,960.00	2,068.59	146.04	831.19	.00				10	77
4,160.80	83,504.33	.00	2,289.10	2,826.05	170.56	981.76	.00	6,267.47			10	77
454.51		56.81	10.14	14.91	.76	5.90	.00				10	77
0,637.35		3,029.67	683.60	732.51	50.94	397.24	.00				10	77
59.22		7.40	1.32	1.94	.10	.55	7.40	F05073			9	77
1,847.08		230.89	41.21	60.61	3.07	19.10	.00				10	77
1,513.01		70.92	36.78	54.06	2.74	21.30	.00				10	77
9,582.84		2,802.13	1,447.89	1,589.48	107.89	841.38	.00				10	77
6,333.64		3,291.71	587.57	864.07	43.78	272.26	.00				10	77
3,165.57		.00	80.72	118.71	6.01	37.40	.00				10	77
8,230.42		3,541.30	632.12	929.59	47.10	267.44	.00				10	77
2,207.22		9,025.90	1,611.12	2,145.74	120.04	681.63	.00				9	77
3,284.18		16,417.43	4,510.10	3,880.62	336.04	1,908.12	.00				10	77
2,637.32		354.66	63.31	176.70	4.72	26.78	.00				9	77
6,194.48		774.31	138.21	143.30	10.30	58.47	.00				10	77
8,497.29		4,812.16	858.97	1,025.60	64.00	368.40	.00				10	77
4,576.51		6,822.06	1,217.74	1,421.85	90.73	522.27	.00				10	77
9,961.13		2,495.14	445.38	505.60	33.19	191.02	2,495.14	Z01149			10	77
1,652.13		1,456.52	259.99	302.34	19.37	110.26	1,456.52	K06850			10	77
5,758.59		.00	146.84	215.95	10.94	62.28	.00				10	77
1,036.68		.00	26.44	38.88	1.96	11.21	.00				10	77
3,794.58		.00	96.76	142.30	7.21	41.04	.00				10	77
494.86		.00	12.62	18.56	.94	5.35	.00				10	77
2,210.45		2,776.31	495.57	728.78	36.92	332.51	.00				10	77
9,574.51		4,946.81	883.00	1,163.05	65.79	374.46	4,946.81	L00619			10	77
1,540.94		1,867.62	333.37	387.67	24.84	141.37	.00				10	77
2,199.00		.00	409.60	.00	36.48	209.97	.00				9	77
5,000.45		.00	127.51	176.30	9.50	54.68	.00				10	77
1,498.50		.00	140.22	171.25	10.45	60.12	.00				10	77
505.41		63.18	11.28	14.09	.84	4.84	.00				10	77
7,644.38		.00	1,393.43	1,506.10	103.82	597.61	.00				10	77
1,207.22-		9,025.90-	1,611.12-	2,145.74-	120.04-	954.32-	.00				9	77
837.87-		104.72-	18.70-	27.69-	1.39-	7.91-	.00				9	77
1,241.97		2,030.23	362.40	532.94	27.00	153.32	.00				10	77
1,352.74		22,044.10	3,934.87	5,210.44	293.19	1,664.76	.00				10	77
410.43		51.30	9.16	13.47	.68	5.33	.00				10	77
9,464.46		8,805.56	1,571.79	1,792.79	117.11	913.36	.00				10	77
				Ratio T.W. H 89,170.30	Ratio Sec. Tax H 90,799	Ratio Ad Val. H 41,010.39						

CODES

MUNICIPALITY
02 ARTESIA
04 BLOOMFIELD
08 EUNICE
10 FARMINGTON
12 HOBBS
15 JAL

COUNTY
01 CHAVES
02 EDDY
03 LEA
04 MCKINLEY
05 ROOSEVELT
06 RIO ARRIBA
07 SANDOVAL
08 SAN JUAN
09 HARDING

KIND
1 OIL
2 GAS

O OR P
O OPERATOR
P PURCHASER

VOLUME
FPC- VALUE SUBJECT TO FEDERAL POWER COMMISSION APPROVAL

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OIL AND GAS ACCOUNTING COMMISSION

P.O. BOX 2130 SANTA FE, NEW MEXICO

OIL AND GAS ACCOUNTING REPORT BY P.U.N.

REPORT MONTH DEC. 1977 DATE ISSUED MAR. 09, 1978

PRODUCER NO.	LEASE NO.	PRODUCE SALES VOLUME	PRODUCE SALES VALUE	DEDUCTIONS TRUCKING	DEDUCTIONS ROYALTY	TAXES AND ROYALTY REMITTED SCHOOL TAX	SEVERANCE TAX	CONSERVATION TAX	AD VALOREM TAX	STATE ROYALTY	STATE LEASE	BIA	CIA
16595A	162 1	2,416	4,408.60	Not Farmed	561.08	100.14	105.70	7.47	42.47	561.08	BC7596		
16595B	162 1	1,249	13,467.66		1,683.47	300.50	317.15	22.39	127.43	.00	Fees		
16596	15742 1	49,304	70,217.12	72,753.43	.00	1,994.54	2,465.20	148.60	855.42	.00	5,463.74		
16597	107 1	573	8,457.80		1,057.22	188.71	257.85	14.06	90.40	1,057.22	BG2001		
16598	147 1	100	514.38		64.30	11.48	16.88	.86	6.66	.00			
16598	1472 1	12,513	22,897.03		2,862.13	510.89	547.44	38.06	296.87	.00			
16599	229 1	7,355	92,290.30		11,536.28	2,059.24	3,028.29	153.44	873.27	11,536.26	E05073		
16599	2292 1	45,284	88,255.84		11,031.97	1,969.20	1,982.96	146.72	835.09	11,031.97	E05073		
16600	667 2	175	2,040.72		255.09	45.53	66.96	3.39	21.10	.00			
16602	1472 1		210.28		.00	5.36	.00	.40	3.13	.00			
16602	1472 1		277.46		.00	7.08	.00	.52	4.11	.00			
16602	1472 1		255.86		.00	6.52	.00	.49	3.80	.00			
16602	1472 1	26,212	64,991.47		3,042.32	1,579.71	1,725.73	117.69	917.94	.00			
16603	E202 1	14,059	23,302.62		2,912.83	519.94	764.62	38.74	240.93	.00			
16606	667 2	1,023	11,791.94		.00	300.69	442.20	22.40	139.33	.00			
16606	1472 2	1,764	3,558.85		.00	90.75	86.00	6.76	42.06	.00			
16607	667 2	1,517	18,936.16		2,367.02	422.51	621.34	31.48	178.76	.00			
16607	456 2		10,043.52		1,255.45	224.10	.00	16.70	94.81	.00			
16607	456 2		23,702.07		2,962.76	528.85	.00	42.41	223.75	.00			
16607	456 2		23,411.10		2,926.40	522.36	.00	38.93	221.00	.00			
16607	458 2		117,367.41		14,670.94	2,618.76	2,931.98	195.12	1,107.94	.00			
16607	458 2	65,131	69,972.76		8,746.60	1,561.27	1,618.36	116.33	660.53	.00			
16609	481 1	36,951	2,199.23		274.90	49.07	69.30	3.66	21.05	.00			
16609	109 1	176	52,845.39		6,605.67	1,179.11	1,383.10	87.86	505.70	.00			
16609	1092 1	31,614	2,203.84		275.48	49.17	69.75	3.66	21.05	275.48	Z01149		
16610	105 1	177	13,370.49		1,671.31	298.33	343.25	22.23	127.95	1,671.31	Z01149		
16610	1092 1	7,846	4,455.81		556.98	99.42	157.05	7.41	42.64	556.98	Z01149		
16610	9312 1	2,615	6,971.81		871.48	155.56	174.74	11.59	74.52	871.48	BG1481		
16611	734 1	3,994	9,704.83		1,213.10	216.54	310.44	16.13	91.83	1,213.10	KC6850		
16612	384 2	835	12,784.91		.00	326.02	462.72	24.29	138.26	.00			
16613	384 2	1,028	1,576.92		.00	40.21	59.13	3.00	17.05	.00			
16613	9282 1	2,372	2,085.81		.00	53.19	75.57	3.96	22.56	.00			
16614	384 2	168	250.62		.00	6.39	9.40	.48	2.71	.00			
16614	9282 1	377	35,771.67		4,471.46	798.16	1,173.76	59.47	535.54	.00			
16615	384 2	3,144	5,248.33		5,602.86	9.04-	.04-	.67-	3.84-	5,602.86	L00619		
16616A	1472 2	2,408	5,990.72		1,935.23	103.42	122.67	7.71	43.85	1,935.23	L00619		
16616A	1472 2	3,692	32,922.80		.00	839.53	966.60	62.55	356.03	.00	L00619		
16616A	1472 2	19,828	4,661.70		4,661.70	.00	.00	.00	.00	4,661.70	L00619		
16616A	9362 1	2,833	5,584.34-		698.04-	124.60-	144.77-	9.29-	52.83-	.00			
16616B	147 2	3,394-	46,141.29		.00	1,176.60	1,569.50	87.66	521.04	.00			
16617	286 2	21,390	3,829.64-		.00	97.53-	.00	7.27-	41.82-	.00			
16617	286 2		5,333.19		.00	135.99	167.20	10.13	58.32	.00			
16617	286 2	3,344	3,824.64		.00	97.53	.00	7.27	41.83	.00			
16618	286 2		2,330.29		.00	59.42	71.95	4.43	25.48	.00			
16618	286 2	1,439	2,263.59		282.95	50.50	62.74	3.76	21.66	.00			
16618	386 2	1,434	1,165.14		145.64	26.00	32.29	1.94	11.15	.00			
16618	386 2	138	37,560.67		.00	957.80	1,164.00	71.37	410.79	.00			
16619	286 2	23,280	7,232.15		904.02	161.37	237.31	12.02	95.58	.00			
16620	481 1	660	8,510.73		1,064.84	190.07	279.52	14.16	80.42	.00			
16621	667 2	683	13,913.35		1,739.17	310.44	.00	23.13	131.34	.00			
16621	456 2		24,569.85		3,071.22	548.21	.00	40.85	231.94	.00			
16621	456 2					TW 17,704.95	Payroll Adjustment 72,767.	Ad Valorem Tax 33,101.34					

MEXICO

OIL AND GAS ACCOUNTING REPORT — BY P.U.N.

REPORT MONTH DEC. 1977 — DATE ISSUED MAR. 09, 1978

PRODUCT SALES		DEDUCTIONS		TAXES AND ROYALTY REMITTED										
VOLUME	VALUE	TRUCKING	ROYALTY	SCHOOL TAX	SEVERANCE TAX	CONSERVATION TAX	AD VALOREM TAX	STATE ROYALTY	STATE LEASE	BTU	GTU	S D	MO/YR	CODES
2,416	4,488.60	Pat Jarman	561.08	100.14	105.70	7.47	42.47	561.08	8C7594			12/77		
7,249	13,467.66		1,683.47	300.50	317.15	22.39	127.43	.00	Fees			12/77		
49,304✓	78,217.19	72,753.43	.00	1,994.54	2,465.20	148.60	855.42	.00	5,963.74			12/77		
573	8,457.80		1,057.22	188.71	257.85	14.06	90.40	1,057.22	062001			12/77		
100	814.38		64.30	11.48	16.88	.86	6.66	.00				12/77		
7,513	22,897.03		2,862.13	510.89	547.44	38.06	296.87	.00				12/77		
1,355	92,290.30		11,536.28	2,059.24	3,028.29	153.44	873.27	11,536.28	E05073			12/77		
5,284	88,255.84		11,031.97	1,969.20	1,982.96	146.72	835.09	11,031.97	E05073			12/77		
175	2,040.72		255.09	45.53	66.96	3.39	21.10	.00				12/77		
	210.28		.00	5.36	.00	.40	3.13	.00				9/77		
	277.46		.00	7.08	.00	.52	4.11	.00				10/77		
	255.86		.00	6.52	.00	.49	3.80	.00				11/77		
6,212	64,991.47		3,042.32	1,579.71	1,725.73	117.69	917.94	.00				12/77		
4,059	23,302.62		2,912.83	519.99	764.62	38.74	240.93	.00				12/77		
1,023	11,791.94		.00	300.69	442.20	22.40	139.33	.00				12/77		
1,764	3,550.85		.00	90.75	86.00	6.76	42.06	.00				12/77		
1,517	18,936.16		2,367.02	422.51	621.34	31.48	178.76	.00				12/77		
	10,043.52		1,255.45	224.10	.00	16.70	94.81	.00				9/77		
	23,702.07		2,962.76	528.85	.00	42.41	223.75	.00				10/77		
	23,411.18		2,926.40	522.36	.00	38.93	221.00	.00				11/77		
8,131	117,367.41		14,670.94	2,618.76	2,931.98	195.12	1,107.94	.00				12/77		
6,991	69,972.76		8,746.60	1,561.27	1,618.36	116.33	660.53	.00				12/77		
176	2,199.23		274.90	49.07	69.30	3.66	21.05	.00				12/77		
1,614	52,845.39		6,605.67	1,179.11	1,383.10	87.86	505.70	.00				12/77		
177	2,203.84		275.48	49.17	69.75	3.66	21.05	275.48	Z01149			12/77		
1,646	13,370.49		1,671.31	298.33	343.25	22.23	127.95	1,671.31	Z01149			12/77		
2,615	4,455.81		556.98	99.42	157.05	7.41	42.64	556.98	Z01149			12/77		
5,594	6,971.81		871.48	155.56	174.74	11.59	74.52	871.48	B01481			12/77		
835	9,704.83		1,213.10	216.54	310.44	16.13	91.83	1,213.10	K06850			12/77		
1,028	12,784.91		.00	326.02	462.72	24.29	138.26	.00				12/77		
2,312	1,576.92		.00	40.21	59.13	3.00	17.05	.00				12/77		
168	2,085.81		.00	53.19	75.57	3.96	22.56	.00				12/77		
377	250.62		.00	6.39	9.40	.48	2.71	.00				12/77		
2,144	35,771.67		4,471.46	798.16	1,173.76	59.47	535.54	.00				12/77		
5,408	5,248.33		5,602.86	9.04-	.04-	.67-	3.84-	5,602.86	L00619			10/77		
1,692	5,990.72		1,935.23	103.42	122.67	7.71	43.85	1,935.23	L00619			11/77		
8,828	32,922.00		.00	839.53	966.60	62.55	356.03	.00	L00619			12/77		
1,833	4,661.70		4,661.70	.00	.00	.00	.00	4,661.70	L00619			12/77		
1,394-	5,584.34-		698.04-	124.60-	144.77-	9.29-	52.83-	.00				11/77		
9,390	46,141.29		.00	1,176.60	1,569.50	87.66	521.04	.00				8/77		
	3,824.64-		.00	97.53-	.00	7.27-	41.82-	.00				9/77		
1,344	5,333.19		.00	135.99	167.20	10.13	58.32	.00				12/77		
	3,824.64		.00	97.53	.00	7.27	41.83	.00				9/77		
2,439	2,330.29		.00	59.42	71.95	4.43	25.48	.00				12/77		
2,434	2,263.59		282.95	50.50	62.74	3.76	21.66	.00				10/77		
1,138	1,165.14		145.64	26.00	32.29	1.94	11.15	.00				12/77		
7,280	37,560.67		.00	957.80	1,164.00	71.37	410.79	.00				12/77		
1,660	7,232.15		904.02	161.37	237.31	12.02	95.58	.00				9/77		
2,083	8,518.73		1,064.84	190.07	279.52	14.16	80.42	.00				12/77		
	13,913.35		1,739.17	310.44	.00	23.13	131.34	.00				9/77		
	24,569.85		3,071.22	548.21	.00	40.85	231.94	.00				10/77		
				TW 77,706.95	Royalty Calculated 72,767.	Gross Sales 33,101.39								

MUNICIPALITY
02 AZTEC
04 BLOOMFIELD
08 BURIED
10 FARMINGTON
13 HOBBS
15 JAL

COUNTY
01 CHAVES
02 EDDY
03 LEA
04 MCKINLEY
05 ROOSEVELT
06 RIO ARRIBA
07 SANDOVAL
08 SAN JUAN
09 HARDING
10 MORA

KIND
1 OIL
2 GAS

O OR P
O OPERATOR
P PURCHASER

VOLUME
TPC- VALUE SUBJECT TO FEDERAL POWER COMMISSION RULE

OIL AND GAS ACCOUNTING COMMISSION

P.O. BOX 2088 SANTA FE, NEW MEXICO

OIL AND GAS ACCOUNTING REPORT BY P.U.N.

REPORT MONTH JAN. 1978 DATE ISSUED APR. 10, 1978

PRODUCT SALES			DEDUCTIONS		TAXES AND ROYALTY REMITTED								
VOLUME	VALUE	TRUCKING	ROYALTY	SCHOOL TAX	SEVERANCE TAX	CONSERVATION TAX	AD VALOREM TAX	STATE ROYALTY	LEASE	BTA	CC	S D
44	540.15		.00	13.77	20.24	1.03	7.63	.00				10
44-	540.15-	JAY Jacobs Bill	.00	13.77-	20.26-	1.03-	5.84-	.00	Taxes			10
49,065	77,861.03	72,366.50	.00	1,983.10	2,453.25	147.82	850.38	.00	S/93543			1
417	6,143.81		761.60	137.19	187.65	10.22	64.69	768.60	0G2001			8
321	4,739.80		592.47	105.75	144.45	7.87	50.66	592.47	0G2001			9
524	7,725.17		965.64	172.36	235.80	12.84	82.57	965.64	0G2001			10
633	9,337.44		1,167.18	208.34	284.85	15.52	99.80	1,167.18	0G2001			11
446	6,585.14		823.14	146.93	200.90	10.94	70.38	823.14	0G2001			1
27	36.19		4.52	.81	.93	.06	.39	4.52	0G2001			1
100	516.02		64.50	11.51	16.93	.86	6.70	.00				1
13,781	25,384.05		3,173.01	566.39	1,117.02	42.20	329.12	.00				1
4,565	62,209.94		7,776.24	1,388.05	2,041.26	103.42	588.64	7,776.24	E05073			1
	28,639.28-		3,579.91-	639.01-	.00	47.61-	270.99-	3,579.91-	E05073			11
	.00		.00	.03-	8.71-	.04-	.01	.00	E05073			12
42,691	84,506.27		10,563.29	1,885.53	1,845.01	140.48	799.62	10,563.29	E05073			1
2,277	4,542.83		567.85	101.36	79.50	7.55	42.99	567.85	E05073			1
354	4,132.38		516.55	92.20	135.59	6.87	42.72	.60				1
71	824.00		30.63	20.01	29.46	1.49	11.63	.00				1
33,921	60,958.98		2,853.71	1,481.70	2,936.38	110.42	861.02	.00				1
15,933	26,505.83		3,313.23	591.41	869.72	44.07	274.04	.00				1
424	671.28		.00	17.11	21.20	1.27	7.34	.00				11
3,524	5,579.20		.00	142.26	176.20	10.60	61.01	.00				12
719	1,138.32		.00	29.04	30.10	2.17	12.46	.00				1
2,465	28,534.92		.00	727.64	1,070.06	54.22	337.17	.00				1
1,744	3,633.04		.00	92.64	87.20	6.90	42.92	.00				1
648	10,622.94		1,327.87	237.02	348.57	17.66	100.28	.00				1
3,189	41,191.47		7,847.22	850.27	1,395.19	63.35	359.73	.00				1
363	4,547.76		568.47	101.47	143.10	7.56	43.52	.00				1
43,610	73,044.42		9,130.55	1,629.80	1,907.95	121.44	698.99	.00				1
6,652	11,353.22		1,419.15	253.32	292.80	18.07	108.64	1,419.15	Z01149			1
2,231	3,704.93		473.12	84.46	97.62	6.29	36.22	473.12	Z01149			1
3,351	6,693.12		836.64	149.34	146.61	11.13	71.54	836.64	R01481			1
672	7,851.16		981.40	175.18	257.62	13.05	74.29	981.40	K06850			1
698	8,719.72		.00	222.35	314.04	16.57	94.30	.00				1
1,529	567.96		.00	24.68	36.30	1.84	10.47	.00				1
176	2,204.14		.00	56.21	79.29	4.19	23.84	.00				1
293	185.48		.00	4.73	6.96	.34	2.01	.00				1
3,328	38,045.21		4,755.65	848.89	1,248.36	63.25	569.57	.00				1
118	1,440.59		180.07	32.14	47.27	2.39	13.63	180.07	L00619			10
134	1,676.51		209.56	37.41	55.01	2.79	15.86	209.56	L00619			1
40	480.20		60.03	10.71	15.76	.80	4.54	.00				10
44	558.84		69.86	12.47	18.34	.93	5.29	.00				1
	.00		2,280.33	58.15-	66.95-	4.33-	24.66-	2,280.33	L00619			11
	.00		4,115.35	104.94-	120.78-	7.82-	44.51-	4,115.35	L00619			12
16,037	28,057.65		3,336.67	650.78	744.51	48.49	275.98	3,336.67	L00619			1
2,467	4,086.31		4,086.31	.00	.00	.00	.00	4,086.31	L00619			1
4,411	7,445.78		930.72	166.13	193.03	12.38	70.46	.00				11
7,306	12,542.62		1,567.75	279.84	322.18	20.85	118.67	.00				12
6,413	10,895.31		1,361.91	243.10	280.56	18.11	103.09	.00				1
3,778	6,169.10		.00	157.32	188.90	11.72	67.46	.00				1
1,131	1,842.15		.00	46.97	Agents 56.55	3.50	20.15	.00				1
				TWO								
				72,933.77	78,511	29,331.60						

COMMISSION

OIL AND GAS ACCOUNTING REPORT BY P.J.M.

REPORT MONTH JAN. 1978 DATE ISSUED APR. 10, 1978

GAS SALES	DEDUCTIONS	TAXES AND ROYALTY REMITTED										
VALUE	TRUCKING	ROYALTY	SCHOOL TAX	SEVERANCE TAX	CONSERVATION TAX	3% VALOREM TAX	STATE ROYALTY	STATE LEASE	SEN	CO	S D	M/Y
540.15	MAY January	.00	13.77	20.24	1.03	7.63	.00				10/	77
540.15-		.00	13.77-	20.26-	1.03-	5.84-	.00	Taxes			10/	77
77,801.63	72,366.50	.00	1,983.18	2,953.25	147.82	850.88	.00	S/V 35-13			1/	78
6,148.81		768.60	137.19	187.65	10.22	66.69	768.60	0G2001			8/	77
4,739.80		592.47	105.75	144.45	7.87	50.66	592.47	0G2001			9/	77
7,725.17		965.64	172.36	235.80	12.84	82.57	965.64	0G2001			10/	77
9,337.44		1,167.18	208.34	284.85	15.52	99.80	1,167.18	0G2001			11/	77
6,585.14		823.14	146.93	200.90	10.94	70.38	823.14	0G2001			1/	78
36.19		4.52	.81	.93	.06	.39	4.52	0G2001			1/	78
516.02		64.50	11.51	16.93	.86	6.70	.00				1/	78
25,384.05		3,173.01	566.39	1,117.02	42.20	329.12	.00				1/	78
62,209.94		7,776.24	1,388.05	2,041.26	103.42	588.64	7,776.24	E05073			1/	78
28,639.28-		3,579.91-	639.01-	.00	47.61-	270.99-	3,579.91-	E05073			11/	77
.00		.00	.03-	8.71-	.04-	.01	.00	E05073			12/	77
84,506.27		10,563.29	1,885.53	1,845.01	140.48	799.62	10,563.29	E05073			1/	78
4,542.83		567.85	101.36	79.50	7.55	42.99	567.85	E05073			1/	78
4,132.30		516.55	92.20	135.59	6.87	42.72	.00				1/	78
824.00		30.63	20.01	29.46	1.49	11.63	.00				1/	78
60,958.58		2,053.71	1,481.70	2,936.30	110.42	861.02	.00				1/	78
26,505.83		3,313.23	591.41	869.72	44.07	274.04	.00				1/	78
671.28		.00	17.11	21.20	1.27	7.34	.00				11/	77
5,579.20		.00	142.26	176.20	10.60	61.01	.00				12/	77
1,138.32		.00	29.04	30.10	2.17	12.46	.00				1/	78
28,534.92		.00	727.64	1,070.06	54.22	337.17	.00				1/	78
3,633.04		.00	92.64	87.20	6.90	42.92	.00				1/	78
10,622.94		1,327.87	237.02	348.57	17.66	100.28	.00				1/	78
41,191.47		7,947.22	850.27	1,395.19	63.35	359.73	.00				1/	78
4,547.76		568.47	101.47	143.10	7.56	43.52	.00				1/	78
73,044.42		9,130.55	1,629.80	1,907.95	121.44	658.99	.00				1/	78
11,353.22		1,419.15	253.32	292.80	18.87	108.64	1,419.15	Z01149			1/	78
3,784.93		473.12	84.45	97.62	6.29	36.22	473.12	Z01149			1/	78
6,693.12		836.64	149.34	146.61	11.13	71.54	836.64	R01481			1/	78
7,851.16		981.40	175.18	257.62	13.05	74.29	981.40	K06850			1/	78
8,719.72		.00	222.35	314.04	16.57	94.30	.00				1/	78
567.96		.00	24.68	36.30	1.84	10.47	.00				1/	78
2,204.14		.00	56.21	79.29	4.19	23.84	.00				1/	78
185.48		.00	4.73	6.96	.34	2.01	.00				1/	78
38,045.21		4,755.65	848.89	1,248.36	63.25	569.57	.00				1/	78
1,440.59		180.07	32.14	47.27	2.39	13.63	180.07	L00619			10/	77
1,676.51		209.56	37.41	55.01	2.79	15.86	209.56	L00619			1/	78
480.20		60.03	10.71	15.76	.80	4.54	.00				10/	77
558.84		69.86	12.47	18.34	.93	5.29	.00				1/	78
.00		2,280.33	58.15-	66.95-	4.33-	24.66-	2,280.33	L00619			11/	77
.00		4,115.35	104.94-	120.78-	7.82-	44.51-	4,115.35	L00619			12/	77
28,857.65		3,336.67	650.78	744.51	40.49	275.98	3,336.67	L00619			1/	78
4,086.31		4,086.31	.00	.00	.00	.00	4,086.31	L00619			1/	78
7,445.78		930.72	146.13	193.03	12.38	70.46	.00				11/	77
12,542.62		1,567.75	279.84	322.18	20.85	118.67	.00				12/	77
10,895.31		1,361.91	243.10	280.56	18.11	103.09	.00				1/	78
6,169.10		.00	157.32	188.90	11.72	67.46	.00				1/	78
1,842.15		.00	46.97	Reports 56.55	3.50	20.15	.00				1/	78
			TW 77,[illegible]71	[illegible] 79,511	[illegible] [illegible]4.60							

CODES

RECEIVING POINT
01 AZTEC
04 BLOOMFIELD
09 EUNICE
10 FARMINGTON
33 HOBBS
35 JAL

COUNTY
01 CHAVES
02 EDDY
03 LEA
04 MCKINLEY
05 ROOSEVELT
06 RIO ARRIBA
07 SANDOVAL
08 SAN JUAN
09 HARDING
10 UNION

KIND
1 - OIL
2 - GAS

O OR P
O OPERATOR
P PURCHASER

VOLUME
MCF VALUE SUBJECT TO FEDERAL ROYALTY COMMISSION APPROVAL

CvK Carlsbad 13, No. 1 Well NE/4 Sec 13, T-22S, R-26E, [illegible]

	Prod. Unit	Co.	Value	Value	Net	Royalty	School Tax	Sol. Tax	Conv. Tax	Ad. Val. Tax	State Royalty
						Rates, per Schedule 7/6/78	7.02.55%	.05 per mcf	.0019%	.021873%	(1/4 vol x value)
Per Phone: Mike Holden: 7/6/78	16596	1574	43,330	68,840.88	64,035.25		1,755.45	2,166.50	130.80	752.88	(1/4 305.63) tax
Per Phone: Mike Holden 7/6/78	16596	1574	44,971	71,448.03	166,460.42		1,821.92	2,248.55	135.75	781.39	(1/4 987.67) tax
							.0255	Rates .05 per mcf .0375 prior July 1, 77	.0019 .0018 prior July 1, 77	.021873 (eff. Sept 1, 77) 1/2 tax x value	Mike Holden 7/6/78

CVK Carlsbad 13, No. 1 Well NW/4 13, T-22S, R-26E, [illegible]

Volume	Value	Net Income	Royalty	School Tax	Soil Tax.	Conv. Tax.	Ad. Val. Tax.	State Royalty		Mo. Yr.
			Rates per Notice 7/6/77	.0255%	.05 per acre	.0019%	.021873%	(½ rate x value)		
43,330	68,840.88	64,035.25		1,755.45	2,166.50	130.80	752.88	($4,305.63) tax		Feb., 78
44,971	71,448.03	66,460.42		1,821.92	2,248.55	135.75	781.39	($4,987.67) tax		Mar. 78
			Rates							
		.0255	.05 1/acre	.0019	.021873 (eff. Sept 1, 77)					
			.0375 prior July 1, 77	.0018 prior July 1, 77	½ tax value			Price Ph Mar 7/6/78		

(17-3)

Production and Value Summary: C+K, Transwestern, O.C.D, + O+G.A.

	MCF Reported Production				Value of Production		
	Original C-115's	Filed 5/3/78 Amended C-115s @ 15.025#	Oil + Gas Accounting	Transwestern C-111s @ 15.025#'s	Oil + Gas Accounting Value	Transwestern Gross Payment	C+K Accounting Statements Net Income
Jun. '77	10,042 2,350	9791	10,042	9,791	# 15,822.02 - 1,205.50 Tx. 14,616.52	# 15,740.86	# - 14,634
Jul.	50,806	49,536	50,806	49,538	80,601.18 - 6,141.20 Tx. 74,459.98	79,638.51	- 75,548
Aug.	55,578	54,188	61,432	54,191	97,474.42 - 7,469.90 Tx. 90,509.52	87,118.63	- 90,616
Sep.	54,996	53,621	54,996	53,623	86,772.03 - 6,074.84 Tx. 80,697.19	86,224.76	- 80,696
Oct.	56,521	55,108	56,521	55,110	89,768.80 - 6,267.47 Tx. 83,501.33	89,170.30	- 90,794
Nov.	50,213	48,958	50,213	48,960	79,659.26 - 5,564.50 Tx. 74,094.76	79,139.60	- 74,108
Dec.	49,304	48,071	49,304	48,073	78,217.19 - 5,463.76 Tx. 72,753.43	77,706.95	- 72,767
Jan. '78	49,065	47,838	49,065	47,840	77,801.63 - 5,435.43 Tx. 72,366.50	77,839.71	- 72,511
Feb.		42,247	42,330	42,249	68,840.88 - 4,805.63 64,035.25	68,741.36	- 64,035
Mar.		43,847	44,971	43,849	71,448.02 - 4,987.67 66,460.42	71,344.74	- 66,460
Apr.	40,456			40,548		66,406.44	- 61,873
May	43,189			43,190		70,783.89	
Jun.				40,515			
Jul							
Column #	1	2	3	4	5	6	7

15.025# = 14.6#'s

15.025#'s

15.025# x 1.0256357 = 16.25#

16.25# x .9750049 = 15.025#

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 17-4A
Submitted by Taylor
Hearing Date

17-4a

WE, the undersigned ROYALTY OWNERS in the N½ of Sec. 13, T-22S, R-26E, Eddy County, New Mexico,

PETETION THE NEW MEXICO OIL CONSERVATION DIVISION:

1. To accept the introduction of figures stated to us as Net Income by C&K Petroleum, Inc., for the purpose of protection of correlative rights of royalty owners involved in the gas well known as C&K CARLSBAD 13 COM., NO. 1 WELL. The figures are:

Date Prod.	C&K Net Income (on Check stubbs)	Total Income
06/77	$ 6,241.78 & 506.85	= $ 6,748.63
07/77	30,296.03 & 3,847.68	= 34,143.71
08/77	4,209.08 & 33,141.61 & 9,066.47	= 46,417.16
09/77	4,151.85 & 32,807.77	= 36,959.62
10/77	4,267.02 & 33,717.51 & 7,292.88	= 45,277.41
11/77	3,789.45 & 29,922.17	= 33,711.62
12/77	29,380.49 & 3,720.85	= 33,101.34
01/78	30,621.80 & 3,771.80	= 34,393.60
02/78	3,330.92 & 27,042.55	= 30,373.47
03/78	28,066.71 & 3,457.07	= 31,523.78

2. To cross-check the Net Income as listed against that actually received by C&K Pet., well operator (Transwestern Pipeline and Oil and Gas Accounting Division figures);

3. To take corrective action required by law;

4. To recover royalties owed;

5. To undertake preventative measures to insure future royalty payments as owed by C&K Petroleum, Inc.;

6. To establish regulations effecting more positive controls over royalty rights and payments whereby smallest royalty interests can economically be protected; thereby protecting correlative rights and preventing economic waste.

RESPECTFULLY SUBMITTED BY THE FOLLOWING ROYALTY OWNERS:

Raymond Teel + Wife Edith H. Teel - 7/7/78

Bobby D. Burnett 7/7/78

Bob D. Burnett

Ora Burnett Bluford L. Burnett 7/20/78

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 17-5
Submitted by Taylor
Hearing Date

OWNER NO. [illegible] DATE [illegible]

1 HOUSTON CENTER, SUITE 2600
HOUSTON, TEXAS 77002
(713) 654-4466

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES -DUPLICATE WILL NOT BE FURNISHED.

DATE MO.	DATE YR.	PROPERTY NUMBER	PC	IC	TOTAL FOR PROPERTY QUANTITY	TAX/DEDUCT	T/D	NET	YOUR PORTION GROSS	INTEREST	NET VALUE
7	77	[illegible]	2	2	[illegible]	3,[illegible]37.56	T	[illegible],279.[illegible]	26.23	[illegible]	23.37
11	77	[illegible]632-[illegible]	2	2		151.57	T	3,739.45	3.13	[illegible]	2.91
6	77	[illegible]632-[illegible]	2	2	[illegible]	346.34	T	4,241.78	5.13	[illegible]	4.79
6	77	[illegible]632-[illegible]	2	2		41.16	T	545.35	.42	[illegible]	.39
10	77	[illegible]632-[illegible]	2	2		179.15	T	4,267.32	3.41	[illegible]	3.23
8	77	[illegible]632-[illegible]	2	2		169.41	T	4,259.[illegible]	3.36	[illegible]	3.23
9	77	[illegible]632-[illegible]	2	2		163.91	T	4,181.[illegible]	3.32	[illegible]	3.19
3	77	[illegible]632-[illegible]	2	2	[illegible]16	4,[illegible]1.85	T	32,[illegible]7.77	26.39	[illegible]	25.29
1	77	[illegible]632-[illegible]	2	2	55521	4,266.98	T	33,737.51	29.18	[illegible]	25.99
[illegible]	77	[illegible]632-[illegible]	2	2	55571	4,210.78	T	33,141.61	28.69	[illegible]	25.46
7	77	00632-00	2	2		154.37	T	3,347.63	3.17	[illegible]	2.96
4	77	[illegible]632-[illegible]	2	2	[illegible]854	736.23	T	9,056.47	7.[illegible]	[illegible]	6.96

PC-PRODUCT CODES
1-OIL (BBLS) 3-PLANT PRODUCTS (GALS)
2-GAS (MCF) 4-CONDENSATE (BBLS)

IC-INTEREST CODES
1-WORKING 3-OVERIDE
2-ROYALTY

T/D
T-TAX
OTHER CODES FOR ACCT. PURPOSES ONLY

DETACH BEFORE PRESENTING FOR PAYMENT.

OWNER NO. 76871 DATE 12/28/77

1 HOUSTON CENTER, SUITE 2600
HOUSTON, TEXAS 77002
(713) 654-4466

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES -DUPLICATE WILL NOT BE FURNISHED.

DATE MO.	DATE YR.	PROPERTY NUMBER	PC	IC	TOTAL FOR PROPERTY QUANTITY	TAX/DEDUCT	T/D	NET	YOUR PORTION GROSS	INTEREST	NET VALUE
12	77	00632-00	2	2	57.04	508.47	T	7,292.38	6.33	[illegible]	5.50
10	77	00632-00	2	2	55213	3,789.49	T	29,922.17	25.99	[illegible]	22.99
								TOTAL	173.74		156.13

PC-PRODUCT CODES
1-OIL (BBLS) 3-PLANT PRODUCTS (GALS)
2-GAS (MCF) 4-CONDENSATE (BBLS)

IC-INTEREST CODES
1-WORKING
2-ROYALTY

T/D
T-TAX
OTHER CODES FOR ACCT. PURPOSES ONLY

DETACH BEFORE PRESENTING FOR PAYMENT.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 17-6 ABCD
Submitted by Taylor
Hearing Date

OWNER NO. 76871 DATE 1/27/78

1 HOUSTON CENTER, SUITE 2600
HOUSTON, TEXAS 77002
(713) 654-4466

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES -DUPLICATE WILL NOT BE FURNISHED.

DATE MO.	DATE YR.	PROPERTY NUMBER	PC	IC	TOTAL FOR PROPERTY QUANTITY	TAX/DEDUCT	T/D	NET	YOUR PORTION GROSS	INTEREST	NET VALUE
12	77	00632-00	2	2	43304	3,721.58	T	29,380.49	25.43	[illegible]	22.57
12	77	00632-00	2	2		148.33	T	3,729.85	2.97	[illegible]	2.86
								TOTAL	28.40		25.43

PC-PRODUCT CODES
1-OIL (BBLS) 3-PLANT PRODUCTS (GALS)
2-GAS (MCF) 4-CONDENSATE (BBLS)

IC-INTEREST CODES
1-WORKING 3-OVERIDE
2-ROYALTY

T/D
T-TAX
OTHER CODES FOR ACCT. PURPOSES ONLY

DETACH BEFORE PRESENTING FOR PAYMENT.

I hereby certify that this is a true and correct copy of the original.
EDDY COUNTY ABSTRACT COMPANY

17-6a

By Kaye Bradford

OWNER NO. 76571 DATE 5/31/78

1 HOUSTON CENTER, SUITE 2600
HOUSTON, TEXAS 77002
(713) 654-4465

061706

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES -DUPLICATE WILL NOT BE FURNISHED.

DATE MO.	DATE YR.	PROPERTY NUMBER	PC	IC	TOTAL FOR PROPERTY QUANTITY	TAX/DEDUCT	T/D	NET	GROSS	YOUR PORTION INTEREST	NET VALUE
04	78	00632-00	2	2	41586	4,628.75	T	61,873.12	51.09	.00076820	47.53
								TOTAL	51.09		47.53

PC-PRODUCT CODES
1-OIL (BBLS) 3-PLANT PRODUCTS(GALS)
2-GAS (MCF) 4-CONDENSATE(BBLS)

IC-INTEREST CODES
1-WORKING 3-OVERIDE
2-ROYALTY

T/D
T-TAX
OTHER CODES FOR ACCT. PURPOSES ONLY

DETACH BEFORE PRESENTING FOR PAYMENT.

OWNER NO. 76571 DATE 6/28/78

1 HOUSTON CENTER, SUITE 2600
HOUSTON, TEXAS 77002
(713) 654-4465

063062

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES -DUPLICATE WILL NOT BE FURNISHED.

DATE MO.	DATE YR.	PROPERTY NUMBER	PC	IC	TOTAL FOR PROPERTY QUANTITY	TAX/DEDUCT	T/D	NET	GROSS	YOUR PORTION INTEREST	NET VALUE
05	78	00632-00	2	2	44295	4,950.39	T	65,905.15	54.42	.00076820	50.63
								TOTAL	54.42		50.63

PC-PRODUCT CODES
1-OIL (BBLS) 3-PLANT PRODUCTS(GALS)
2-GAS (MCF) 4-CONDENSATE(BBLS)

IC-INTEREST CODES
1-WORKING 3-OVERIDE
2-ROYALTY

T/D
T-TAX
OTHER CODES FOR ACCT. PURPOSES ONLY

DETACH BEFORE PRESENTING FOR PAYMENT.

Certify that this is a true and correct copy of the original.
EDDY COUNTY ABSTRACT COMPANY

17-66 By Kaye Bradford

1 HOUSTON CENTER, SUITE 2800
HOUSTON, TEXAS 77002
(713) 654-4466

057978

OWNER NO. 76571 DATE 2/28/78

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES -DUPLICATE WILL NOT BE FURNISHED.

DATE MO.	DATE YR.	PROPERTY NUMBER	PC	IC	TOTAL FOR PROPERTY QUANTITY	TOTAL FOR PROPERTY TAX/DEDUCT	T/D	NET	GROSS	YOUR PORTION INTEREST	NET VALUE
01	78	00632-00	2	2	40065	3,771.78	T	30,621.80	26.42	.00076820	23.52
01	78	00632-00	2	2		150.36	T	3,771.80	3.01	.00076820	2.90
								TOTAL	29.43		26.42

PC-PRODUCT CODES
1-OIL (BBLS) 3-PLANT PRODUCTS (GALS)
2-GAS (MCF) 4-CONDENSATE (BBLS)

IC-INTEREST CODES
1-WORKING 3-OVERIDE
2-ROYALTY

T/D
T-TAX
OTHER CODES FOR ACCT. PURPOSES ONLY

DETACH BEFORE PRESENTING FOR PAYMENT.

1 HOUSTON CENTER, SUITE 2800
HOUSTON, TEXAS 77002
(713) 654-4466

059137

OWNER NO. 76571 DATE 3/28/78

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES -DUPLICATE WILL NOT BE FURNISHED.

DATE MO.	DATE YR.	PROPERTY NUMBER	PC	IC	QUANTITY	TOTAL FOR PROPERTY TAX/DEDUCT	T/D	NET	GROSS	YOUR PORTION INTEREST	NET VALUE
02	78	00632-00	2	2		132.79	T	3,339.92	2.66	.00076820	2.56
02	78	00632-00	2	2	43339	3,339.91	T	27,242.55	23.33	.00076820	20.77
								TOTAL	25.99		23.33

PC-PRODUCT CODES
1-OIL (BBLS) 3-PLANT PRODUCTS (GALS)
2-GAS (MCF) 4-CONDENSATE (BBLS)

IC-INTEREST CODES
1-WORKING 3-OVERIDE
2-ROYALTY

T/D
T-TAX
OTHER CODES FOR ACCT. PURPOSES ONLY

DETACH BEFORE PRESENTING FOR PAYMENT.

1 HOUSTON CENTER, SUITE 2800
HOUSTON, TEXAS 77002
(713) 654-4466

060502

OWNER NO. 76571 DATE 4/28/78

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES -DUPLICATE WILL NOT BE FURNISHED.

DATE MO.	DATE YR.	PROPERTY NUMBER	PC	IC	QUANTITY	TOTAL FOR PROPERTY TAX/DEDUCT	T/D	NET	GROSS	YOUR PORTION INTEREST	NET VALUE
03	78	00632-00	2	2	44971	3,457.06	T	28,066.71	24.22	.00076820	21.56
03	78	00632-00	2	2		137.82	T	3,457.07	2.76	.00076820	2.66
								TOTAL	26.98		24.22

PC-PRODUCT CODES
1-OIL (BBLS) 3-PLANT PRODUCTS (GALS)
2-GAS (MCF) 4-CONDENSATE (BBLS)

IC-INTEREST CODES
1-WORKING 3-OVERIDE
2-ROYALTY

T/D
T-TAX
OTHER CODES FOR ACCT. PURPOSES ONLY

DETACH BEFORE PRESENTING FOR PAYMENT.

I hereby certify that this is a true and correct copy of the original.
EDDY COUNTY ABSTRACT COMPANY

By Kaye Bradford

17-66

7

1 HOUSTON CENTER, SUITE 2600
HOUSTON, TEXAS 77002
(713) 654-4666

OWNER NO. 76571 DATE 7/28/78 065694

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES -DUPLICATE WILL NOT BE FURNISHED.

DATE MO.	DATE YR.	PROPERTY NUMBER	PC	IC	TOTAL FOR PROPERTY QUANTITY	TAX/DEDUCT	T/D	NET	GROSS	YOUR PORTION INTEREST	NET VALUE
09	77	00632-00	2	2	54996	1,676.69	2	42,059.37	33.60	.00076820	32.31
09	77	00632-00	2	2		66.84	2	1,676.70	1.34	.00076820	1.29
10	77	00632-00	2	2	56521	1,744.96	2	43,771.91	34.97	.00076820	33.63
10	77	00632-00	2	2		69.56	2	1,744.93	1.39	.00076820	1.34
06	77	00632-00	2	2		48.09	2	592.21	.49	.00076820	.45
06	77	00632-00	2	2	10042	592.21	2	7,292.86	6.06	.00076820	5.60
07	77	00632-00	2	2	50806	1,563.33	2	38,840.60	31.04	.00076820	29.84
07	77	00632-00	2	2		62.92	2	1,563.33	1.25	.00076820	1.20
08	77	00632-00	2	2	55578	1,710.17	2	42,488.73	33.95	.00076820	32.64
08	77	00632-00	2	2		68.83	2	1,710.17	1.37	.00076820	1.31
11	77	00632-00	2	2		61.74	2	1,548.64	1.24	.00076820	1.19
11	77	00632-00	2	2	50213	1,548.67	2	38,848.04	31.03	.00076820	29.84

PC-PRODUCT CODES
1-OIL (BBLS) 3-PLANT PRODUCTS(GALS)
2-GAS (MCF) 4-CONDENSATE(BBLS)

IC-INTEREST CODES
1-WORKING 3-OVERIDE
2-ROYALTY

T/D
T-TAX
OTHER CODES FOR ACCT. PURPOSES ONLY

DETACH BEFORE PRESENTING FOR PAYMENT.

1 HOUSTON CENTER, SUITE 2600
HOUSTON, TEXAS 77002
(713) 654-4666

OWNER NO. 76571 DATE 7/28/78 065695

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES -DUPLICATE WILL NOT BE FURNISHED.

DATE MO.	DATE YR.	PROPERTY NUMBER	PC	IC	TOTAL FOR PROPERTY QUANTITY	TAX/DEDUCT	T/D	NET	GROSS	YOUR PORTION INTEREST	NET VALUE
03	78	00632-00	2	2	44971	1,339.35	2	33,597.27	26.84	.00076820	25.81
12	77	00632-00	2	2		60.62	2	1,520.61	1.21	.00076820	1.17
12	77	00632-00	2	2	49304	1,520.63	2	38,144.78	30.47	.00076820	29.30
01	78	00632-00	2	2		58.25	2	1,461.29	1.17	.00076820	1.12
01	78	00632-00	2	2	49065	1,461.29	2	36,656.07	29.28	.00076820	28.16
02	78	00632-00	2	2	43330	1,290.47	2	32,371.31	25.86	.00076820	24.87
02	78	00632-00	2	2		51.44	2	1,290.49	1.03	.00076820	.99
03	78	00632-00	2	2		53.39	2	1,339.36	1.07	.00076820	1.03
06	78	00632-00	2	2	41552	4,624.96	T	61,822.54	51.04	.00076820	47.49
								TOTAL	345.70		330.58

PC-PRODUCT CODES
1-OIL (BBLS) 3-PLANT PRODUCTS(GALS)
2-GAS (MCF) 4-CONDENSATE(BBLS)

IC-INTEREST CODES
1-WORKING 3-OVERIDE
2-ROYALTY

T/D
T-TAX
OTHER CODES FOR ACCT. PURPOSES ONLY

DETACH BEFORE PRESENTING FOR PAYMENT.

Certified to be a true and correct copy of the original.

EDDY COUNTY ABSTRACT COMPANY

By _____

17-6d

OWNER	PROD DATE	PROPERTY	PRO	INT TYPE	PA ST	ST	QUANTITY	GROSS AMOUNT	TAX/DED	CD	NET AMOUNT	OWNER INTEREST	8/8 APPLAT
72551		BILL T EMERSON AND JOSEPHINE											
	06/77	00632-00	2	2	P	30	.00	640.30	48.09	2	592.21	.00153630	.91
	06/77	00632-00	2	2	P	30	10,042.00	7,885.07	592.21	2	7,292.86	.00153630	11.20
	06/77	00632-00	2	2	T	30	.00	548.01	41.16	T	506.85	.00153630	.78
	06/77	00632-00	2	2	T	30	10,042.00	6,748.64	506.86	T	6,241.78	.00153630	9.59
	07/77	00632-00	2	2	P	30	.00	1,626.25	62.92	2	1,563.33	.00153630	2.40
	07/77	00632-00	2	2	P	30	50,806.00	40,403.93	1,563.33	2	38,840.60	.00153630	59.67
	07/77	00632-00	2	2	T	30	.00	4,002.55	154.87	T	3,847.68	.00153630	5.91
	07/77	00632-00	2	2	T	30	50,806.00	34,143.72	3,847.69	T	30,296.03	.00153630	46.54
	08/77	00632-00	2	2	P	30	.00	1,779.00	68.83	2	1,710.17	.00153630	2.63
	08/77	00632-00	2	2	P	30	55,578.00	44,198.50	1,710.17	2	42,488.73	.00153630	65.28
	08/77	00632-00	2	2	T	30	55,578.00	37,350.69	4,209.08	T	33,141.61	.00153630	50.92
	08/77	00632-00	2	2	T	30	.00	4,378.49	169.41	T	4,209.08	.00153630	6.47
	08/77	00632-00	2	2	T	30	5,854.00	9,802.70	736.23	T	9,066.47	.00153630	13.93
	09/77	00632-00	2	2	P	30	54,996.00	43,736.06	1,676.69	2	42,059.37	.00153630	64.62
	09/77	00632-00	2	2	P	30	.00	1,743.54	66.84	2	1,676.70	.00153630	2.58
	09/77	00632-00	2	2	T	30	.00	4,317.26	165.51	T	4,151.85	.00153630	6.38
	09/77	00632-00	2	2	T	30	54,996.00	36,959.62	4,151.85	T	32,807.77	.00153630	50.40
	10/77	00632-00	2	2	T	30	.00	4,437.12	170.10	T	4,267.02	.00153630	6.56
	10/77	00632-00	2	2	T	30	5,004.00	7,843.78	550.90	T	7,292.88	.00153630	11.20
	10/77	00632-00	2	2	T	30	56,521.00	37,984.49	4,266.98	T	33,717.51	.00153630	51.80
	10/77	00632-00	2	2	P	30	56,521.00	45,914.07	1,144.96	2	44,771.91	.00153630	67.25
	10/77	00632-00	2	2	P	30	.00	1,814.49	69.56	2	1,744.93	.00153630	2.68
	11/77	00632-00	2	2	T	30	50,213.00	33,711.65	3,789.48	T	29,922.17	.00153630	45.97
	11/77	00632-00	2	2	T	30	.00	3,940.52	151.07	T	3,789.45	.00153630	5.82
	11/77	00632-00	2	2	P	30	.00	1,610.38	61.74	2	1,548.64	.00153630	2.38
	11/77	00632-00	2	2	P	30	50,213.00	40,396.71	1,548.67	2	38,848.04	.00153630	59.68
72551		BILL T EMERSON AND JOSEPHINE											
	12/77	00632-00	2	2	P	30	49,304.00	39,665.41	1,520.63	2	38,144.78	.00153630	58.60
	12/77	00632-00	2	2	T	30	49,304.00	33,101.37	3,720.88	T	29,380.49	.00153630	45.14
	12/77	00632-00	2	2	T	30	.00	3,869.18	148.33	T	3,720.85	.00153630	5.72
	12/77	00632-00	2	2	P	30	.00	1,581.23	60.62	2	1,520.61	.00153630	2.34
	01/78	00632-00	2	2	X	30	.00	3,922.16	150.36	T	3,771.80	.00153630	5.79
	01/78	00632-00	2	2	X	30	49,065.00	34,393.58	3,771.78	T	30,621.80	.00153630	47.04
	01/78	00632-00	2	2	P	30	49,065.00	38,117.26	1,461.29	2	36,656.07	.00153630	56.31
	01/78	00632-00	2	2	P	30	.00	1,519.54	58.25	2	1,461.29	.00153630	2.24
	02/78	00632-00	2	2	P	30	43,330.00	33,661.78	1,290.47	2	32,371.31	.00153630	49.73
	02/78	00632-00	2	2	X	30	43,330.00	30,373.46	3,330.91	T	27,042.55	.00153630	41.55
	02/78	00632-00	2	2	P	30	.00	1,341.93	51.44	2	1,290.49	.00153630	1.98
	02/78	00632-00	2	2	X	30	.00	3,463.71	132.79	T	3,330.92	.00153630	5.12
	03/78	00632-00	2	2	X	30	.00	3,594.89	137.82	T	3,457.07	.00153630	5.31
	03/78	00632-00	2	2	P	30	44,971.00	34,936.62	1,339.35	2	33,597.27	.00153630	51.62
	03/78	00632-00	2	2	P	30	.00	1,392.75	53.39	2	1,339.36	.00153630	2.06
	03/78	00632-00	2	2	X	30	44,971.00	31,523.77	3,457.06	T	28,066.71	.00153630	43.12
											TOTAL OWNER		1,677.22

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6282 Exhibit No. 12-2
Submitted by Taylor
Hearing Date 7-19-78

Paid 7/14/78

CHECK	PROD DATE	PROPERTY	INT TYPE	PA PRD	ST	SI	QUANTITY	GROSS AMOUNT	B/O TAX/CHG	CC	NET AMOUNT	INTEREST	CHAER AMOUNT
72551		BILL T EMERSON AND JOSEPHINE											
	06/77	CC632-CO	2	P	30		.00	640.30	48.09	2	592.21	.CO153630	.91
	06/77	CC632-CO	2	P	30		10,042.00	7,885.07	592.21	2	7,292.86	.CO153630	11.20
	06/77	CC632-CO	2	T	30		.00	548.61	41.16	T	506.85	.CO153630	.78
	06/77	CC632-CO	2	T	30		10,042.00	6,748.64	506.86	T	6,241.78	.CC153630	9.59
	07/77	CC632-CO	2	P	30		.00	1,626.25	62.92	2	1,563.33	.CO153630	2.40
	07/77	CC632-CO	2	T	30		.00	50,403.53	1,563.33	2	38,840.60	.CO153630	59.67
	07/77	CC632-CO	2	T	30		.00	4,002.55	154.87	T	3,847.68	.CC153630	5.91
	07/77	CC632-CO	2	T	30		30,806.00	34,143.72	3,847.69	T	30,296.03	.CC153630	46.54
	08/77	CC632-CO	2	P	30		.00	1,779.00	68.83	2	1,710.17	.CO153630	2.63
	08/77	CC632-CO	2	T	30		55,578.00	44,198.50	1,710.17	2	42,488.73	.CC153630	65.28
	08/77	CC632-CO	2	T	30		55,578.00	37,350.69	4,209.08	T	33,141.61	.CO153630	50.92
	08/77	CC632-CO	2	T	30		.00	4,378.49	169.41	T	4,209.08	.CC153630	6.47
	08/77	CC632-CO	2	T	30		5,554.00	9,802.70	736.23	T	9,066.47	.CO153630	13.93
	09/77	CC632-CO	2	P	30		54,996.00	43,736.66	1,676.69	2	42,059.97	.CC153630	64.62
	09/77	CC632-CO	2	P	30		.00	1,743.54	66.84	2	1,676.70	.CC153630	2.58
	09/77	CC632-CO	2	T	30		.00	4,317.26	165.51	T	4,151.85	.CC153630	6.38
	09/77	CC632-CO	2	T	30		54,996.00	36,959.62	4,151.85	T	32,807.77	.CO153630	50.40
	10/77	CC632-CO	2	T	30		.00	4,437.12	170.10	T	4,267.02	.CC153630	6.56
	10/77	CC632-CO	2	T	30		5,004.00	7,843.78	550.90	T	7,292.88	.CO153630	11.20
	10/77	CC632-CO	2	T	30		55,521.00	37,934.49	4,266.58	T	33,717.51	.CC153630	51.80
	10/77	CC632-CO	2	P	30		55,521.00	45,516.87	1,744.96	2	43,771.91	.CC153630	67.25
	11/77	CC632-CO	2	P	30		.00	1,814.49	69.56	2	1,744.93	.CO153630	2.68
	11/77	CC632-CO	2	T	30		50,213.00	33,711.65	3,789.48	T	29,922.17	.CC153630	45.97
	11/77	CC632-CO	2	T	30		.00	3,940.52	151.07	T	3,789.45	.CC153630	5.82
	11/77	CC632-CO	2	P	30		.00	1,610.38	61.74	2	1,548.64	.CC153630	2.38
	11/77	CC632-CO	2	P	30		50,213.00	40,396.71	1,548.67	2	38,848.04	.CC153630	55.68
	72551	BILL T EMERSON AND JOSEPHINE											
	12/77	CC632-CO	2	P	30		49,304.00	39,665.41	1,520.63	2	38,144.78	.CC153630	55.60
	12/77	CC632-CO	2	T	30		49,304.00	33,101.37	3,720.88	T	29,380.49	.CO153630	45.14
	12/77	CC632-CO	2	T	30		.00	3,869.18	148.33	T	3,720.85	.CO153630	5.72
	12/77	CC632-CO	2	P	30		.00	1,501.23	60.62	2	1,520.61	.CC153630	2.34
	01/78	CC632-CO	2	X	30		.00	3,922.16	150.36	T	3,771.80	.CO153630	5.79
	01/78	CC632-CO	2	X	30		49,065.00	34,393.58	3,771.78	T	30,621.80	.CC153630	47.04
	01/78	CC632-CO	2	P	30		49,065.00	38,117.36	1,461.29	2	36,656.07	.CC153630	56.31
	01/78	CC632-CO	2	P	30		.00	1,519.54	58.25	2	1,461.29	.CO153630	2.24
	02/78	CC632-CO	2	P	30		43,330.00	33,661.78	1,290.47	2	32,371.31	.CC153630	49.73
	02/78	CC632-CO	2	X	30		43,330.00	30,373.46	3,330.91	T	27,042.55	.CO153630	41.55
	02/78	CC632-CO	2	P	30		.00	1,341.93	51.44	2	1,290.49	.CC153630	1.98
	03/78	CC632-CO	2	X	30		.00	3,463.71	132.79	T	3,330.92	.CO153630	5.12
	03/78	CC632-CO	2	X	30		.00	3,594.89	137.82	T	3,457.07	.CO153630	5.31
	03/78	CC632-CO	2	P	30		44,971.00	34,936.62	1,339.35	2	33,597.27	.CC153630	51.62
	03/78	CC632-CO	2	P	30		.00	1,392.75	53.39	2	1,339.36	.CC153630	2.06
	03/78	CC632-CO	2	X	30		44,971.00	31,523.77	3,457.06	T	28,066.71	.CC153630	43.12
											TOTAL OTHER		1,612.22

Rec'd 7/14/78

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 17-1
Submitted by Dayton
Hearing Date 8-9-78

July 10, 1978
512 Welshire
Carlsbad, New Mexico

Mr. M. L. Owens
Transwestern Pipeline Co.
Room 536
P. O. Box 2521
Houston, Texas 77001

Dear Mr. Owens:

This letter will confirm my telephone request this a.m. for the following facts in writing (as previously stated by yourself and Mr. Harper over the phone) concerning Transwestern gas purchases from the gas well listed as C&K Carlsbad "13" No. 1 Well, being in the N½ of Sec. 13, T-22S, R-26E, NMPM, Eddy County, New Mexico, probably Station No. 1187-1 of your files.

I requested, beginning June 1977 through your last payment, facts and figures of Transwestern's on:

1. Total Payment (including tax reimbursement) per individual month;
2. Total volumn purchased per month by Transwestern;
3. Basic rate per Mcf per month at 14.65 lbs. pressure;
4. Tax reimbursement per month;
5. BTU adjustment;
6. Quality adjustment;
7. Date of first gas purchased by Transwestern (6/21/77?);
8. A brief statement of the relationship of all factors to arrive at the Total Payment.

I stated that other gas was sold from the well for drilling purposes in addition to your purchases.

Your figures will allow correct figures for consideration of the NMO&GAD and the NMOCD, separation of gas purchased by Transwestern from the other gas sold, a cross-check of taxes paid to the State, verify royalty and interest owners payments, etc. All this has been stated to you by phone.

I also desired these figures to acquaint myself with your procedure as I will need to sell gas to Transwestern in the future.

My sincere appreciation for your immediate response that you indicated.

Respectfully yours,

Bill Taylor

Bill Taylor

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 17-8
Submitted by Taylor
Hearing Date

17-8

C & K Petroleum, Inc.

76571

July 19, 1978

Notice to Interest Owner:

The Supreme Court of the United States has denied petitions for certiorari with respect to further judicial review of FPC Opinions 770 and 770-A. As a result of the Court's decision, certain amounts collected by producers, but heretofore subject to refund, will not be required to be refunded to their respective gas purchasers. We are please, therefore to include in this check your share of all amounts attributable to your lease(s) previously suspended under the above Opinions.

C & K Petroleum, Inc.

CK/ls

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 17-9
Submitted by Taylor
Hearing Date

1 HOUSTON CENTER • SUITE 2600 • HOUSTON, TEXAS 77002 • 713/654-4466 • CABLE ADDRESS: CANDK

17-9

216 AMERICAN HOME BUILDING R. L. HEINSCH - H. R. SPENCER PHONE (A.C 505) • 746-6658

H & S OIL COMPANY

ARTESIA, NEW MEXICO. 88210

August 4, 1978

Mr. Bill G. Taylor
512 Welshire
Carlsbad, New Mexico 88220

Dear Mr. Taylor:

You have requested that we make a bid to operate a gas well known as the C & K Carlsbad 13 No. 1 gas well located in the N/2 of Section 13-T22S-R26E, Eddy County, New Mexico.

As you probably know, it would be necessary to go by a standard operating agreement and accounting procedure but for the purpose of this letter we submit a primary bid of $300 a month to cover the overhead on this operation.

I hope this letter will meet with your purpose at this time. Should you wish to hire us, we can select the proper agreements at that time.

Yours very truly,

H & S OIL COMPANY

R. L. Heinsch

R. L. Heinsch

RHL/ff

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 19-1
Submitted by Taylor
Hearing Date

19-1

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 6289
Order No. R-5332-A

APPLICATION OF BILL TAYLOR FOR ENFORCEMENT AND AMENDMENT OF ORDER NO. R-5332, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 9, 1978, and September 11, 1978, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 17th day of October, 1978, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

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

(2) That on November 30, 1976, upon the application of C & K Petroleum, Inc., hereinafter referred to as "C & K", the Commission issued its Order No. R-5332 pooling the N/2 of Section 13, Township 22 South, Range 26 East, NMPM, South Carlsbad Field, Eddy County, New Mexico.

(3) That this acreage was dedicated to the Carlsbad "13" Well No. 1 located in Unit G of said section.

(4) That C & K was appointed the operator of the well by Order No. R-5332, and Bill Taylor, hereinafter referred to as "Taylor", was and is an interest owner in said well.

(5) That on July 5, 1978, Taylor filed an application for "operator's accounting, regulation and order compliance; operator removal; protection of royalty and interest owner's correlative rights; and Commission amendment of Order No. R-5332."

(6) That this cause came on for hearing on August 9, 1978, and September 11, 1978.

(7) That C & K failed to furnish the Commission and each known working interest owner an itemized schedule of estimated well costs after the effective date of Order No. R-5332 and within 30 days prior to commencing the well in accordance with Order (3) of said order.

(8) That Taylor was therefore not afforded the opportunity to pay his share of estimated well costs to the operator in accordance with the terms of said Order No. R-5332 in lieu of paying his share of reasonable well costs out of production.

(9) That Taylor should be afforded the opportunity to pay his share of reasonable well costs now in lieu of paying the same out of production.

(10) That although Taylor objected to well costs as submitted by C & K, including tubing costs, the evidence presented shows that actual well costs total $551,903.87.

(11) That said well costs of $551,903.87 are reasonable costs for the subject well.

(12) That within 30 days from the effective date of this order, Taylor should have the right to pay his share of the actual well costs to the operator in lieu of paying his share of said costs out of production; further, that if he pays his share as provided herein, he should remain liable for operating costs but should not be liable for risk charges.

(13) That no evidence was presented showing that C & K has failed to afford Taylor or other interest owners in the unit the opportunity to recover their just and fair share of the gas from the Carlsbad "13" Well No. 1, and there is no evidence that correlative rights have been impaired.

(14) That no evidence was presented showing that C & K has caused waste by its operation of the well.

(15) That although certain of the accounting and operational procedures employed by C & K in the past appear to have been less than satisfactory, these have apparently now been corrected.

(16) That although the evidence in this case establishes that C & K has been grossly lax in the observance of certain Division rules and orders, particularly as they relate to the filing of forms and reports, and the establishment of an escrow account in accordance with Order (12) of Order No. R-5332, the Commission cannot find this to be grounds for removal of C & K as operator of the well at this time, and it should be permitted to continue as operator, pending further order of the Commission or Division.

(17) That Taylor's request that C & K be removed as operator should therefore be denied.

IT IS THEREFORE ORDERED:

(1) That the application of Bill Taylor for removal of C & K Petroleum, Inc., as operator of the Carlsbad "13" Well No. 1 located in Unit G of Section 13, Township 22 South, Range 26 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, is hereby denied.

(2) That within 30 days from the effective date of this Order, Bill Taylor shall have the right to pay his share of the actual well costs of $551,903.87 to the operator of said Carlsbad "13" Well No. 1 in lieu of paying his share of said costs out of production, and should he pay his share as provided above, he shall remain liable for operating costs but shall not be liable for risk charges.

(3) That all provisions of Order No. R-5332 not in conflict herewith shall remain in full force and effect.

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

DONE at Santa Fe, New Mexico, on the day and year herein-above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman

EMERY C. ARNOLD, Member

JOE D. RAMEY, Member & Secretary

S E A L
fd/

10-2-78

Talked to Mr. Martin - attorney representing American Bank of Carlsbad.

It is <u>not</u> an escrow account, but a savings account.

L

I think we should take a firm action.

CASWELL S. NEAL 1898-1974
JEROME D. MATKINS
W. T. MARTIN, JR.

MATKINS AND MARTIN
ATTORNEYS AT LAW
601 NORTH CANAL STREET
P. O. DRAWER N
CARLSBAD, NEW MEXICO 88220

AREA CODE 505
885-2445
885-2312

November 30, 1978

Mr. Jason W. Kellahin
Kellahin and Fox
P. O. Box 1769
Santa Fe, NM 87501

Re: C & K Petroleum, Inc. - Bill Taylor, Carlsbad "13" Well No. 1
N/2 Sec. 13, T-22-S, R-26-E, Eddy County, New Mexico

COPY

Dear Mr. Kellahin:

I have received your letter of November 16, 1978, in which you returned the sight draft issued by the Carlsbad National Bank in the amount of $73,783.94.

I fail to see how the submission of the bank draft payable upon acceptance of the provisions of a security agreement are unacceptable to C & K Petroleum. In no way does the security agreement submitted with the sight draft affect the rights of C & K Petroleum. I further do not believe that the method of submission was not in compliance with Order R-5332-A. It is our position that payment was submitted in a proper method and form by Mr. Taylor and that the amount was his proportionate part of the actual well costs. I further note that C & K held the draft without reply until the 30th day from the date of Order R-5332-A had run so as to insure that Mr. Taylor could not submit the payment in any other form. It is clear that C & K is trying to bootstrap itself into a position where it can impose the risk factor on Mr. Taylor.

At no time has the validity of R-5332 been challenged nor is it at issue. If C & K is insistent on challenging the ruling in R-5332-A relating to waiver of the risk factor penalty Mr. Taylor in proving what occurred is unyielding in his desire to place you on the witness stand as to the negotiations he had with you and a representative of C & K.

Mr. Taylor again makes demand for immediate payment of his royalty that is being

held in escrow by the American Bank of Carlsbad, and further makes demand that C & K pay the other royalty interest owners as required by paragraph 12 of R-5332.

Yours very truly,

MATKINS AND MARTIN

W. T. Martin, Jr.

WTM: ta
cc: Mr. Bill Taylor
Carlsbad, NM 88220

cc: Oil Conservation Division
Attn: (Ms.) Lynn Teschendorf
General Counsel
Santa Fe, NM 87501

cc: F. Blair Gaffney, Vice Chairman
Carlsbad National Bank
P. O. Box 1359
Carlsbad, NM 88220

SEP 27 19

September 20, 1978
512 Welshire
Carlsbad, New Mexico 88220

American Bank of Carlsbad
P.O. Box 1689
Carlsbad, New Mexico 88220

Dear Escrow Department:

In the hearing of Case 6289 on September 11, 1978, at Santa Fe, New Mexico before the New Mexico Oil Conservation Division Commissioners, Mr. Gil Tompson of C&K Petroleum, Inc. stated C&K Petroleum had placed approximately thirty thousand dollars ($30,000) in an escrow account in the American Bank of Carlsbad for unpaid royalty owners of C&K Carlsbad 13, No. 1 Well, in compliance with Provision No. 12 of Order R-5332 of the NMOCD dated November 30, 1976.

Provision 12 of the NMOCD Order R-5332 states: "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 Commission of the name and address of the escrow agent within 90 days from the date of this order."

I respectfully request my share of the royalty funds established in the escrow account.

In the event the American Bank of Carlsbad cannot furnish my royalty monies herewith, I request information as to exactly what is needed to obtain my money; exactly how much money is established in the fund for me; which months production are designated in the fund; and how the account is established so that my individual royalty is recognized.

Sincerely,

Bill Taylor

Bill Taylor

Xerox: C&K Petroleum, Inc.
New Mexico Oil Conservation Division Case 6289

NMOCD.

P.S. By request of the American Bank attorney, I have held sending my copies until their reply. The reply is enclosed. Please note the account is not an escrow account as testified to by Mr. Tompson, AND does not meet the requirements of Provision 12 of Order R-5332. Therefore C&K is still not in compliance of this provision.

Bill Taylor 9/26/78

CASWELL S. NEAL 1898-1974
JEROME O. MATKINS
W. T. MARTIN, JR.
[redacted]

MATKINS AND MARTIN
ATTORNEYS AT LAW
601 NORTH CANAL STREET
P. O. DRAWER N
CARLSBAD, NEW MEXICO 88220

AREA CODE 505
885-2445
885-2312

SEP 27 1978

September 26, 1978

Mr. Bill Taylor
512 Welshire
Carlsbad, NM 88220

Dear Mr. Taylor:

As you are aware, this office represents the American Bank of Carlsbad.

We have reviewed your demand letters to the American Bank's escrow department. C & K Petroleum has deposited $30,000 in a savings account in its name in the American Bank. This account is not an escrow account nor have any escrow instructions been sent to the American Bank. The American Bank has no authorization or instructions to pay any portion of the savings account to you and can only pay the proceeds to C & K Petroleum.

The American Bank of Carlsbad is, therefore, unable to fulfill your requests in the letter of September 20, 1978.

Yours very truly,

MATKINS AND MARTIN

W. T. Martin, Jr.

ebg

cc: Mr. Jerry N. Jones
President
American Bank of Carlsbad
P. O. Box 1689
Carlsbad, NM 88220

Carlsbad Current Argus

APR 22 1980

New Mexico Press Clipping Bureau
Albuquerque N M

Driller Files Amended Complaint On Company

Local well driller Bill Taylor has filed an amended complaint against C & K Petroleum, Inc., and Transwestern Pipeline Co. for fraud and conversion, asking for numerous things, including $3 million in punitive damages.

Taylor originally filed suit in December 1978 against C & K, which is based in Houston, concerning that firm's methods of operations of a gas well on Radio Boulevard in which Taylor has an interest.

The second complaint, which was filed in district court here earlier this month, says that Taylor is entitled to punitive damages amounting to $3 million because of "wrongful, wanton and malicious acts" of C & K, plus it asks for other payments for which Taylor says the company owes him.

In addition, the complaint says that although Transwestern knew of Taylor's participation in the well, that the pipeline company still purchased all gas from the well and paid C & K for Taylor's share of the gas. It asks that Transwestern pay Taylor money due to him as provided by law and that the company be ordered to make all future royalty and working interest payments directly to Taylor.

Taylor first took his case, in which he asked that C & K be removed as operator of the gas well because the company failed to comply with state regulatory guidelines, to the state Oil Conservation Commission.

The OCC issued an order directing that Taylor be allowed to participate without penalty in the drilling costs of the producing gas well, but it denied his request that the petroleum company be removed as operator of the well.

He then appealed much of the OCC decision in district court in this county, and that case is still pending. C & K also appealed part of the OCC decision.

The complaint filed this month is basically the same as the one filed previously, according to Taylor.

Eddy County gas well operator faces reme

By The Associated Press

Officials of a Texas oil company conceded the corporation had been tardy in the past in filing required state reports on drilling activities, but told the New Mexico Oil Conservation Commission they will mend their ways.

C&K Petroleum Inc. of Houston, Texas, presented its response Monday to a complaint filed against it by Bill Taylor of Carlsbad, who seeks to have the company removed as operator of an Eddy County gas well.

After a day-long hearing, the commission took the matter under advisement. It probably will be several weeks before a decision is reached.

Taylor owns about 13 percent interest in the well—45 acres of a 336-acre drilling unit.

He contendds C&K has failed to comply with state regulations governing well operations, and therefore should be removed as the well operator.

He also asks the commission to relieve him from payment of a 120 percent risk factor assessed against interest owners in the well who chose not to participate in the original drilling costs.

Taylor said he intended to participate in the drilling, had notified C&K of this intent and had the money available to participate. But he contends he was not allowed to participate.

Taylor presented his case against C&K at a hearing before the commission in early August. The company presented its defense against Taylor's allegations at a day-long continuation of the hearing Monday.

Company witnesses conceded that required reports to the state were not filed on a timely basis when the well was drilled and brought into production in early 1977.

Gilbert C. Tompson of Midland, Texas, C&K's production manager, told the commission steps have been taken to prevent a recurrence of these oversights and that submitted reports which contained errors have been amended.

Since Taylor presented his case nearly five weeks ago, C&K has hired an independent auditor to review the records relating to the drilling costs and production payments made to the interest owners of the well.

Dorothy Brown, an auditor with H. Gene Brown and Associates of Houston, told the commission Monday it is common to find a 7-10 percent rate of error in an oil company's accounting of drilling costs. The C&K well cost $563,000 to drill and a 10 percent error rate would amount to about $56,000, she said.

The exceptions found in the audit of the Eddy County well totaled about $20,000, or substantially less than 10 percent, she said.

H. Gene Brown, president of the independent auditing firm, said he had reviewed the audit conducted by Miss Brown. He concurred with her statement that it is common to find a 7-10 percent range of error in accounting for drilling costs.

"If it's less than 7 percent, then it's an extremely clean operation," Brown said.

He said the errors found in the accounting of drilling costs for the Eddy County well were reasonable and normal and he would not recommend any further audit.

"C&K has done an extremely good job of accounting for costs and revenues on this particular well," Brown said.

Taylor appeared at the August hearing well-armed with documents to support his allegations against the company. These documents showed, among other things, that C&K was late in meeting the deadlines established by regulations for reporting on phases of the well drilling and completion.

"We can only admit some reports were not filed when required and there were some errors in the reports," Tompson told the commission under questioning from C&K's attorney, Jason Kellahin of Santa Fe.

Tompson said the company is correcting errors in the reports by submitting amended reports to the state.

Taylor had complained earlier that the company was not following the state regulation requiring withheld royalty payments to be paid into an escrow account in an Eddy County bank.

Tompson said Monday the company has opened such an account recently at the American Bank in Carlsbad.

During his questioning of Tompson, complained he was not permitted to join in the drilling costs, and thus escape the 120 percent risk factor penalty.

Tompson said that in 1976 when the drilling unit was being put together, Taylor was given several opportunities to join in the drilling venture.

"We understood he was going to join and arrangements were made for him to join," Tompson said.

But Taylor never contributed his share of the drilling costs within the specified time, Tompson said.

Taylor's royalty interest in the well is being withheld by C&K, Tompson said, because Taylor has never signed a division order, which outlines the interest of each owner of the well.

Tompson said he would pay Taylor his royalty interest tomorrow if Taylor would only sign the division order.

In cross-examination of Tompson, Taylor asked by what authority was Tompson retaining the royalties due him.

"You are putting it on a personal basis," Tompson replied. "This doesn't have anything to do with you and me. It relates to the policy of our company.

"Why is it you don't want to sign a division order?" Tompson said, answering a question with a question.

"I have no confidence in your company," Taylor replied.

Tompson said it is widespread policy and procedure in the oil industry for well operators to require interest owners to sign a division order before royalty payments are made.

"We are not going to pay you without an order from this commission or a court order," Tompson told Taylor. "If they order us to do it, we will do so."

Tompson said under questioning from from Taylor that C&K had made an error by applying the 120 percent

Carlsbad Current Argus

APR 22 1980

New Mexico Press Clipping Bureau
Albuquerque, N. M.

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"We are not going to pay you without an order from this commission or a court order," Tompson told Taylor. "If they order us to do it, we will do so."

Tompson said under questioning from from Taylor that C&K had made an error by applying the 120 percent risk factor penalty to the operating costs collected by the company after completion of the well.

This mistake was made by uninformed personnel in the accounting office, Tompson said. The mistake was corrected after it was discovered, he said.

Taylor requested of the commission that it determine exactly what items of cost on which the risk factor penalty could be applied.

Joe Ramey, director of the Oil Conservation Commission, pointed out to Taylor a hearing had been held on this issue. The commission determined that "everything necessary to produce the well would be subject to the risk," Ramey said.

Tompson said the company takes the position that the risk penalty can be applied to the supervisory costs during the drilling of a well. But once a well is completed, there is no penalty applied to the company's operating costs, he said.

Tape

25-28 On C-102, acreage is 320 + 336.6. Difference as to income

28 Rule 1103 - C-103 sd be filed wtin 10 days of spudding. Spudded 1-16-77
C-103 filed 2-18-77 LATE

30-32 Rule 1103 - C-103 casing report wtin 10 days of setting. Set 2-22-77
C-103 filed 5-12-77 LATE

33 Rule 1105 C-105 wtin 20 days of completion
? Completed 3-16-77
1-mes tree
3-8
Filed 6-13-77 LATE
✓ dy. of date of completion (104(d)(2))

34-5 No C-103's filed showing chg of plans

35 Rule 1105 DST filed w/ C-105
Filed 6-13-77 LATE

35 ? Rule 401 File C-122 70 days p. Connection
Filed 8-9-77
? Connected 6-21-77

37 C-104 rec'd 6-28-77
Allowable assigned 6-28-77
First run rpd. 6-15-77

~~42 Date gas~~

44-45 C & K did not furnish OCC & WI w/ estimated well costs after date of order. Taylor claims this precluded him from participating.

See also 58

47 And ∴ imposition of 120% risk is improper.

49 Only AFE Taylor rec'd was 11-9-76

58. Got same AFE on date of hearing 11-10-76

62-3 70 days p. 3-16-77 = 6-14-77
Actual well cost rec'd by OCC 6-27-77

62	Objection to well cost filed w/in 45 days if we accept letter of July 19
65	Only objection was cost of tubing
74	Jayla will accept actual cost to C+K
76	Objection to adding to well cost application ~~to~~ risk factor
78	Ex. 14-1 [6-27] showed C+K be limited to this actual well cost? $547,466
81	In 1-78, C+K still applying 220% to something. See ex. 15-3 + 15-4 Also well cost up to $579,611
85	C+K combined w/ Carlsbad "13" + "12" wells - make "13" keep pay off "12". 15-1 + 15-2 + 15-5
90	Wdn't sign Div. Order, so rec'd no royalties
103, 112	No escrow account Interest?
118	C+K used gas to drill Carlsbad "7"?
123	Request substitution of H+S

Ex. No.	Description	Objections	Admit ?
2-1	C&K's application		yes
2-2	Tr, Case 5807		no ?
7-1	C-102		yes
8-2	2-14-77 letter BG		yes
8-3	C-102		yes
8-4A	5-5-77 letter BG		yes
8-4B	5-17-77 letter BG		yes
8-5	unapproved C-103		yes
8-6	approved C-103		yes
9-1	C-105		yes
9-2	DST		yes
9-3	C-101		yes
10-1	6-10-77 letter C&K		yes
10-2	C-122		yes
11-1	Allowable		Yes
11-2	1-20-78 letter C&K		yes
11-3	C-105		Yes
11-4	C-104		yes
11-5	Notice of connection TWP		yes ?
12-1	R-5332		yes
12-2	7-19-77 letter BT		yes
12-4	2-6-78 letter BT		Yes
12-5	2-14-78 letter RLS		yes
12-6	4-21-78 letter LT		yes
12-7	Memo RLS		yes
13-4	2-26-77 letter BT		yes
14-1	6-24-77 letter C&K		yes
C&K-1	invoice for tubing		Yes
15-6	7-10-78 letter BT		yes
15-3	1-13-78 letter C&K		Yes
15-4	1-30-78 letter C&K		Yes
15-1	1-13-78 letter C&K		yes
15-2	3-21-78 letter C&K		yes

Ex. No.	Description	Objections	Admit?
15-5	6-22-78 letter C+K		
16-1	1-24-78 letter BT		
16-2	1-24-78 letter BT		
16-3	3-15-78 letter BT		
16-4	3-30-78 letter BT		
16-5	4-19-78 letter BT		
16-6	5-3-78 letter BT		
16-7	7-7-78 letter BT		
16-8	4-14-78 letter C+K		
16-9	5-19-78 letter C&K		
16-10	6-16-78 letter C+K		
17-1	C-111's		
17-2A	old C-115's		
17-2B	new C-115's		
17-3	O&G Accting Comm fig.		
17-4A	BT's summary		
17-8	7-10-78 letter BT		
17-5	Petition	no	
17-6A-D	Check Stubs	?	
17-9	7-19-78 letter C+K		
17-7	print-out of 10-77	?	
19-1	8-4-78 letter H+S	no	
5-2A	ownership records	?	
5-2B	ownership records	?	
20	Cert. receipt		
9B-1	8-21-78 letter GR		
15-7	8-22-78 letter C+K		
C&K 13	11-9-76 agreement		
21-5	operating agreement		

15.025

	TW C-111	Corrected C&K C-111	Corrected C&K C-115	(TW) Acct'g. Comm
			C-111's	
June '77	9,791	OK ~~2866~~	9,791 + 2866	10,042
July	49,538	2988	49,536 + 2988	49,538
Aug	54,191	4055	54,188 + 4055	54,191
Sept	53,623	949	53,621 + 949	53,623
Oct	55,110		55,108	55,110
Nov	48,960		48,958	48,960
Dec	48,073		48,071	48,073
Jan	47,840		47,838	47,840
Feb	42,249		42,247	42,249
Mar	43,849		43,847	43,849
April	40,548		40,456	40,548
May	43,190		43,189	
June	40,515		40,513	

	C&K C-115	(C&K) Acctg Comm	Check stubs RI
June '77	10,042	10,042	10,042
July	50,806	50,806	50,806
Aug	55,578	61,432 OK	55,578 (5 8 54)
Sept	54,996	54,996	54,996
Oct	56,521	56,521	56,521 (5004) OK
Nov	50,213	50,213	50,213
Dec	49,304	49,304	49,304
Jan	49,065	49,065	49,065
Feb	43,330	43,330	43,330
Mar	44,971	44,971	44,971
April	40,856 } corrected to 15.025	41,586 OK	41,586
May	43,189 }		OK 44,296
June	40,513		OK 41,552

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

JERRY APODACA
GOVERNOR

NICK FRANKLIN
SECRETARY

July 19, 1978

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

Mr. Bill Taylor
512 Welshire
Carlsbad, New Mexico 88220

Re: Case No. 6289

Dear Mr. Taylor:

Enclosed you will find the original and two copies of a Subpoena Duces Tecum directed towards Fred Larson. One copy is for your files. You should send the original and the other copy to the appropriate county sheriff for service, with instructions to serve Mr. Larson with the copy and to send the original back to me after the Return of Service has been filled out.

Please let me know if you have any questions.

Very truly yours,

LYNN TESCHENDORF
General Counsel

LT/dr

cc: G. C. Tompson
C & K Petroleum

To: Fred Larson
Manager of Gas Purchase Contracts
Transwestern Pipeline Co.
Southern National Bank Bldg.
P. O. Box 2521
Houston, Texas 77001

CASE NO. 6289

SUBPOENA DUCES TECUM

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

To Fred Larson Greeting:

We command you to be and appear August 9, 1978 before the Oil Conservation Commission of the State of New Mexico, at The Oil Conservation Commission Conference Room in the State Land Office Building, in the City of Santa Fe, then and there to testify in the Case of Bill Taylor for enforcement and amendment of Order No. R-5332, Eddy County, New Mexico, on behalf of Bill Taylor and also that you bring with you and produce at the time and place aforesaid records for the Carlsbad "13" Well No. 1, Unit G, Sec. 13, T-22-S, R-26-E as follows: 1. Total payments made each month to C & K Petroleum from June, 1977, to date; 2. Total volume of gas purchased each month from June, 1977, to date; 3. The basic rate paid per MCF per month at 14.65 p.s.i.a.; 4. Tax reimbursements made to C & K Petroleum per month; 5. The BTU adjustment paid per month; 6. The quality adjustment per month; and 7. The date of first gas purchased from the well by Transwestern Pipeline.

And this do you under penalty of the law

WITNESS JOE D. RAMEY, Member of the Oil Conservation Commission of the State of New Mexico, and the seal of said Commission, this 19th day of July 19 78.

Joe D. Ramey

SEAL

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

JERRY APODACA
GOVERNOR

NICK FRANKLIN
SECRETARY

July 17, 1978

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

Mr. Bill Taylor
512 Welshire
Carlsbad, New Mexico 88220

Re: Order No. R-5332

Dear Mr. Taylor:

It appears that the Division may have been negligent in the matter of your objections to well costs. I did not know we had received such a letter; it is not in our file and I am unable to locate it. You certainly would be entitled to a hearing on that matter, having filed a timely objection. It is too bad that the existence of such a letter did not come to light sooner, for we may have saved ourselves considerable letter-writing. I would appreciate your furnishing me with a copy of that letter, or you may wish to prove its existence at the outset of the hearing as a threshold jurisdictional issue.

This matter is being set before the full Commission, probably during the month of August. You will be notified as to the exact time when it is finalized.

Other matters for review will include whether actual expenditures for operating the well are reasonable, whether C & K Petroleum is withholding costs improperly from production, whether C & K Petroleum should be replaced as operator, and whether imposition of the risk factor is proper.

I have asked the Oil and Gas Accounting Commission to furnish us with all their records for the Carlsbad "13" Well No. 1, as per your letter of July 10, no subpoenas will be issued.

Very truly yours,

Lynn Teschendorf

LYNN TESCHENDORF
General Counsel

LT/dr

cc: G. C. Tompson
C & K Petroleum, Inc.

Dockets Nos. 28-78 and 29-78 are tentatively set for hearing on August 30 and September 13, 1978. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 16, 1978

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

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

ALLOWABLE: (1) Consideration of the allowable production of gas for September, 1978, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.

(2) Consideration of the allowable production of gas for September, 1978, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 6290: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit R. A. Crane, Jr., Great American Insurance Co., and all other interested parties to appear and show cause why the Donella Well No. 1 located in Unit P of Section 3, Township 29 North, Range 15 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6291: Application of Mesa Petroleum Co. for a triple completion, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the triple completion (conventional) of its State Com S Well No. 15A located in Unit D of Section 36, Township 32 North, Range 12 West, San Juan County, New Mexico, to produce gas from an undesignated Fruitland pool, the Blanco-Pictured Cliffs Pool, and the Blanco Mesaverde Pool thru two strings of tubing and the casing-tubing annulus.

CASE 6292: Application of Amoco Production Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Teledyne Federal Gas Com. Well No. 1 to be drilled 660 feet from the South line and 330 feet from the East line of Section 4, Township 23 South, Range 29 East, Eddy County, New Mexico, the E/2 of said Section 4 to be dedicated to the well.

CASE 6293: Application of Cities Service Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Polk "A" Well No. 1 located in Unit B of Section 17, Township 23 South, Range 28 East, Eddy County, New Mexico, to produce gas from the Strawn and Morrow formations thru parallel strings of tubing.

CASE 6279: (Continued from August 2, 1978, Examiner Hearing)

Application of Hanagan Petroleum Corporation 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 28, Township 21 South, Range 26 East, Avalon Hills-Morrow 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 6288: (Continued from August 2, 1978, Examiner Hearing)

Application of Dorchester Exploration, Inc., for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order creating a new oil pool in the Strawn formation for its Wilson State Com Well No. 1 located in Unit I of Section 13, Township 21 South, Range 34 East, Lea County, New Mexico, and for promulgation of special pool rules, including provision for 160-acre spacing;

in the alternative, applicant seeks approval of 80-acre spacing for said pool. (This case will be dismissed.)

CASE 6294: Application of El Paso Natural Gas Company for an exception to Rule 2(A) of Order No. R-1670, as amended, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 2(A) of Order No. R-1670, as amended, for the Blanco Mesaverde Pool to approve the unorthodox location of its EPNG "B" Well No. 1, located in Unit O of Section 28, Township 32 North, Range 6 West, San Juan County, New Mexico, as an off-pattern well in said pool.

CASE 6286: (Continued from August 2, 1978, Examiner Hearing)

Application of El Paso Natural Gas Company for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Blanco Mesaverde and Basin-Dakota gas production in the wellbore of its EPNG "B" Well No. 1 located in Unit O of Section 28, Township 32 North, Range 6 West, San Juan County, New Mexico.

CASE 6287: (Continued from August 2, 1978, Examiner Hearing)

Application of Jack A. Cole for an unorthodox gas well location, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of his Apache Flats Well No. 11, located 1712 feet from the South line and 1223 feet from the East line of Section 28, Township 23 North, Range 4 West, Ballard-Pictured Cliffs Pool, Sandoval County, New Mexico.

CASE 6295: Application of Yates Petroleum Corporation for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Austin-Mississippian Gas Pool, Lea County, New Mexico, to provide for 320-acre spacing rather than 160 acres. In the absence of objection, this pool will be placed on the standard 320-acre spacing for deep gas pools.

In the alternative, the applicant seeks to limit the 160-acre spacing rules of said Austin-Mississippian Gas Pool to the present horizontal limits of the pool.

CASE 6296: Application of Texaco Inc. for an unorthodox location and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its A. H. Blinebry Fed. (NCT-4) Well No. 3 located 700 feet from the South line and 2100 feet from the East line of Section 31, Township 22 South, Range 38 East, Tubb Gas Pool, Lea County, New Mexico, the S/2 S/2 of said Section 31 to be simultaneously dedicated to the aforesaid well and to applicant's A. H. Blinebry Fed. (NCT-4) Well No. 1 located in Unit P of said Section 31.

CASE 6297: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, contracting, and extending certain pools in Chaves, Eddy, and Lea Counties, New Mexico:

(a) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Indian Flats-Atoka Gas Pool. The discovery well is Perry R. Bass Big Eddy Unit Well No. 41 located in Unit J of Section 35, Township 21 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 28 EAST, NMPM
Section 35: E/2

(b) CREATE a new pool in Chaves County, New Mexico, classified as an oil pool for San Andres production and designated as the South Lonesome-San Andres Pool. The discovery well is Flag-Redfern Oil Company Wilson Well No. 1 located in Unit A of Section 31, Township 8 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 8 SOUTH, RANGE 32 EAST, NMPM
Section 31: NE/4

(c) CREATE a new pool in Chaves County, New Mexico, classified as a gas pool for Morrow production and designated as the Many Gates-Morrow Gas Pool. The discovery well is Amoco Production Company State DQ Well No. 1 located in Unit C of Section 32, Township 9 South, Range 30 East, NMPM. Said pool would comprise:

TOWNSHIP 9 SOUTH, RANGE 30 EAST, NMPM
Section 32: N/2

(d) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the Millman-Wolfcamp Gas Pool. The discovery well is Depco, Inc. DHY State B Well No. 1 located in Unit L of Section 11, Township 19 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM
Section 11: W/2

(e) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the South Shoe Bar-Morrow Gas Pool. The discovery well is HNG Oil Company Shoe Bar Ranch "3" Well No. 1 located in Unit C of Section 3, Township 17 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 35 EAST, NMPM
Section 3: N/2

(f) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Strawn production and designated as the Wilson-Strawn Pool. The discovery well is Dorchester Exploration, Inc. Wilson State Com Well No. 1 located in Unit I of Section 13, Township 21 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM
Section 13: SE/4

(g) CONTRACT the vertical limits of the Wilson-Pennsylvanian Gas Pool in Township 21 South, Range 34 East, Lea County, New Mexico, to the Morrow formation only, and redesignate said pool as the Wilson-Morrow Gas Pool. This contraction is necessary because of the completion of a Strawn oil well in same pool acreage.

(h) EXTEND the Austin-Mississippian Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 36 EAST, NMPM
Section 16: SW/4
Section 17: SE/4

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

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM
Section 10: W/2

(j) EXTEND the Avalon-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM
Section 3: S/2
Section 10: W/2

(k) EXTEND the South Bell Lake-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 34 EAST, NMPM
Section 7: S/2
Section 18: N/2

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

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

(m) EXTEND the Buffalo-Pennsylvanian Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM
Section 5: SW/4
Section 6: SE/4

(n) EXTEND the Burton Flat-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM
Section 14: E/2

(o) EXTEND the East Burton Flat-Atoka Gas Pool in Eddy County, New Mexico to include therein:

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMPM
Section 16: E/2
Section 20: N/2
Section 21: N/2

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

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM
Section 29: E/2

TOWNSHIP 23 SOUTH, RANGE 27 EAST, NMPM
Section 21: N/2

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

TOWNSHIP 8 SOUTH, RANGE 30 EAST, NMPM
Section 32: SW/4

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

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM
Section 20: S/2
Section 21: S/2
Section 28: N/2

TOWNSHIP 20 SOUTH, RANGE 24 EAST, NMPM
Section 36: N/2

(s) EXTEND the Comanche Stateline-Yates Pool in Lea County, New Mexico, to include therein:

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

(t) EXTEND the Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 7: E/2 and SW/4

(u) EXTEND the Eagle Creek-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 5: W/2
Section 6: E/2

(v) EXTEND the E K-Bone Springs Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM
Section 32: NE/4
Section 33: W/2

(w) EXTEND the Grayburg Jackson Seven Rivers-Queen-Grayburg-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 32 EAST, NMPM
Section 31: N/2

(x) EXTEND the Hoag Tank-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM
Section 15: S/2

(y) EXTEND the Justis-Blinebry Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM
Section 3: E/2 SE/4

(z) EXTEND the West King-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 37 EAST, NMPM
Section 8: NW/4

(aa) EXTEND the South Leonard-Queen Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM
Section 13: NW/4
Section 14: W/2

(bb) EXTEND the Maljamar-Grayburg-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM
Section 11: SE/4

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

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM
Section 20: S/2
Section 29: N/2

(dd) EXTEND the Red Lake Queen-Grayburg-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM
Section 13: W/2 SE/4 and NE/4 SE/4

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 18: SW/4

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

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

(ff) EXTEND the Sand Springs-Devonian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 11 SOUTH, RANGE 34 EAST, NMPM
Section 2: SE/4

(gg) EXTEND the North Teague-Devonian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM
Section 27: NE/4

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

TOWNSHIP 7 SOUTH, RANGE 31 EAST, NMPM
Section 33: W/2

(ii) EXTEND the Wantz-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 3: NE/4

(jj) EXTEND the Wantz-Granite Wash Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
Section 35: NE/4

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

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 28: NW/4
Section 29: NE/4

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

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM
Section 8: All

TOWNSHIP 25 SOUTH, RANGE 26 EAST, NMPM
Section 4: All
Section 10: All

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Docket No. 25-78

DOCKET: COMMISSION HEARING - WEDNESDAY - AUGUST 9, 1978

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 6222: (Rehearing)

Application of Paul Hamilton for salt water disposal well shut-in, Lea County, New Mexico. Upon application of Paul Hamilton there will be a rehearing of Case No. 6222, Order No. R-5753. This case involves the application of Paul Hamilton for an order shutting down salt water disposal operations in the Texaco, Inc., New Mexico State "BO" SWD Well No. 3, located in Unit D of Section 24, Township 11 South, Range 32 East, Moore-Devonian Pool, Lea County, New Mexico. Pursuant to Commission Order No. R-5753-A, evidence at said rehearing shall be limited to evidence relating to data regarding water quality and water level obtained from an observation well completed next to the aforesaid SWD Well No. 3, and to other new evidence unavailable at the time of the original hearing of this case on May 31, 1978. (This case will be continued to August 23.)

Docket No. 25-78

CASE 6289: Application of Bill Taylor for enforcement and amendment of Order No. R-5332, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a determination of well costs, an accounting of expenditures and costs withheld from production, and the amendment of Order No. R-5332 to remove the present operator of the pooled proration unit comprising the N/2 of Section 13, Township 22 South, Range 26 East, South Carlsbad Field, Eddy County, New Mexico, and designate another operator for said unit.

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Docket No. 27-78

DOCKET: COMMISSION HEARING - WEDNESDAY - AUGUST 23, 1978

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 6222: (Rehearing) (Continued from August 9, 1978, Commission Hearing)

Application of Paul Hamilton for salt water disposal well shut-in, Lea County, New Mexico. Upon application of Paul Hamilton there will be a rehearing of Case No. 6222, Order No. R-5753. This case involves the application of Paul Hamilton for an order shutting down salt water disposal operations in the Texaco, Inc., New Mexico State "BO" SWD Well No. 3, located in Unit D of Section 24, Township 11 South, Range 32 East, Moore-Devonian Pool, Lea County, New Mexico. Pursuant to Commission Order No. R-5753-A, evidence at said rehearing shall be limited to evidence relating to data regarding water quality and water level obtained from an observation well completed next to the aforesaid SWD Well No. 3, and to other new evidence unavailable at the time of the original hearing of this case on May 31, 1978.

Ex. No.	Description
2-1	C&K's application
2-2	Tr, Case 5807
7-1	C-102
8-2	2-14-77 letter BG
8-3	C-102
8-4A	5-5-77 letter BG
8-4B	5-17-77 letter BG
8-5	unapproved C-103
8-6	approved C-103
9-1	C-105
9-2	DST
9-3	C-101
10-1	6-10-77 letter C&K
10-2	C-122
11-1	Allowable
11-2	1-20-78 letter C&K
11-3	C-105
11-4	C-104
11-5	Notice of connection TWP
12-1	R-5332
12-2	7-19-77 letter BT
12-4	2-6-78 letter BT
12-5	2-14-78 letter RLS
12-6	4-21-78 letter LT
12-7	Memo RLS
13-4	2-26-77 letter BT
14-1	6-24-77 Letter C&K
C&K-1	invoice for tubing
15-6	7-10-78 letter BT
15-3	1-13-78 letter C&K
15-4	1-30-78 letter C&K
15-1	1-13-78 letter C&K
15-2	3-21-78 letter C&K

Ex. No.	Description
15-5	6-22-78 letter C&K
16-1	1-24-78 letter BT
16-2	1-24-78 letter BT
16-3	3-15-78 letter BT
16-4	3-30-78 letter BT
16-5	4-19-78 letter BT
16-6	5-3-78 letter BT
16-7	7-7-78 letter BT
16-8	4-14-78 letter C&K
16-9	5-19-78 letter C&K
16-10	6-16-78 letter C&K
17-1	C-111's
17-2A	old C-115's
17-2B	new C-115's
17-3	O&G Accting Comm fig.
17-4A	BT's summary
17-8	7-10-78 letter BT
17-5	Petition
17-6A-D	Check Stubs
17-9	7-19-78 letter C&K
17-7	print-out of 10-77
19-1	8-4-78 letter H&S
5-2A	ownership records
5-2B	ownership records

CASWELL S. NEAL 1898-1974
JEROME D. MATKINS
W. T. MARTIN, JR.
[redacted]

MATKINS AND MARTIN
ATTORNEYS AT LAW
601 NORTH CANAL STREET
P. O. DRAWER N
CARLSBAD, NEW MEXICO 88220

AREA CODE 505
885-2445
885-2312

September 5, 1978

Ms. Lynn Teschendorf
State Land Office Bldg.
Sante Fe, NM 87501

Re: C & K Petroluem - Taylor

Dear Ms. Teschendorf:

Mr. Bill Taylor has periodically come into my office discussing his problems with the Oil Conservation Commission. At his request, I am writing this letter to you concerning an evidentiary ruling or objection, as the case may be, made in the last hearing. It appears that an objection was raised that check stubs from C & K Petroleum constituted heresay. I have a great deal of trouble with that objection or ruling in that C & K is a party to the action and those records come from C & K, thus not constituting hearsay. On behalf of Mr. Taylor and at Mr. Taylor's request, objection is raised to that ruling and request is made that those check stubs be admitted as evidence at the hearing. This letter should not be considered as an entry of appearance on my part in the hearing on behalf of Mr. Taylor.

Yours very truly,

MATKINS AND MARTIN

W. T. Martin, Jr.

rlh

Case 6289

Bill Taylor
Jason - C & K Petroleum
Cil Thompson

Taylor

Obj. 1 - Jason represents only C & K

Obj. 2 - Can't challenge C & K's rite to be operator. That is collateral attack on Order No. R-5337.

C-102 Acreage dedication wrong?
Taylor claims perjury.
Not 320, 336+ acres. Interests diff.
~~Diff. of 5~~

Letters from Bill C.
- ~~8~~ Drilling report
- C-103 Not filed properly - 20 days late
- ~~C-103~~ C-103 Cement & Casing Also late

8-5 insufficient C-103
8-7B letter of May 5 from Bill
8-6 C-103 filed 6-10-77

✓ rules 107 & 1103

9-1 C-105 completion report 80 days late
117, 1105
104(D)(2) Date X-mas tree installed about 3-5-77. Date listed as completion 3-16-77.
9-2 DST filed late too
9-3 C-101 diff. C-103 Sd've been filed to show change in plans

10-2 C-122 filed late. See 104(D)
OCC often waives potential use to prevent waste of gas when near gas pools & pipeline

11-4 C-104 Some gas used for drilling Carlsbad "12"

11-2 C-105 for Carlsbad "12"

11-5 Notice of gas connection on 6-21-77

9,791 MCF sold in June
Claims this was in excess of allowable?
Claims no allowable had been assigned yet, & this was illegal gas.
6-15 to 6-28 w/o allowable.

6-23? on C-104
1st gas to TEW pipeline 6-21 } normal O.P.
allowable rec'd 6-28 }
Other gas for lease purposes

12-1 R-5332
Estimated well costs ~~were~~ submitted not w/in 30 days prior to 1-16-76? Not w/in 30 days tho
Got an AFE 21 days before order issued.
We never paid one.

12-2 (?) Letter Bill Taylor to C&K, cc to OCC
see A 2(a) Obj. to well costs?

12-4 Dec, '78 letter 2-6-78
Disallow 120% because of Order No 3, R-5332

Want to give C&K

T/C Kennedy - Taylor re: AFE
When?

Blair Taylor's affidavit - financing C&K well

2-26-77 letter from B.T. to C&K

Taylor did not ante up any C&K didn't send AFE after hearing
Got an AFE 11-10-77
Can't apply 120% if BT complies w/ provision (4) of the Order. And BT won't comply till C&K does (3).
Wants 120% done away with.

Actual well costs due June 18? 1977 (90 days from 3-10-77). Filed 9 days late. Taylor had 45 days to object. Sent letter 12-2 Claims ¶ 2(c) is obj. — cost of tubing. Not directed to OCC

Wd not give me a reasonable price for 2 7/8" new tubing —
C&K says $33,000 ≈ $2.70/foot
Agrees to 12,000' of tubing

actual cost 2.87/ft

7,5.. ' tubing
C&K invoice

2.7
32 | 33 3/4
90

11,217
2.87
$32,192.79 — reasonably close

Bill of lading for tubing will be sent.

C&K has been applying 120% risk. Paid 1st. to drilling of well. Taylor says 120% applied to operating costs? Not sure - wants to know

7

Obj. - 120% shdn't be applied to drilling costs. He was never given a chance to participate.

Ex 15-2 Diff. bet Ex. 14-1 in risk application

Even w I % contested esp if no. of acres.

Well costs rose continually + 120% added on. Were these legitimate well costs? Was this before July actual well cost?

Typing ① WI together & ② R-5441 Carlsbad "12" No. 1 pay-out.

?

RI not pd? Will pd-out
Ex 16-1 + 16-2 Never signed Division Order. Refused because gave C&K too many rights.
?? Order specifies 1/8 RI, ~~1/4~~ 7/8 WI

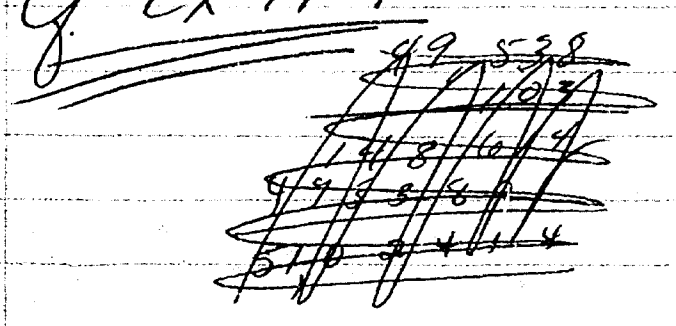
?

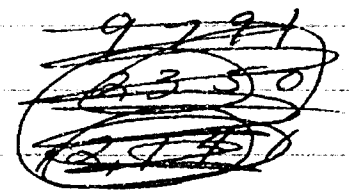
Provision (12) escrow - C&K hasn't put in escrow acct?
Has C&K pd 1/8 RI?

(7.) Cf. C-111 and C-115 press. diff?

(?) Cf. Acctng comm reports to C-111 and C-115.

Cf Ex 17-7





Wants to substitute H&S as operator
Oil Co.

Otherwise, wants us to require C&K to post a bond.

N.B. — Brice Dayton's exhibits need to be admitted

Jason wants to object.

Dockets Nos. 31-78 and 32-78 are tentatively set for hearing on September 27 and October 11, 1978. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - MONDAY - SEPTEMBER 11, 1978

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 6289: (Continued from August 23, 1978, Commission Hearing)

Application of Bill Taylor for enforcement and amendment of Order No. R-5332, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a determination of well costs, an accounting of expenditures and costs withheld from production, and the amendment of Order No. R-5332 to remove the present operator of the pooled proration unit comprising the N/2 of Section 13, Township 22 South, Range 26 East, South Carlsbad Field, Eddy County, New Mexico, and designate another operator for said unit.

CASE 6146: (DE NOVO)

Application of Jerome P. McHugh for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Tapacito-Gallup and Basin-Dakota production within the wellbore of his Jicarilla Well No. 5 located in Unit D of Section 29, Township 26 North, Range 4 West, Rio Arriba County, New Mexico.

Upon application of Jerome P. McHugh this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6328: Application of Maralo, Inc., for statutory unitization, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order unitizing, for the purpose of secondary recovery, all mineral interests in the Jalmat Yates Unit underlying the following described lands in Township 25 South, Range 36 East:

Section 12: SE/4
Section 13: NE/4

and the following described lands in Township 25 South, Range 37 East:

Section 18: NW/4 and N/2 SW/4

all in Lea County, New Mexico.

The unitized interval would be all formations or zones extending from the top of the Yates formation down to 100 feet below the base of the Queen formation in the Humble-Winters "A" Well No. 2 located in Unit C of Section 18, Township 25 South, Range 37 East.

Among the matters to be considered at the hearing will be the necessity of unit operations; the designation of a unit operator; the determination of the horizontal and vertical limits of the unit area; the determination of a fair, reasonable, and equitable allocation of production and costs of production, including capital investment, to each of the various tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in wells and equipment; and such other matters as may be necessary and appropriate for carrying on efficient unit operations, including, but not necessarily limited to, unit voting procedures, selection, removal, or substitution of unit operator, and time of commencement and termination of unit operations.

CASE 6313: Application of Maralo, Inc., for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project on its Jalmat Yates Unit Area, Lea County, New Mexico, by the injection of water into various wells located in Township 25 South, Ranges 36 and 37 East.

Joe -

As far as I can tell, this is not a delegation of authority to Bill Taylor to represent Bill Page.

L

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

RE: Case No. 6289

Dear Division:

I am recuperating from surgery and am unable to appear personally at your continuance of Case 6289. I request allowance of my appearance by letter as provided under Rule 1208 of the Oil Conservation Rules and Regulations.

I request you allow the same consideration for my working interest (of C&K Carlsbad 13 No. 1 Well, forced pooled under Order R-5332) as you allow Bill Taylor's working interest as a result of the hearing and continuance.

The same facts concerning intended participation, lack of proper AFE, etc. are applicable to my interest in value equal to Bill Taylor's. For all practical purposes, Page and Taylor have treated the two working interests as one in intent and desired results in negotiations, participation efforts and requested considerations of the NMOCD. They are two separate interests otherwise.

Respectfully yours,

William A. Page, Jr.

Mr. William A. Page, Jr.

10129 Monaco
El Paso, Texas 79925
(915) 598-3577

AUG 28 1978
L CONSERVATION COMM.
Santa Fe

WITNESS: Janna Sommers

Mrs. Janna Sommers
P. O. Box 1468
St. Johns, Arizona 85936 (602) 337-2567

WITNESS: Brenda Quaranta

Mrs. Brenda Quaranta
10574 Kinross
El Paso, Texas 79925 598-1726

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

JERRY APODACA
GOVERNOR

NICK FRANKLIN
SECRETARY

August 22, 1978

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

Mr. Bob D. Burnett
201 E. Quay
Carlsbad, New Mexico 88220

Re: Case No. 6289

Dear Mr. Burnett:

I have received your letter of August 17, but unfortunately, unless you can appear in person and give sworn testimony as to the check stubs, they are inadmissable as hearsay evidence. I am therefore returning them to you with the thought that you may need them at some future date. I'm sorry that you will be unable to appear, since you are obviously interested in the case.

Incidentally, the hearing has been continued to September.

Very truly yours,

(MS.) LYNN TESCHENDORF
General Counsel

LT/dr

enc.

cc: Bill Taylor
Jason Kellahin

August 16, 1978
512 Welshire
Carlsbad, New Mexico 88220

RECEIVED
AUG 21 1978
Oil Conservation Commission

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

Re: Case No. 6289

Dear sirs:

I did not object to a continuance of two weeks to the hearing on August 9, 1978, to allow C&K Petroleum, Inc. to check out the accuracy of the figures and dates concerning the documents I offered into evidence.

Very few of my exhibits were not initiated, filed, or received by C&K Pet. prior the hearing and are a part of their records. Many are documents requiring certification by C&K.

I hereby file my formal objection to any further extension of the hearing, presently continued to August 23, 1978. Any further extension would continue to compound the advantages to be gained by C&K Pet. in possible fabrication of justification for erroneous actions for which they should already have the answers. Since C&K is already acquainted with almost all the documents and the hearing was advertised as required, C&K should have requested any desired continuance prior my presentation, not afterwards.

Mr. Kellahin, C&K attorney, stated to Bill Taylor and Mr. Bill Feather a necessity of a working interest in order to legally qualify as an operator of a well. I again request that C&K Petroleum, Inc. produce evidence of their right to represent the owners of the well, C&K H 1973 Development Venture and Desana Corporation, etc., whose ownership is evidenced by the Oil and Gas Lease Assignments, certified to by the Eddy County Abstract Company, and introduced as Reference 5-2 a & b. No public records show any interest for C&K Petroleum, Inc. This accounting should be basic accounting.

Sincerely,

Bill Taylor

Bill Taylor

Xerox: J. Kellahin, C&K attorney

(m) EXTEND the Rusty-Chacra Pool in Sandoval County, New Mexico, to include therein:

TOWNSHIP 22 NORTH, RANGE 7 WEST, NMPM
Section 24: SE/4
Section 27: NE/4

(n) EXTEND the Tapacito-Pictured Cliffs Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 25 NORTH, RANGE 3 WEST, NMPM
Section 2: NW/4

(o) EXTEND the Tocito Dome-Pennsylvanian D Oil Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 18 WEST, NMPM
Section 14: SW/4
Section 23: W/2

(p) EXTEND the WAW-Fruitland-Pictured Cliffs Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 25 NORTH, RANGE 12 WEST, NMPM
Section 2: NE/4
Section 4: All
Section 5: SE/4

TOWNSHIP 27 NORTH, RANGE 13 WEST, NMPM
Section 27: SW/4

****

Docket No. 27-78

DOCKET: COMMISSION HEARING - WEDNESDAY - AUGUST 23, 1978

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 6289: (Continued from August 9, 1978, Commission Hearing)

Application of Bill Taylor for enforcement and amendment of Order No. R-5332, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a determination of well costs, an accounting of expenditures and costs withheld from production, and the amendment of Order No. R-5332 to remove the present operator of the pooled proration unit comprising the N/2 of Section 13, Township 22 South, Range 26 East, South Carlsbad Field, Eddy County, New Mexico, and designate another operator for said unit.

CASE 6222: (Rehearing) (Continued from August 9, 1978, Commission Hearing)

Application of Paul Hamilton for salt water disposal well shut-in, Lea County, New Mexico. Upon application of Paul Hamilton there will be a rehearing of Case No. 6222, Order No. R-5753. This case involves the application of Paul Hamilton for an order shutting down salt water disposal operations in the Texaco, Inc., New Mexico State "BO" SWD Well No. 3, located in Unit D of Section 24, Township 11 South, Range 32 East, Moore-Devonian Pool, Lea County, New Mexico. Pursuant to Commission Order No. R-5753-A, evidence at said rehearing shall be limited to evidence relating to data regarding water quality and water level obtained from an observation well completed next to the aforesaid SWD Well No. 3, and to other new evidence unavailable at the time of the original hearing of this case on May 31, 1978.

(2) Commissioner's Hearing
Case [illegible]

1

Application of Bill Taylor for enforcement and amendment of Order No. R-5332, Eddy County, N. M.

Applicant in the above-styled cause seeks a determination of well costs, an accounting of expenditures and costs withheld from production, and the amendment of Order No. R-5332 to remove the present operator of the pooled proration unit comprising the N/2 of Section 13, T 22S, R 26E, South Carlsbad Field, Eddy County, NM, and designate another operator for said unit.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

JERRY APODACA
GOVERNOR

NICK FRANKLIN
SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5434

July 7, 1978

Mr. Bill Taylor
512 Welshire
Carlsbad, New Mexico 88220

Re: Order No. R-5332

Dear Mr. Taylor:

Receipt is acknowledged of your application for hearing concerning the above-referenced order. Before setting this matter, however, it will be necessary to clarify our subpoena procedures.

We will issue subpoenas for all persons you have indicated. You must provide us with their proper addresses, and will have to make arrangements for service of the subpoenas yourself. Service should include proper witness and mileage fees as specified by Rule 45 of the New Mexico Rules of Civil Procedure.

We will also be glad to issue subpoenas for records and other documents. These will have to be directed towards a specific person, however, and must be quite detailed as to which documents you are seeking. All records of the Oil Conservation Division need not be subpoenaed, as the Commissioners will take administrative notice of them upon request.

You will have to provide your own accountant; I'm sure that any unbiased certified public accountant will be acceptable to the Commissioners.

You make reference to "other interested parties... not presently on public record." We would appreciate having a list of their names and addresses so that we can send them notice of the upcoming hearing.

Since you have failed to avail yourself of the proper administrative remedies for challenging well costs and

risk factor, the Commission will only be able to consider removal of C & K Petroleum as operator. In that regard, you may offer evidence as to accounting of production, payment of royalties, or whatever else is material and relevant to that issue.

As soon as you furnish us with the information requested, we will set the matter for hearing and issue all subpoenas. Proper notice will be given to all interested parties.

Very truly yours,

LYNN TESCHENDORF
General Counsel

LT/fd

June 30, 1978
512 Welshire
Carlsbad, New Mexico 88220

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

Case 6289

Dear Mr. Ramey:

Please find enclosed three copies of the application of Bill Taylor (& W.A.Page, Jr.) for a hearing concerning Order R-5332, operator (C&K Petroleum, Inc.) compliance with regulations, and operator removal request.

I request hearing notification publication in the Carlsbad Current Argus, P.O. Box 1629, 620 S. Main, Carlsbad, NM 88220 (Eddy County), as per notice of hearing per Statute 65-3-6, as well as the personal notices, etc. the Commission customarily undertakes.

In order that correlative rights be protected with a minimum waste of time, I request the Commission, under statute 65-3-7, subponea the following for the hearing:

1. Edward W. Hooper, C&K Representative at hearing 5807 on 11/10/76.
2. Jason W. Kellahin, C&K Attorney at hearing 5807 on 11/10/76.
3. David E. Botts, C&K Supervisor of Partnership Accounting.
4. Jack Taylor, 3802 Highland View Dr., Farmington, NM, witness.
5. C&K Pet., Inc. records concerning C&K Carlsbad "13" Com., No. 1 Well (located in the N½ Sec. 13, T-22S, R-26E, NMPM, Eddy County, NM), including but not limited to:
   a. Phone calls and summaries,
   b. Drilling and completion activities, filings, and records,
   c. Compliance with Order R-5332,
   d. Letters of correspondence, etc.,
   e. Gas production, sales, reports, & payments of individual working interest and royalty owners,
   f. Legal documentation of well ownership (dates, etc.), lease copies, assignments, partnerships, letters of agreement, etc.,
   g. Rights of partnership, liabilities, etc.

6. TransWestern Pipeline (common gas purchaser of C&K Carlsbad "13" Com. No. 1 Well production) volumn and payment records in manner that such will be acceptable to the Commission as admittable evidence.

7. Records of the Oil and Gas Accounting Division, Santa Fe, concerning the identified well are needed, in form acceptable to the Commission as admittable evidence.

8. Records of the Oil and Gas Conservation Division on file at Santa Fe and Artesia, NM, in form acceptable to the Commission as admittable evidence. Testimony from Mr. R.L.Stamets, examiner for the Commission, will also be needed.

Presentation of evidence from all sources and with all persons named is intended.

The Commission is requested to have available an accountant whose figures will provide valid and unbiased value of considerations when introduced, and acceptable to the Commission as such. (Mr. Stamets stated an evaluation of 80% to 90% in favor of gas companies over individual's accounting in conversation, 5/15/78, which makes needful an accountant acceptable to the Commission for protection of correlative rights).

It is thought that other interested parties, including those to whom Bill Taylor has legally assigned interests but which are not presently on public record, will desire appearance at the hearing.

Sincerely,

Bill Taylor

Bill Taylor

BEFORE THE

OIL CONSERVATION DIVISION OF NEW MEXICO

Case 6289

IN THE MATTER OF THE APPLICATION OF BILL TAYLOR (& W.A.PAGE, JR.) FOR OPERATOR'S ACCOUNTING, REGULATION & ORDER COMPLIANCE; OPERATOR REMOVAL; PROTECTION OF ROYALTY AND INTEREST OWNER'S CORRELATIVE RIGHTS; & COMMISSION AMENDMENT OF ORDER R-5332.

APPLICATION

Comes now Bill Taylor (& W.A.Page, Jr.) as applicant and applies to the New Mexico Conservation Division for a hearing open to all interested parties for further consideration of Order R-5332, issued by the Commission Nov. 30, 1976, after hearing 5807, held in Santa Fe, NM, on Nov. 10, 1976. The legal description of the gas well under Order R-5332 is: C&K Carlsbad "13" Com, No. 1 Well, being in the N½ of Sec. 13, T-22S, R-26E, NMPM, Eddy County, New Mexico, operated by C&K Petroleum, Inc. of Houston, Texas.

Applicant desires protection of correlative rights and seeks operator compliance with all provisions of Order R-5332, New Mexico rules and regulations, along with accounting of production, sales, payments, working interests and royalties.

Applicant requests the Commission to replace C&K Petroleum, Inc. as operator and substitute another operator for the well.

The Commission's attention is called to General Provision of Order R-5332 wherein the Commission retains jurisdiction of this case for futher orders. Ms. Lynn Teschendorf's letter to Ass. Att. Gen. Paul Biderman (Apr. 21,'78) and Mr. R. Stamet's letter of Feb. 14, '78, (both on file at Santa Fe) indicate a hearing by the Commission to be the proper procedure.

Wherefore applicant requests the application be set for hearing before the Commission and that after notice and hearing as required by law, the Commission enter its orders and undertake action as determined necessary to protect correlative rights, prevent waste, and enforce New Mexico statutes, regulations, and orders.

Respectfully submitted,

Bill Taylor

Bill Taylor
512 Welshire
Carlsbad, New Mexico 88220

RANDOLPH M. RICHARDSON
OIL AND GAS LAND AND UNIT CONSULTANT
FEDERAL - STATE - FEE
P. O. BOX 819
ROSWELL, NEW MEXICO 88201
July 21, 1978

OFFICE 505 622-8801
HOME 505 622-7985

Lynn,

I do not know if the attached letter is the one Mr. Bill Taylor referred to, but it is the only letter that I have dated in late July, 1977.

The hand-written notes are comments by the C & K landwoman, on the copy mailed to me, and should not be considered as any sort of evidence or carry any weight.

If this is the letter Mr. Taylor forwarded to you and is considering as notice for investigation of well costs, it does raise some interesting legal questions. Surely there must be another letter somewhere.

The hearing, counting attorney fees, travel and lodging for the witness, plus about three days lost time from the job, will cost C & K considerable money, and I hope that Mr. Taylor can be satisfied.

Thank you, and good luck.

R. M. Richardson

RECD

JUL 25 1977

512 Welshire
Carlsbad, NM 88220
July 19, 1977

C&K Petroleum, Inc.

Pete Taylor -
W.I. - Carlsbad "7" #1
.061853%
He said he would join -
Per Mike Raye &
Earl Baertsch ok.

C & K Petroleum, Inc.
G.C. Tompson
Manager of Products
P.O. Drawer 3546
Midland, TX 79702

Mr. Tompson:

In reference to your letter of July 15, 1977 asking for approval of AFE #00160 covering the drilling and completion of proposed well Carlsbad #7, Eddy County (W½ 7-22S-27E), may I state that I have at no time authorized your direct inclusion of myself in your billing as a participating partner nor do I recall being approached by your company to lease the tract to you. Mike Raye contacted him. - Also he told Earl he would join.

On May 25, 1977, I received from the N.M.O.C.C. (State of New Mexico Oil Conservation Commission) a notice of a forced pool hearing concerning the W½ of Sec. 7, Township 22 South, Range 27 East (Case 5939) to be held on May 25, 1977 (that same day) at Santa Fe. I expect to be bound by the findings of the N.M.O.C.C. upon receiving a copy of their order and granted the 30 day time allocation after their notification to myself and receipt of your AFE within the time allotted as specified therein. After that time, I intend to take care of my share of estimated well costs. I cannot foresee any other way we can work directly together as:

1. C & K has requested $15,000 (fifteen thousand dollars) as my share of well insurance--a ridiculous figure as this would cause the total insurance premiums of all parties to exceed $24,000,000 (twenty-four million dollars) for the well.

Lucas to his interest
#9.27
#9.27

2. C & K has shown a disregard for N.M.O.C.C. orders and verbal and written agreements with individuals in prior dealings as: Not true

   a. Failure of C & K to comply with N.M.O.C.C. order #R-5332 to provide an AFE within 30 days of drilling on the S½ 13-22-26, Eddy County to working interest owners. To rectify this with two of us, C & K has attempted to stretch an agreement beyond intended and agreed bounds.

AFE was furnished to him.

Carlsbad 13
Taylor owns no W.I. until Payout.

   b. Failure of C & K to provide well completion records on said well until requested in writing after phone conversation with the N.M.O.C.C.; complying barely within alloted time and only after at least two contacts, initiated by N.M.O.C.C. Not true

Carlsbad 13

   c. Failure to fulfill order R-5332 by filing an itemized schedule of "actual" well costs with the N.M.O.C.C. and working interest owners within the time specified; then exaggerating said costs by listing items as tubing at $33,000 when actual costs were approximately $12,000 as evidenced by the tubing bill of lading.

Schedule was filed

Not true

Ran about 12,000' of tbg. Tubing costs about $2 plus per ft.

Carlsbad "7" Agreement mailed to Taylor June 21, 1977.

d. Failure of C & K to fulfill verbal agreements to have their accounting and legal departments establish the method of payments by working interest owners (although constantly told said working interest owners desired to participate and so stated into N.M.O.C.C. hearing Case 5807); and failure of C & K to respond to working interest owners attempts by phone to set up such procedures, thereby gaining legal grounds for the 120% penalty established.

Penalty per 2007. per order.

e. Efforts of C & K to circumvent N.M.O.C.C. orders concerning said well by efforts to establish new operating agreements with higher cost schedules of present and future drilling (and related costs) designating higher penalties, adding items, restrictions, etc., beyond those previously set forth by N.M.O.C.C. order R-5332.

No problems with NMOCC.

This is a partial list of the reasons I believe we can only reach agreement with each other through the bounds established upon you by the N.M.O.C.C. although you seem to hold them in disregard as well as individual owners.

Please be advised it is my contention that our present and future relations, before and after well completion, pay outs, etc. will be within the guide lines established by the N.M.O.C.C. and set forth in their rulings. I expect you to so notify responsible departments of your organization.

Sincerely,

Bill Taylor

Bill Taylor

Copy to N.M.O.C.C.

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

KAREN AUBREY

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

TELEPHONE 982-4315
AREA CODE 505

Nov. 6, 1978

New Mexico Energy & Minerals Dept.
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Case No. 5807, Order No. R-5332-A

Gentlemen:

Enclosed is the application of C & K Petroleum, Inc., for a rehearing as to certain provisions of the above order. Your consideration of this application will be appreciated.

Sincerely,

Jason Kellahin

JASON KELLAHIN

JK:ss
cc w/encl.:

Gilbert C. Tompson
W. T. Martin, Jr.
Bill Taylor

OIL AND GAS ACCOUNTING COMMISSION
P. O. BOX 2088, SANTA FE, NEW MEXICO AMENDED

OPERATORS UNIT REPORT
O-8

REPORT FOR December 22 PART

REPORTING COMPANY C & K Petroleum, Inc.

FOR REPORTERS USE	TRANSPORTER	PRODUCTION UNIT NUMBER	SCHEDULE 2 PRODUCT SALES		SCHEDULE 3 DEDUCTIONS		SCHEDULE 4 TAXES AND ROYALTY REMITTED WITH THIS REPORT				
			CODE	VOLUME SOLD	VALUE	TRUCKING DEDUCTION	ROYALTY EXEMPTION	SCHOOL TAX	SEVERANCE TAX	CONSERVATION TAX	AD VALOREM TAX	STATE ROYALTY
Carlsbad 13	X	16596		5,004	$ 7843.78			200.02	25020.	1490	92.41	

USE ORIGINAL TO REPORT GAS, DO NOT USE CARBON

#18

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION
State Land Office Building
Santa Fe, New Mexico
11 September 1978

COMMISSION HEARING

IN THE MATTER OF:

Application of Bill Taylor for enforcement and amendment of ORDER NO. R-5332, Eddy County, New Mexico. CASE 6289

BEFORE: Commissioner Joe Ramey
Commissioner Emory Arnold

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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

For the Applicant: Bill Taylor
Carlsbad, New Mexico 88220

For C & K Petroleum: Jason Kellahin, Esq.
KELLAHIN & FOX
500 Don Gaspar
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3010 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

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SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

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SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

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SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

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SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
202 Plaza Blanca (505) 471-2461
Santa Fe, New Mexico 87501

MR. RAMEY: The hearing will come to order. We'll call Case 6289.

MS. TESCHENDORF: Case 6289. Application of Bill Taylor for enforcement and amendment of Order No. R-5332, Eddy County, New Mexico.

MR. RAMEY: Mr. Taylor, will you take the stand, please?

Will there be any other witnesses besides those that were sworn at the last hearing?

MR. KELLAHIN: Yes. If the Commission please, we'll have three witnesses to be sworn.

Mr. Tompson, I think, was sworn. We will have two others who have not been sworn.

Three, I'm sorry, three others.

MR. RAMEY: All right.

MR. TAYLOR: And, Mr. Ramey, I have two witnesses and possibly more. It's according to what evidence C&K introduces into the hearing.

But presently there are two definite.

MR. RAMEY: Okay, we'd ask that all witnesses stand at this time and be sworn.

(Witnesses sworn.)

MR. RAMEY: Have you completed your case, Mr. Taylor?

MR. TAYLOR: No, sir, I would like to make

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3010 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

some corrections in the record on errors that I find that I made in my statements, and then there's other things for the consideration of the Commission this morning.

There's objections I would like to make and at some time or another I would like to enter new evidence and it can possibly be done in my cross examination of Mr. Tompson, and possibly we can save time that way.

MR. RAMEY: All right, please continue.

MR. TAYLOR: All right, sir.

Upon reading the transcript I find that I do have errors in my statements and I would call them to your attention.

The first one being found on page 43, line 24, and I would like to change the big "B" of Bill to a little "b". Line 24 of page 43.

The second error that I find is found on page 74, line 6, and I had intended to say "had" and I believe that I have in the record "hadn't". So I would like to change the "hadn't" to "had".

Then page 76, I make the statement "the major" and I would like to change that "the" to "a" because there are other major considerations for the Commission. Yes, that is line 11 of page 76.

Page 77, line 22, the letter of Mrs. Lebow's is dated June the 24th, not June the 23rd, as I stated here,

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

and I'd like that corrected.

On page 83, line 3, I seem to have stated 35 acres for the Taylor's interest, and of course this should be 45 acres.

Page 105, line 24, I make the statement that the Oil and Gas Accounting figures, which is the C-115, and of course we know that the Oil and Gas Accounting figures are not the C-115s. The C-115s are supposed to reflect what is reported to the Oil and Gas Accounting Division, so if we could, I'd just appreciate you deleting the portion of the sentence that says "which is the C-115s."

On page 96, at line 19, I believe that Taylor's statement there was "no, sir, for the reason" and I sought to continue but Mr. Stamets at that time indicated for Taylor to stop and told me that this was all that he needed.

I would appreciate being able to continue my explanation, that the reason was that my position had changed and participation funds that I had had available, much of it had been expended in seeking this hearing and trying to correct things with C&K, and secondarily, that my position with investors is not confirmed presently and it might possibly jeopardize the rights that I have.

Now, Mr. Stamets' method of participation that he indicates here would be preferable -- preferable to the

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situation as it now exists, and so as a final alternative, why, of course, would accept that, but we would also want to raise the thought that a question would exist as to -- and need to be resolved, as to what would take place with the past production that has already reached far more than the cost of the well.

Even with the unaccounted for cost that we claim C&K Petroleum is presenting to us, Taylor and Page's working interest share of the cost of the well is approximately $81,000, and this is the latest accounting by C&K Petroleum to Taylor, and through June of '78 our share of the well production was approximately $125,700. This will be $110,000 on 7/8ths working interest, and then $15,700, 1/8th royalty interest, and of course this does not include the months of July or August or thereafter.

On page 122, line 12 and 13, I make the statement "to date C&K Petroleum's interest" and this is an error. To date C&K H 1973 Development Venture and the Desana Corporation's interest is this. So I do ask that we be allowed to change the C&K Petroleum to C&K H 1973 Development Venture and Desana Corporation.

I would request that the Oil Conservation Division and this Commission take -- you've already taken administrative notices of the C-115s and the C-111s and the Oil and Gas Accounting documents pertaining to this

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well, and in a letter to Ms. Teschendorf requesting all the records of the Oil and Gas Accounting Division concerning this well be present and be subpoenaed, she stated that all the records, and this is her letter of the 7th and 7th of '78, she states, all records of the Oil Conservation Division need not be subpoenaed as the Commission will take administrative notice of them upon request.

So Taylor at this time therefor requests that the Commission take administrative notice of these following documents as being records of the Oil Conservation Division.

First, I would request it of the C-101 acreage that's designated 7-1. Mr. Gressett's of the Oil Conservation Division's letter --

MR. RAMEY: Those are already exhibits, Mr. Taylor.

MR. TAYLOR: Yes, sir, but we have not taken administrative notice of them, Mr. Ramey.

MR. RAMEY: Well, they're exhibits and so the Commission will -- will certainly have to look at them and consider them, so I don't think it's necessary to --

MR. TAYLOR: All right, sir, it's necessary that I request that you take administrative notice of them at this time. Any of them that are on record with you will have it. All right.

If you desire, I do have, and I can give you

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later on, a copy of the ones that are in the record if it would assist Ms. Teschendorf in determining which ones are which.

The third thing I would like to bring up for the Commission's consideration is that Taylor did in expression objected to the limitation of the hearing on the 8th and 9th to the actions of C&K Petroleum, as being limited to after the order date of R-5332, which was the 11th and 30th of '76.

I believe that the actions of C&K Petroleum and Taylor prior to this date were very pertinent, as indicated in my letter of application to and of the hearing and for the hearing to the Oil Conservation Division, dated the 7th and 10th of '78, and I quote paragraph five of that letter. "We shall attempt to present evidence which will prove fraud and perjury and a flagrant disregard for personal and state rights by C&K from prior to forced pooling application through to date."

The second paragraph of that, second page, and paragraph four, states, "If the New Mexico Oil Conservation Division", abbreviated, "does not desire to hear the case in entirety dealing with all facts relative to C&K's obtaining and operating the well, then the New Mexico Oil Conservation Division is requested to identify the specific administrative remedies and specific New Mexico Oil

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Conservation Division", again abbreviated, "rules, regulations, statutes, or order provision failures of Bill Taylor in order that the District Court might give them full value and consideration."

Ms. Teschendorf's reply of the 7th and 17th did not indicate any limitations to the hearing concerning this.

So Taylor, therefor desires to state for the record his objection to the limitations of this hearing to that that pertains to C&K Petroleum after the order date of 11th and 30th of 1976, and this being not in compliance with Taylor's application.

The first thing that I'd like for us to consider is that by -- Taylor, by letter, dated 8th and 16th of '78 to the Oil Conservation Division, and a copy sent to C&K Petroleum's attorney, Mr. Kellahin, formally objected to any extension of this hearing past the extension date of August the 23rd of 1978, stating, "I hereby file my formal objection to any further extension of this hearing presently continued to August the 28th, 1978. Any further extension would continue to compound the advantages to be gained by C&K Petroleum and possible fabrication of justification for erroneous actions for which they should already have the answers. Since C&K is already acquainted with almost all the documents and the hearing was advertised as

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required, C&K should have requested any desired continuance prior to my presentation, not afterwards."

Ms. Teschendorf, by phone on the 8th and 21st informed Taylor that the New Mexico Oil Conservation Division had received this letter of objection. They were still continuing the hearing to September the 19th, 1978, and this date was changed, then, by phone call from Ms. Teschendorf to Mrs. Taylor on the 8th and 22nd of '78 to a hearing date of September the 11th, 1978.

I request the Commission to take administrative notice of the full content of the letter, noting the objection, the statement made therein, and request of C&K to present their legal right to represent C&K H 1973 Development Venture and the Desana Corporation.

As I stated, I do have new evidence to present, but it possibly can be shortened in time and length by presenting it as we examine Mr. Tompson.

I will most likely request that Mr. Kellahin be called to the stand, but unless his presentation is such that it cannot wait, we can wait until the last question of the hearing so that C&K Petroleum can derive the full benefits of his participating in this case.

That's my statements prior, sir.

MR. RAMEY: Okay.

MR. KELLAHIN: Perhaps I should state at this

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time, I would object to being called to the stand. Mr. Taylor has given no indication of any necessity for my testimony, nor has he shown that I have testimony available that he can't obtain from some other source.

And under those circumstances it would not be proper for me to appear as a witness in this case.

MR. TAYLOR: I would appreciate you withhold ruling upon that objection until it is made clear why that Mr. Kellahin might be needed to testify.

MR. RAMEY: We'll make -- we'll make the ruling later.

MR. TAYLOR: I appreciate it.

MR. RAMEY: Any questions of the witness? Mr. Kellahin?

MR. KELLAHIN: I only have one matter that I would like to bring up at this time.

CROSS EXAMINATION

BY MR. KELLAHIN:

Q. Mr. Taylor, I hand you what has been marked as C&K's Exhibit Number Thirteen. Do you recognize that?

A. Yes, sir.

Q. Did you sign it?

A. Yes, sir.

Q. The original, I should say, and not the copy?

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A. Yes, sir, I signed it.

MR. KELLAHIN: That's all I have of the witness.

MR. RAMEY: The witness may be excused. Oh, no, not yet. Ms. Teschendorf, do you have some questions?

CROSS EXAMINATION

BY MS. TESCHENDORF:

Q. I have some questions on your Exhibits 15-1, 15-2, and 15-5. They're all basically the same thing. You were using them to show that C&K is trying to make the interest owners in the Carlsbad 13 Well to help pay off the Carlsbad 12 Well, and I really don't quite understand how these exhibits show that.

Could you look at that Exhibit 15-1 and maybe explain that to me?

A. Ms. Teschendorf, in this shuffle over here, I have lost the exhibit you requested.

I've put into evidence that 20, that you desired to be listed as Number Twenty. Would you like for me to do that at this time? All right.

So I offer into evidence Exhibit Twenty, as per request of Ms. Teschendorf.

Q. And that is the return receipt, a Xeroxed

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copy of it, that --

A. Yes, ma'am.

Q. -- that shows that we received your letter of objection?

A. Yes, ma'am, of July the 19th, 1977, a letter of July the 19th.

Ms. Teschendorf, looking at 15-1 and 15-2, I think that the percentage applicable to the working interest owners as stated here as .7881292, this is especially noticed on 15-2, is also including other working interest owners of Carlsbad -- or C&K Carlsbad 12 Well. I cannot come up with this type of a figure and perhaps C&K Petroleum can clarify it for us.

But you do notice that they do apply working interest owners' percentage to both wells on 15-2 and I will glance at 15-5.

Yes, in the last sheet of 15-5 also shows this same percentage as being applied to the cost of both wells.

Q. What -- what is your -- what's the percentage on these two wells separately?

A. I have no idea. I do not have any idea of where the .7881292 comes from. I have used all the figuring at my disposal. Of course, Taylor and Page's interest in their percent of C&K Carlsbad 13 is the .14 and I believe it's .1418597, and when you subtract that from 100 percent

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and so forth, I don't know. I just see from their papers that they do attempt to tie the two wells together and are using working interest owners' percentages applied to it.

Perhaps they can clarify that.

Q. I'll ask Mr. Tompson later.

A. I'll appreciate that.

Q. One other question that I have for you. Am I right that you allege that C&K used gas from the Carlsbad 13 to help drill the Carlsbad 7?

A. Yes, ma'am.

Q. And they did not account for that gas used?

A. Yes, ma'am, that's my contention.

Q. Okay. Thank you.

MR. RAMEY: Any other questions of the witness? He may be excused.

Do you want to put on your other witnesses now, Mr. Taylor, or do you want C&K to proceed?

MR. TAYLOR: It would be just as fine that I place them in evidence now and it would perhaps make it easier for C&K to make their defense.

With your permission I would like to call the two witnesses, then.

MR. KELLAHIN: If the Commission please, is Mr. Taylor appearing for these two witnesses or are they appearing for themselves, or just what are we doing here?

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MR. TAYLOR: They -- they show on the sign-in sheet they're appearing for themselves.

MR. KELLAHIN: I have no objection to anyone appearing on their own behalf.

MR. TAYLOR: Would you gentlemen like to make an appearance for yourselves?

With the Commission's approval, I would like to introduce Mr. Bob Burnett and Mr. Clarence Wells, both of them owners of property and listed in the Carlsbad -- C&K Carlsbad 13 Well, and listed on C&K's Division order as interest owners.

Ms. Teschendorf, would you help me out, please, ma'am? They do need to be -- their statements placed in. They desire to present their check stubs of the gas produced from this well and the payments as made to them from C&K, and Mr. Burnett, of course, you have already had correspondence with him in his desire to do this.

MR. RAMEY: Mr. Burnett, please take the chair.

MR. BURNETT: Thank you, sir.

MR. RAMEY: As Mr. Taylor implied, you are an interest owner in this well in question?

MR. BURNETT: Yes, sir, this is true, in 13-21-26.

MR. RAMEY: All right, do you have a statement?

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MR. BURNETT: Yes, sir.

MR. RAMEY: Or anything you want to present, why, please do so.

STATEMENT BY MR. BURNETT:

I'd like to present these stubs to you, sir, if I may.

MR. RAMEY: Would you explain what these stubs are?

MR. BURNETT: Sure, that's -- one of them is my first payment from C&K. Then for the last three months it has doubled, but not in correspondence with my neighbors on the same amount of land.

MR. RAMEY: All right, you have one that's dated 12-77 that shows, I assume, the net value to you of $11.99.

MR. BURNETT: Yes, sir, that's right.

MR. RAMEY: And $1.52, a total of $13.51.

MR. BURNETT: Yes, sir. I also have two more of those here. I don't know -- I didn't really think they were that important but that was the main one I wanted to show you, and which it amounts to about the same. The last ones are what I had previously in the last four months, I would say the last four months, that I have received, around $25.00.

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MR. RAMEY: I think probably what you're trying to illustrate here, that the quantity, like for 12-77, was 49,000 plus Mcf and you got paid $11.99, and then over here, say, for February of '78 the quantity was 43,000 and you got paid $12.40?

MR. BURNETT: Yes, sir.

MR. RAMEY: And then in 5 of '78 the quantify was 44,000 and you got paid $26.90.

MR. BURNETT: Yes, sir.

MR. RAMEY: Seems to be -- there seems to be a discrepancy there, that's what you're saying. Your interests have been the same throughout?

MR. BURNETT: Yes, sir.

MR. RAMEY: Okay. Do you have anything else to say, Mr. Burnett?

MR. BURNETT: Yes, sir, I do to a certain extent. I mean I'm not making an issue of it, but I would like to know why when I sent the letter, that it was turned down, because I couldn't be here. I made arrangements to be here, but in other words, my -- I don't understand why my letter couldn't be with my check stubs.

Now, I'm not, as I say, I'm not griping. I would like to know this.

MR. RAMEY: I'll have Ms. Teschendorf explain this to you.

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MS. TESCHENDORF: Well, Mr. Burnett, under the rules of evidence, a piece of evidence has to be introduced through a witness who can explain what it is, what it represents, and what you want it to show.

And, yes, you can enter an appearance by letter but entering evidence by letter is improper under the rules of evidence. You have to be here in person to be able to explain so that if the other side wants to ask you questions, that they can.

MR. BURNETT: Yes, ma'am. And I understand. Thank you.

MR. RAMEY: Do you have anything further, Mr. Burnett?

MR. BURNETT: No, sir, I don't believe so.

MR. KELLAHIN: May I ask a couple questions?

MR. RAMEY: Mr. Kellahin.

MR. KELLAHIN: Mr. Burnett, I'm Jason Kellahin and I'm appearing here as attorney for C&K Petroleum.

Your checks do show a discrepancy in figures based on volumes of gas, is this what you're saying?

MR. BURNETT: Yes, sir, I believe so.

MR. KELLAHIN: Are you aware that during a period of time C&K Petroleum was being paid for gas under pricing that was subject to a refund under the rules of the Federal Energy Administration?

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MR. BURNETT: Yes, sir, I think I understand what you're saying partly there, sir. I do, but I don't understand why you can jump double in one -- in four months time, from $11.00 to $25.00, and stay $25.00.

MR. KELLAHIN: Well, were you aware that C&K Petroleum Company was escrowing that portion of your -- what would have been going to you until the United States Supreme Court ruled that the escrow provisions were invalid?

MR. BURNETT: Yes, sir, I got my check from the Supreme Court.

MR. KELLAHIN: They sent you a letter regarding it, didn't they?

MR. BURNETT: They did.

MR. KELLAHIN: And that's when your check increased.

MR. BURNETT: No, sir. My check increased before.

MR. KELLAHIN: Before that?

MR. BURNETT: Yes, sir. One month before it.

MR. KELLAHIN: That's all I have. Thank you.

MR. BURNETT: Yes, sir.

MR. TAYLOR: I would like to point out a few more things on this check stubs, please, sir.

Mr. Burnett, first, you introduced two groups of check stubs that I would like to call particular attention

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to. One of them is dated the 12th and 28th of '77, and it contains the production as listed by C&K Petroleum for the months of June, 1977, through the 11th of 1977.

MR. KELLAHIN: If the Commission please, I believe the checks speak for themselves and the witness is here, he can testify, and I don't think it's proper for Mr. Taylor to testify about matters that don't pertain to his part of this transaction.

That's one reason that Mr. Burnett is here, is to answer these questions.

Now, I have no objection if Mr. Taylor, appearing for himself, as his own attorney, asks Mr. Burnett some questions, but for him to testify at this point, I think is improper.

MR. RAMEY: I think you need to confine yourself --

MR. TAYLOR: All right, sir.

MR. RAMEY: -- to questions, and not --

MR. TAYLOR: I do not think Mr. Burnett understood fully Mr. Kellahin's questions. I think he's a little nervous. I do not believe that he understood at the time that he was getting the payments from C&K Petroleum with this first check, that C&K Petroleum was escrowing any monies for him or any other royalty owner. He did not become aware of it --

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MR. RAMEY: I thought he said that he was aware of this.

MR. TAYLOR: That's what I say, sir. I do not believe he understood.

MR. BURNETT: No, sir, I didn't. I know what an escrow is but I didn't understand his questions.

MR. TAYLOR: And that's why --

MR. KELLAHIN: If the Commission please, this is argumentative and certainly if Mr. Taylor has something to say at the close of this case in regard to any of the testimony, he has a right to say so.

But if we're ever going to finish this case, I think we ought to get on with the testimony.

MR. BURNETT: But I did not understand the question right. I did know what an escrow is but I didn't -- I wasn't aware of an escrow.

MR. RAMEY: All right. Do you have anything further, Mr. Burnett?

MR. BURNETT: No, sir.

MR. RAMEY: The witness may be excused.

Mr. Burnett, do you want to offer Exhibit -- your exhibit One as evidence?

MR. BURNETT: Yes, sir.

MR. RAMEY: All right, that will be admitted.

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STATEMENT OF CLARENCE WELLS:

MR. RAMEY: Mr. Wells, I assume you're a --

MR. WELLS: Property owner.

MR. RAMEY: -- owner of interest in this --

MR. WELLS: Yes, sir.

MR. RAMEY: -- well?

MR. WELLS: And all I have come with is these check stubs and just seeing what the deal was.

MR. RAMEY: All right.

MR. TAYLOR: Mr. Ramey, I would like to quote Rule 1212, Rules of Evidence, that full opportunity shall be afforded all interested parties at a hearing to present evidence and to cross examine witnesses. It does not state that I have to be an attorney, sir.

MR. RAMEY: I think the argument, Mr. Taylor, is that you may -- you may cross examine, but I think you're -- you're testifying for your witness.

MR. TAYLOR: I beg your pardon, sir.

MR. RAMEY: I think that's the argument and I have to agree with Mr. Kellahin's objection to you doing this.

MR. TAYLOR: Okay. I understand more completely.

MR. RAMEY: I you could question the witness without -- just not testifying, why, I don't believe anybody

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will have any gripe about it.

MR. TAYLOR: Okay.

MR. RAMEY: Mr. Wells, just -- you have submitted a series of check stubs, which I assume apply to the well in question.

MR. WELLS: Yes, sir.

MR. RAMEY: Do you want to elaborate on what these show?

MR. WELLS: No, sir, I just -- I just brought them up here because if you all want to see them or anything.

MR. RAMEY: Do you feel you're not getting your just share?

MR. WELLS: Well, I -- well, there for awhile I was -- I was getting around $25.00 share, and then all of a sudden it jumped up, and then -- and then I come into a $329.00 back pay. I guess that's what you would call it. Am I right or wrong?

It should be on the bottom of one of them statements there.

MR. RAMEY: I see $329.07.

MR. WELLS: Yes, sir. I was getting there approximately around $23.00, $26.00, just give and take there, and then all of a sudden I got that big check.

No, I just wanted you all to see them and --

MR. RAMEY: Do you think the explanation or

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the -- on the cross examination of Mr. Burnett by Mr. Kellahin, that perhaps this could be the reason?

MR. WELLS: Well, I -- which I -- which I heard him say that. Well, yes, the government has a lot to do with this stuff.

MR. RAMEY: Do you feel you're not getting the full value of your production as a -- as a royalty owner?

MR. WELLS: Well, I don't know. That's what I'm -- that's what I'm presenting them in front of you for.

MR. RAMEY: You don't know whether you are or whether you're not?

MR. WELLS: Right-o.

MR. RAMEY: Is this your portion of interest here of .00076470? Do you agree that that is your --

MR. WELLS: Well, that's what they sent me.

MR. RAMEY: Any questions of the witness?

MR. STAMETS: Mr. Wells, did you receive any explanation of this large check?

MR. WELLS: I believe it's right there. I believe it is right there, but it just has a typewriter signature on it. Am I right?

MR. STAMETS: This is the letter from C&K, dated July 19, 1978.

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MR. WELLS: I believe that's it. I believe that's the onliest letter that I ever received from them.

MR. RAMEY: Have you signed the Division Order with C&K, Mr. Wells?

MR. WELLS: I just them my -- sent them my address and my Social Security Number and they started to pay.

MS. TESCHENDORF: Mr. Wells, I'm going to mark your check stubs here as Exhibit One and this letter as Exhibit Two. Do you wish those submitted into evidence?

MR. WELLS: Well,if you -- if you care to.

MS. TESCHENDORF: Yes.

MR. RAMEY: Do you want us to keep them or do you want to?

MR. WELLS: Well, I would like to have them back, that is, during income tax time.

MR. KELLAHIN: We'd have no objection to substituting Xeroxed copies.

MR. RAMEY: All right, these Wells Exhibits One and Two will be admitted.

Mr. Wells, we'll get these Xeroxed and return your originals.

MR. WELLS: Okay, sir.

MR. RAMEY: If that's satisfactory.

Would you like the same courtesy, Mr. Burnett?

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Would you like to have your check stubs X eroxed and returned to you?

MR. BURNETT: Yes, sir.

MR. RAMEY: Any questions, Mr. Kellahin?

MR. KELLAHIN: Just a moment, I believe we have a couple.

MR. TAYLOR: While we're waiting on that, may I ask a question or two?

MR. RAMEY: Yes, you may.

MR. TAYLOR: All right, sir.

Mr. Wells, prior to this letter dated July the 19th, 1978, did C&K indicate to you at any time that they were holding any monies in escrow of royalties other than you?

MR. WELLS: Not that I know of. That is all I've ever -- I've ever received. I do have some misplaced check stubs, and that's all I have.

MR. TAYLOR: Did you prior to the receiving of this large check have your royalty checks increase drastically?

MR. WELLS: Before that letter?

MR. TAYLOR: Yes, sir.

MR. WELLS: No. My increase was before, right.

MR. TAYLOR: You answered my question, I believe.

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You did have an increase prior to this letter?

MR. WELLS: Yes.

MR. TAYLOR: All right, sir. Thank you.

MR. RAMEY: Mr. Kellahin.

MR. KELLAHIN: Mr. Wells, I'd like to show you an instrument from the files of C&K Petroleum. Is that your signature, Mr. Wells?

MR. WELLS: Yes, sir, that is my signature.

MR. KELLAHIN: And does that appear to be attached to the Division Order which was circulated in connection with the well in the north half of Section 13?

MR. WELLS: Yes. Whenever -- whenever -- whenever I received that it was two or three pages with it and I went down to the abstract office and got them to straighten me out on it. Right, yes, sir.

MR. KELLAHIN: And you sent this back to C&K?

MR. WELLS: Yes, sir, I sent that back to C&K with my Social Security Number and all.

MR. KELLAHIN: And after that, then you received for your share --

MR. WELLS: Yes, I have been -- I have been receiving payment.

MR. KELLAHIN: If the Commission please, could we file a late exhibit, copies of this. We don't have any.

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MR. RAMEY: I think that would be all right, Mr. Kellahin.

MR. WELLS: I didn't recall --

MR. RAMEY: Do you have any objection?

MR. TAYLOR: No, sir, I have no objection.

Mr. Ramey, would it be possible for me to ask these same two questions of Mr. Burnett, since I was trying to ask him awhile ago, but we moved that I was leading him. I would like to ask Mr. Burnett if he had any indication from C&K Petroleum that they were placing any of his royalties in escrow any time prior to his receiving this letter, the same as Mr. Wells received.

MR. RAMEY: Mr. Burnett, do you want to answer that question?

MR. BURNETT: Yes, sir, I believe there may have been a mistake on it. The only thing I said, that I knew what an escrow was but I didn't know that C&K had it in escrow.

MR. RAMEY: So in effect you didn't -- you didn't know whether C&K --

MR. BURNETT: No, sir, I did not what --

MR. RAMEY: -- was escrowing any of your money or not.

MR. BURNETT: -- it was.

MR. TAYLOR: As far as you knew, sir, did you

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know that C&K had more monies owed to you than what they were reporting in their check stubs to you?

MR. BURNETT: No way.

MR. KELLAHIN: If the Commission please, I object to the form of the question.

There's nothing to show C&K owed anybody anything at the time they were escrowing subject to refund under orders of the Federal Energy Regulatory Commission.

MR. BURNETT: Have I still got the floor, sir?

Why weren't we notified about the escrow?

MR. RAMEY: Mr. Burnett, I don't think it's proper to ask Mr. Kellahin any questions.

MR. KELLAHIN: The question may be addressed to Mr. Tompson. He will be a witness.

MR. RAMEY: Any other questions of the witness? He may be excused.

Are you finished, Mr. Taylor?

MR. TAYLOR: No, sir, I think we can present more evidence as we question Mr. Tompson, but I do have new evidence to present into the hearing that has come to light since the hearing of the 8th and 9th of '78, and et cetera.

MR. RAMEY: All right, then I assume that's the end of your case, of your direct testimony.

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MR. TAYLOR: Will I have an opportunity to make any more direct testimony, sir?

MR. KELLAHIN: We will object to any more direct testimony other than in the nature of rebuttal to what we present.

We are here to respond to Mr. Taylor's complaints, and if we don't know what they all are, we can't very well respond to them, so I say if he has new evidence, anything else, it should be presented at this time before we put our witnesses on, and that would give us the opportunity to respond in the proper fashion.

MR. RAMEY: I agree with you, Mr. Kellahin, and so, Mr. Taylor, if you have any new evidence that you -- that wasn't covered at the last hearing, this is the time to put it on.

MR. TAYLOR: It seems to me that the evidence I would like to present is some that C&K has sent me since the hearing, and so consequently, I would appreciate first that they answer the others, the questions that's already been raised, and then we can go on to the questions concerning the new evidence they have sent me, but it will be concerning --

MR. RAMEY: Mr. Taylor, I have already ruled that if you have some new evidence this is the time to present it.

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MR. TAYLOR: All right, sir.

It will take me a moment to prepare myself.

Am I --

MR. KELLAHIN: If we can go off the record perhaps Ms. Teschendorf and I and Mr. Taylor could discuss this and maybe we can figure out what's the best approach to save a little time.

MR. TAYLOR: All right, sir.

MR. RAMEY: All right.

(Thereupon a recess was taken.)

MR. TAYLOR: I would like to submit an exhibit I have lettered 9-B-1 from the Gray Pumping Service, Incorporated, which lists a bid for contract pumping on a well in the Carlsbad vicinity for a total of $129.69 per month.

I would also like to introduce into evidence Exhibit 15-7, which is an accounting from C&K Petroleum, dated August the 22nd of 1978, and I would like to make reference to these later in cross examining C&K's representatives.

MR. RAMEY: Any objections, Mr. Kellahin?

MR. KELLAHIN: I have no objection. I would like to ask him one question about 9-B-1, though.

MR. TAYLOR: All right, sir.

MR. KELLAHIN: Are you aware of the fact, Mr.

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Taylor, that John R. Gray is an employee of C&K Petroleum Company?

MR. TAYLOR: I am aware that he has a contract for pumping certain wells with C&K Petroleum.

MR. KELLAHIN: Including the well that's involved in this case.

MR. TAYLOR: Yes, sir.

MR. KELLAHIN: I have no objection to the exhibits.

MR. RAMEY: Do you want to offer all your exhibits at this time, Mr. Taylor?

MR. TAYLOR: Yes, sir, I would appreciate being able to offer them all. I thought I had done that last time.

MR. RAMEY: Well, I don't believe we've ever ruled on whether they would be admitted without objection.

MR. TAYLOR: All right, sir.

MR. RAMEY: But they will be admitted.

MR. TAYLOR: All right, sir.

MR. RAMEY: Thank you, Mr. Taylor.

Mr. Kellahin, would you like to call your first witness?

MR. KELLAHIN: I'd like to make a very brief statement first, if I may.

This is an involved and somewhat difficult case,

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but getting down to the basics of it I think Mr. Taylor's complaint in the first instance is that he was not given an opportunity to join in the drilling of the well; that he was not furnished with a copy of the AFE as required by the order that was entered, that is, within thirty days after the entry of the order, and within thirty days prior to commencement of the drilling.

He objects to the accounting and he has referred us to numerous documents from the files of the Commission, apparently in an effort to show that C&K is not a proper operator and should be removed.

Now, on the first issue, I would call the Commission's attention to Exhibit Number 13, which Mr. -- incidentally, I would like to offer that as an exhibit at this time. Mr. Taylor recognized the signature and said that he executed this instrument.

And this instrument, dated November the 9th, 1976, was executed at or just prior to the time of the hearing in the compulsory pooling case, and in the last portion of it, it reads, "Bill Taylor acknowledges receipt of estimated well costs in the form of an AFE given to him this date and C&K Petroleum, Incorporated agrees that Bill Taylor will have thirty days from this date in which to pay his share of estimated well costs and we will retain such share out of production and thereby avoid payment of

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120 percent risk factor. Bill Taylor shall have the right to take his gas in kind after payout of the well, provided he shall make his own connection -- make a connection at his own expense.

It is agreed that C&K Petroleum does not seek compulsory pooling in this case of any formations other than Wolfcamp and Pennsylvanian formations; that it does not seek pooling with any formations below the Wolfcamp."

In a preceding paragraph C&K Petroleum agrees that at the presentation of this case it will not seek a risk factor in excess of 120 percent, and that is it will seek to recover its reasonable costs of drilling, completing, and equipping the subject well, plus 120 percent of that amount as a risk factor for the drilling of the well as prcvided by New Mexico statutes and the Rules and Regulations of the Commission.

Now, at the time of the hearing on November the 10th, Mr. Taylor, at page 11 in the transcript, stated, Bill Taylor, representing myself on this. I would appreciate the record to show we have reached an agreement as stipulated by Mr. Kellahin and Mr. Cooper. I would like to point out that we do not feel that the risk factor on this well is such as is designed by the Isopach, and using Mr. Cooper's one here, and we still have no objection. We are in favor of the 120 percent, as such, because of the time

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element involved, but we do not believe the risk factor is so great, and if we use Mr. Cooper's contours here showing the barrier formation, and then we look at the production map or lease map of the area, we find that Section 32 where this would continue, there is a good producer, and further north there are good producers.

But we have no contention with him and wish his good luck on the well.

Now, on the basis of this, C&K Petroleum, when the compulsory pooling order was entered, never considered that Mr. Taylor had been compulsory pooled. He had indicated he wanted to join in the drilling of the well. He had been furnished with an AFE at the time of the hearing. He in his testimony acknowledged that he had received another AFE following the hearing when he got back to Carlsbad, and admittedly one was not sent to him after the entry of the order, but at no time did C&K feel there was any necessity to. He had been furnished with two AFEs. He acknowledged that he had one and he acknowledged he had thirty days to join, and we assumed he was going to join. Well, he didn't join, so the only thing we can assume now is that he was force pooled, but at this late date it seems a little strange he would raise the technical question of the nature he has on when and under what circumstances he received his AFE. He got one; he knew what the well was

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cost; he had full opportunity to participate, and he did not do so.

OUr testimony later will show that he did participate in another well, so he knew what he had to do in order to get in the well. He did participate in another one and we will show, put on testimony, in that regard.

Now, the basic question, really, as far as C&K is concerned, is the accounting for the cost of drilling, completing, and equipping the well, and the production, and in order to assure the Commission that we have done the very best we can, C&K has hired two independent -- it's an independent accounting firm, two of whose members are here today to testify. They have thoroughly checked all of the records, the invoices, and all the other material available, and come up with exactly what this well did cost and what its production is as of today, and I mean its payout status, and just where we stand in regard to the payout of this well.

So I would like to call my first witness -- before we get into that, I would like to call my first witness, Mr. Earl Gaertner, who will give us some testimony in regards to efforts to get Mr. Taylor to join in the drilling of this well.

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EARL GAERTNER

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. Will you state your name, please?

A. My name is Earl Gaertner.

Q. What business are you engaged in, Mr. Gaertner?

A. I'm a consulting geologist in Midland, Texas.

Q. Now, have you ever had anything to do with the acreage involved in the case before the Commission; that is, the north half of Section 13, and for the Carlsbad 13 No. 1 Well, where it's located?

A. Yes, I did.

Q. Would you explain just what you did in connection with that?

A. In late August of 1972, Mr. Ken Gilden (sic) and myself initiated a lease project in the south Carlsbad area.

Upon checking records at the county courthouse in Eddy County, we found that a William H. Taylor owned approximately 45 acres of land in the north half of Section 13, Township 22 South, Range 26 East.

We were able to find Mr. Taylor's telephone

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number and address in Michigan.

We called Monroe, Michigan and I talked to Mr. Taylor's father. Mr. Taylor's father told me to get in contact with Bill Taylor, who at that time was residing in Satana, Kansas.

The next day -- this was on September the 4th, on September the 5th I called Mr. Bill Taylor in Satana, Kansas and told him what the nature of my call was. This was to attempt to lease his acreage,that we were active in the area, and we would like to have his acreage to consolidate our unit.

After some discussion on the telephone, Mr. Taylor told me that he would be in Carlsbad within a few days and we could discuss the lease situation further at that time.

On the 9th of September Mr. Taylor was in Carlsbad and we discussed the prospect or the possibility of leasing his acreage in detail. In fact, we spent many hours attempting to work out a lease and terms according to what he desired to have in a lease.

After preparing a lease, which I thought was in agreement with his desires, we were almost immediately rejected.

Mr. Taylor then returned to Kansas and on the 11th I again called him, because I wanted to pursue this

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and to consolidate my block, and Bill said at that time, then, that his father intended to move from Michigan back to Carlsbad, and in the next few weeks that he would probably be in Carlsbad and we could discuss this further at that time.

In the meantime, Bill Taylor was in Carlsbad several times. I don't have the exact dates. And we discussed this lease again in detail, and again I tried to work out some type of arrangement that would be satisfactory to him, with exclusions and inclusions written into an oil and gas lease, within the limits of the law.

MR. TAYLOR: Mr. Ramey, I object to --

A. On September -- on September --

MR. KELLAHIN: Just a minute. He has an objection here.

MR. TAYLOR: I object. I believe that the last hearing the Commission excluded all testimony from anything dated prior to August -- or the 11th and 30th of 1976. Now, I do not mind his testimony, but if we're going to exclude that of Taylor's for any prior period, then this should also be excluded.

MR. KELLAHIN: If the Commission please, Mr. Taylor throughout his testimony, and the record shows it, over and over and over again, stated that C&K Petroleum had committed perjury in saying that they had made a dili-

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gent effort to obtain his consent, and we certainly, I think, have a right to refute any charges such as that. There are many charges in this record which should never have been made. We won't attempt to refute all of them, they're so far out, but we do feel that we have a right to show we did make an effort to get Mr. Taylor to either lease or join in this well.

MR. TAYLOR: I sought to place into the record the correspondence and testimony between Taylor and C&K Petroleum for this time period.

Now, if it will help in your ruling, sir, I have no objection to the truth being portrayed here, and most of what Mr. Gaertner has said is true so far, and I have no objection to that.

All I'm objecting to is the fact that we have a ruling outlawing some of this thing, testimony that's coming up that Taylor was going to present, and yet here C&K is allowed to submit it.

MR. KELLAHIN: We'll withdraw the questions and go on to something else.

MR. RAMEY: Well, I think that's true, Mr. Kellahin. I would assume that C&K, before they could put a drilling block together, would have tried diligently to lease everything available.

Q (Mr. Kellahin continuing.) Mr. Gaertner, in

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his testimony Mr. Taylor stated, at least the way I read it, and I may be wrong because the record is a little bit confusing on this point, but it appears he said he had talked on the telephone in connection with this well after the hearing.

MR. TAYLOR: I object, it's not on the telephone, sir. It was in person.

But I do not object to the conversation being entered into evidence. It was after the 11th and 30th of '76.

Q. (Mr. Kellahin continuing.) Do you recall such a conversation?

A. No.

Q. Do you recall ever talking to Mr. Taylor either on the telephone or verbally face-to-face in connection with this well after the hearing on November the 10th?

A. And prior to the spud date?

Q. Yes, sir.

A. No conversations.

MR. TAYLOR: Again, sir, --

MR. KELLAHIN: That's all the questions I have. Now, Mr. Taylor, I have no objection to your asking Mr. Gaertner any questions you want to. I have no objection to your getting back on the witness stand and saying what MR. Gaertner says isn't so. But I don't want you to continue

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interrupting me when I'm trying to present my case, and I'm going to ask the Commission to protect me in that regard if I have to.

MR. RAMEY: Any questions of the witness?

MR. TAYLOR: Yes, sir.

MR. RAMEY: All right, Mr. Taylor.

CROSS EXAMINATION

BY MR. TAYLOR:

Q. Mr. Gaertner, did Mr. Taylor contact you at the rig drilling C&K Carlsbad 13, one of the times that you were over and discuss with you the failure of C&K Petroleum to allow the Taylors to participate in this well and also discuss with you that Taylor desired to participate in the next well, which was possibly going to be C&K Carlsbad 7, and that we intended to participate after it was pooled, and this was the only way it seemed we could work things out with C&K? It was not prior to your spudding. It was while you were there in the little building where you catch the samples, sir?

A. That's true, Mr. Taylor, but according to your testimony, the telephone call or the communication was before the spud date. I will enter this at this time, Mr. Taylor did talk to me during the last ten days of the drilling of the well. It took approximately 45 days to

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drill this well. I was on the rig floor and I did talk with Mr. Taylor at that time, but Mr. Taylor also had approximately thirty to thirty-five days prior to that conversation to either come to Midland or to get in contact with C&K Petroleum and state his intention.

Q. Mr. Gaertner, you're stating that the only personal contact that Taylor made to you was ten days prior to completion of the well. I do not --

A. Prior to reaching total depth.

Q. All right, sir. You are --

A. Not completion of the well. I stand corrected.

Q. Were you discussing the drill stem test of the well at that period?

A. I'm not discussing anything.

Q. No, but that is the period that you have reference to. You're stating that Taylor -- that's the only time that Taylor discussed any portions of this well with you --

A. With me.

Q. While it was drilling?

A. Now, Mr. Taylor was on the rig every day, nearly every day, except when his father was having some problems with casing on a shallow test, but otherwise, Mr. Taylor had really an unlimited access to the well and he knew what was going on. I may have had a very casual

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conversation with him, which I'm sure I did, but nothing was discussed after the one conversation. I could not act as the agent for C&K Petroleum in any land work or any agreement that they might make with any of the participants, so I could not do any more than what I told him at the time, which was nothing.

Q. If you knew that Taylor was there practically every day, which I'm not admitting he was, then that means that there was more opportunity for conversation with him, sir.

A. That's right.

Q. All right.

MR. RAMEY: Any other questions of the witness?

REDIRECT EXAMINATION

BY MR. KELLAHIN:

Q. Mr. Gaertner, you've testified that Mr. Taylor was frequently at the well site. Were you there?

A. Yes.

Q. Did you see him there?

A. During this last ten days.

Q. He was aware that the well was being drilled then?

A. Yes.

Q. From the -- from the start?

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A. Yes, I feel that he was. In discussing this with the crew, they said Mr. Taylor, who they did not know was Mr. Taylor at the time until I told them it was.

MR. TAYLOR: This is hearsay, sir.

A. This is not hearsay. This is direct conversation.

MR. KELLAHIN: It's hearsay.

MR. TAYLOR: It's hearsay.

A. I know it is.

MR. KELLAHIN: But you yourself saw him at the drilling rig.

A. Yes.

MR. KELLAHIN: Frequently.

A. Yes.

MR. KELLAHIN: That's all I have, thank you.

Q. (Mr. Taylor continuing.) Now, again, Mr. Gaertner, when you're talking about seeing Taylor frequently at the drilling rig, you're not talking about only the last ten days.

A. I'm talking about the last ten days.

Q. So you cannot speak for anything prior to that time.

A. Well, that's right. Legally I cannot. But you and I know, don't we? Don't we?

We know, don't we, that you were by there?

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MR. KELLAHIN: Don't argue with witness, please, sir.

A. Okay.

MR. RAMEY: Confine yourself to the question.

A. Right.

MR. RAMEY: The witness may be excused.

MR. KELLAHIN: I'd like to call Dorothy Brown.

DOROTHY BROWN

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. Will you state your name, please?

A. Dorothy Brown.

Q. Ms. Brown, what business are you engaged in?

A. I'm employed by H. Gene Brown and Associates, which is an independent oil and gas audit firm.

Q. And where is that located?

A. Houston, Texas.

Q. And how long has that business been in existence, do you know?

A. A little over four years.

Q. And what kind of work does Brown and Associates

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perform?

A. We audit oil and gas properties, most particularly joint venture type audits; this being wells that have been drilled by more than one party, and we audit operators for non-operators.

Q. Now do you have any special qualifications for dealing with oil and gas accounting?

A. Yes, sir. I am a petroleum engineer. I was employed for nine years by Coastal States Gas producing company, and I have been employed by H. Gene Brown and Associates for about a year and a half.

Q. And what did you do for Coastal States?

A. A portion of that time I was the District Administrative Supervisor in charge of keeping up with all costs and part of that time I was physically out drilling wells.

Q. So you are experienced in procurement of supplies and the costs?

A. Certainly.

Q. Is that correct?

A. Yes, sir.

Q. Did you have to check the records for any of the other companies you've worked with?

A. Yes, sir. With Coastal States I did all of the checking of their invoices and approved all of the in-

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voices for the district that I worked in.

Q. And that includes drilling costs?

A. Drilling and completion, production, the whole works; all costs.

Q. All the material that went into the --

A. Yes.

Q. Clear up to connection of the well?

A. Right.

Q. Now, as an auditor, have you had occasion to make audits of individual wells, such as the Carlsbad No. 13?

A. Yes, sir. Our audit firm audits in the neighborhood of two hundred wells a year and every well that we audit I personally look at it, check certain things which pertain to the engineering and technical end of the drilling of the well and check every audit exception that we have on the well for every one. I don't physically do all the audits but I do check them all, and I do a portion of the audits myself.

Q. Now, does Earl Gaertner -- I mean Brown and Company -- and Associates, were they employed to audit the records of C&K Petroleum Company in connection with the Carlsbad 13 No. 1 Well?

A. Yes, sir.

Q. Did you have anything to do with that audit?

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A. I performed that audit.

Q. In connection with your work, have you prepared exhibits and a statement for the Commission?

A. Yes, sir, I have.

Q. Okay.

MR. KELLAHIN: Are the witness' qualifications acceptable?

MR. RAMEY: Yes, I consider the witness qualified.

Q. (Mr. Kellahin continuing.) Referring you to what has been marked as C&K Petroleum Company's Exhibit Number Two, would you identify that exhibit, please?

A. Yes, sir. I went through all of the records of C&K and looked at every invoice that C&K had charged to this well. I found on the intangible drilling costs and lease of well equipment nine charges which I felt should not apply to the pay out. Some of these were mis-coded. Some of them -- I would like to go through them one by one and show you what they are, if you don't mind.

The first one is the overhead rate and C&K had charged their drilling account the overhead rate which was stipulated in their joint operating agreement, which had been signed; however, that rate did not agree with the rate that the Commission had set for the 120 percent pay out. So I --

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Q. Now, let me ask you, in connection with your audit throughout, did you take into consideration the provisions of the pooling order?

A. Yes, sir. Yes, sir, certainly did.

So I have prepared a schedule which is attached to these exceptions, called Schedule One, which shows how C&K had charged the overhead to the joint account and how it should be charged according to the Commission's pooling order. And it showed that C&K had overcharged $895.88.

Q. That's your item number one?

A. That's number one. Do you have any questions about that or should I continue?

Q. Just continue.

A. Okay. The next one is a Grant Oil Tool invoice which was purely a mis-coded invoice and it should not have been charged to the drilling account, and so that is just a wrong entry.

Q. What do you -- when you say mis-coded, would you explain to the Commission just what you mean by that?

A. It's very easy when you've got accounting people, and I see this every day in my audits, they might have the right well name and write down the wrong code number, so it gets on the computer wrong, and this is the type of thing that has happened with the two mis-coded invoices

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that are in here.

This particular invoice from Grant Oil Tool Company was for a rotating head. It was -- it showed on the invoice that it went to the Carlsbad 13; the vendor showed that. It showed that it went to the Sharp Drilling rig, which was the rig that drilled the well, and it showed that it belonged to C&K Petroleum. However, it was delivered to Sharp Drilling Company rig after the rig had left the Carlsbad 13 and was on another well. The coding people saw that it said Carlsbad 13 on it. They saw that it went to the Sharp Drilling rig, so they coded it to this well. It was purely a human error, in my opinion.

The next one was a Dow Well invoice, and it was a mis-coded invoice also, and it had been coded right in the field in the Midland office to another well and the invoice clerk, the voucher clerk, in the Houston office had just put the wrong number on it and it got put on the computer in the wrong place. It did have the right well name, which was a completely different well but it had the Carlsbad 13 number, so it got charged to this well.

The next number four is a telephone expense of Gilbert Tompson's. These were for long distance calls which should have been covered by the overhead rate and so we are knocking that out, $15.28.

The next one is storage and handling charges.

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C&K has been taking their material transfers from the field and adding what they have been calling storage and handling charges to that in an effort to upgrade the pricing of their material to fair market value. This is not the correct way to handle that and C&K recognizes that fact now. Because any time you call it storage and handling charges, that is strictly forbidden in the normal joint operating procedure. They do have the right to price their material at fair market value but they cannot call it storage and handling charges. So we have to knock out the storage and handling charges and a little bit later in my presentation I'd like to show we where we do price their material at fair market value.

The next one is a Union Oil of California delay rental. That was a legitimate charge to the joint account but it should not apply to the pay out for these purposes that we're today, because it was on leases that C&K owned and not the leases that we're talking about for Mr. Page and Mr. Taylor.

The same applies to number seven. It was various recording fees and abstract costs. These should not apply because they pertain strictly to C&K's leases which they have under lease.

Number eight is various legal fees, which are the same thing. They apply to the hearing and various and

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sundry things connected with the leases that they have and not with the leases that Mr. Page and Mr. Taylor have.

Number nine was an invoice from Bethlehem Steel Corporation, which was an additional invoice that Bethlehem sent later after they sent their original invoice for the material and it covered the freight only. When they got -- whe C&K got the original invoice for the material they charged that material to the warehouse. In turn they sent the material to the Carlsbad 13 and charged it out. However, when this later bill came along for freight, they charged it directly to the well and that is not in accordance with the accounting procedures. It should have been charged to the warehouse and then billed out to the well through that channel. So that is an exception to the direct charges made by C&K.

When I show you later in my exhibits how we're going to price the material, this will be taken into account, this freight invoice.

Q. So there's a total credit due, according to your figures, $20,294.57?

A. Yes, sir.

Q. And that was in effect overcharges that have been made against this particular well.

A. Right, and that is for the intangible drilling costs and leasing well equipment.

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Now, if you'll look on the next page, there are two exceptions on the lease operating costs. One of them is the minimum royalties, which should not apply to the pay out. The other is various recording fees and abstract costs which have been charged to the lease operating expense, which was exactly the same type of exception as we made in number seven on the intangible drilling costs.

And that totals $1,277.58 of exceptions to the lease operating costs.

I'd like to state at this time that we found a total of approximately $20,500 worth of exceptions on this well, which in my opinion, after auditing approximately two hundred wells a year, is an extremely clean well. I think if we had audited this well for an outside operator, as auditors we would have been very disappointed that that's all we found, because it's extremely clean.

I'd like to go on with Exhibit Three.

Q. But before you do that would you briefly identify the schedules that are attached to your exhibit?

A. Certainly.

Q. You already mentioned Exhibit Number One.

A. Okay. Exhibit Number Two is a detail of the storage and handling charges as they were charged to the well, and these we are taking off of the expenses.

Schedule Three is just a detail of the abstract

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and recording fees that we're taking off, and Schedule Four is a detail of the legal expenses that we're taking off.

Q. Now, I notice in the schedules you show invoice numbers. Did you examine all of the invoices involved in this case?

A. Yes, sir, I looked at every invoice except one, which was for $20.00 and they were unable to locate it, and other than that I looked at every invoice which has been charged to this well.

Q. Now go on to Exhibit Number Three. Could you identify that exhibit?

A. Exhibit Number Three is a breakdown of the costs as I have come up with them by expense classification. These differ slightly from what has been furnished in the prior times. One of the reasons for that is that lots of things had been coded to the wrong expense classifications by the accounting clerks. This is extremely easy to do. I would like to give you one example.

One invoice which said bulk material. It was cement. They had it coded to mud because it said bulk material. They thought it was barite (sic) or something. This was in the amount of approximately $10,000. Now, if you put just one of those in the wrong category it certainly throws your categories out of place.

I have, to the best of my ability, gone back

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and put these in the correct category so that you could have the true cost of what the well really did cost by expense classifications.

I have -- you will note that the first column which says amount charged to joint account is as it was really charged to the joint account and all the working interest owners paid that amount of money.

The next column is exceptions, which is the exceptions we've just talked about. I am deducting those to come up with a correct amount that should be charged to the joint account.

To that I have added the well control insurance which was not a direct charge to the joint account but was charged on separate invoices to the working interest owners to come up with the total IDC and leasing well equipment to be recovered of $548,763.35.

MR. RAMEY: And that's the figure that the 120 percent penalty factor should be applied to?

A. Yes, sir.

MR. RAMEY: $548,000.

A. With one exception that I will show you a little bit later where I'm going back and repricing materials at fair market value.

Q. Now turning to Exhibit Number Four, would you identify that exhibit?

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A. Exhibit Number Four is a lease operating expense. I have broken this out for your benefit by the different categories that these charges fall under and also by the months since the well went on production.

One thing I would like for you to note on this schedule is the column that says minimum royalties and the column that says legal services make up the total for the exceptions that we are taking off at the bottom. Both of these columns have been completely removed from the cost.

And that makes a total lease operating expense through July of $8,424.80.

Q. Now turning to Exhibit Number Five, would you discuss that exhibit?

A. Exhibit Number Five is a composite of Exhibit Number Three and Four, showing you the total of both the intangible drilling costs, leasing well equipment, and the lease operating expenses. You will note they are exactly the same figures that appeared on the other two schedules, coming up with a grand total for both of $557,188.15.

Q. Now is that yet the figure against which the 120 percent would be applied?

A. The 120 percent is only going to be applied against the intangible drilling costs and leasing well equipment, and so the $8,424.80, it would not apply to that.

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Q. That would come off the figure, then?

A. Right.

Q. Now would you discuss Exhibit Six, please?

A. Okay. Exhibit Number Six is a schedule of income as reported on the New Mexico Tax Commission reports by month. I think the only thing that really needs to be mentioned here is that in August of 1977 there has been included in that gross value the rig fuel which was used on another well, and I do not know which well that was. You will have to ask Mr. Tompson because I'm familiar with which one was used when.

The other one is the last line of July, 1978, and it amended the October, 1977 figure, and that was also for rig fuel used on another well.

And this gives you a grand total of income as reported on New Mexico Tax Commission of $954,076.58. And that's what taxes have been paid on.

Q. Would you continue, Ms. Brown?

A. Schedule Seven, if you would please note Schedule Seven.

Q. You mean Exhibit Seven.

A. Exhibit Seven, I'm sorry. I'm getting my schedules and exhibits mixed up. Exhibit Seven. This is a schedule that I have prepared from the purchaser's statement, which shows the true net income to C&K Petroleum on

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this well. There has been an over statement of income to the New Mexico Tax Commission report. The taxes have been overpaid and that is the reason I've prepared this statement, so that we could find out exactly what the net income has been to C&K and what the difference has been.

I've prepared this from the Transwestern Purchaser's Statement. The gross value came directly from their statements. The taxes came from the taxes that were paid and I have adjusted it at the bottom, as you'll see, of approximate overpayment of taxes, coming up with a net value. I have put another column in for rig fuel, of what its net value and taxes that were paid on it, coming out with a net value of rig fuel, coming up with a total net value in the righthand column.

Now at the bottom I took the approximate overpayment of taxes and deducted that to come up with $949,046.20 of actual income that they've received, as opposed to the $954,076.58 as reported on the New Mexico Tax Commission reports.

Q. Now is that from the date of first production?

A. That is the date of the first production, right.

Q. Through July?

A. Through July.

All ScheduleEight is -- Exhibit Eight is, is

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a comparison of the gross value as reported on the tax statements and the gross value per Transwestern.

Q. I think we ought to go back here, Ms. Brown. I don't believe we covered Exhibit Number Six, did we?

A. Yes, we did. It's the New Mexico Tax Commission reports.

Q. That's right. Go ahead.

A. The top part of Exhibit Eight is just showing you the difference between what the tax statement showed and what C&K actually received. About the middle of the page you'll notice I have value of rig fuel. It was reported in August by C&K at $9802.70. It should have been $9176.16.

Now, the -- I tracked down why this occurred and what happened was that instead of -- the gross value was $9176.16. They figured the taxes and the accounting clerk that was filling out the tax report added the taxes to the $9176 instead of subtracting them from and she came up with a gross value of $9802. So that was filed incorrectly and it should be refiled.

This makes a total gross value overstated to the Commission of $5,276.44, and this means that C&K has overpaid their taxes by this amount of money and overstated their income by this amount of money, gross money, on all their pay out statements.

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Q. Would that include statements that had been sent to the royalty owners?

A. Yes, sir.

Q. Working interest owners?

A. Yes, sir.

Q. Now referring to Exhibit Number Nine, would you identify that, please?

A. Exhibit Number Nine is a schedule which shows every invoice which has been charged to this well for intangible drilling costs and leasing well equipment. It gives you the month that C&K billed it to the joint interest owners, who the vender was, their number, date, and C&K's reference number, the expense classification which will tie back to that Exhibit Three, if they care to do so, the invoice amount, and the description of what it was for.

And this is every invoice on this, and I'm submitting it only as a backup for my Sechedule Three.

Q. Now Exhibit Number Ten, is that the same thing as to --

A. It is exactly the same thing except that it covers lease operating expense, and as a backup to Exhibit Four.

Q. And that includes every invoice involved in--

A. Yes, sir, through July of 1978.

Q. -- operating expense. Now, referring to Ex-

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hibit Number Eleven, would you identify that exhibit?

A. Exhibit Number Eleven is the pay out which I have worked up with all of these corrected figures that I have presented in these prior exhibits. Perhaps you all would like to refer to the prior exhibits as we go along on this payout.

On -- if you'll look at Exhibit Five, it will show where I came up with the total cost that I have on the top line.

Now I would like you to refer to Exhibit Twelve so we can come up with that next line. Exhibit Twelve is a tubular price reconciliation and what I did was take every material transfer that C&K had to this well. I have shown as they have charged it, which brings it through Column Six. It gives you the footage, the condition, the unit price they charged, and the amount, the gross amount that was charged. I have deducted the storage and handling charge that we talked about earlier in the exceptions and come up with a Column Eight, which shows the amount that is now charged by C&K after deducting the handling charge. Against that I took Lone Star Steel's price list for the time that all of this was transpiring, the appropriate fair market value at that time. I added the tax into their cost and that is what is in Column Nine.

In Column Ten is the amount that should be

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charged per Loan Star Steel. All that is is the Lone Star Steel price times the footage, coming up with the amount that should be charged.

Column Eleven is the freight from Lone Star to Odessa, which has to be added back in because all of C&K's pipe was at Odessa.

Number Twelve is the total amount that should be charged adding back in the freight, and Column Thirteen shows the amount that C&K over or under charged as far as fair market value was concerned.

Q. Now does that $3,140.52 represent an overcharge or an undercharge?

A. That represents an undercharge. C&K has undercharged the joint account $3,140.52 on the material from their warehouse.

Q. Now referring back to Exhibit Number Three, Ms. Brown, and Code Number 302, you show tubing as being $28,372. Does Exhibit Number Twelve reconcile with that figure or --

A. The -- under 302 on exception three, that $28,372.90 also has in it some tubing which was -- they sent some tubing out for line pipe. When they transferred it back in and gave credit for it, it got put under the tubing category. If you will bear with me just a moment, I'll tell you the exact cost of tubing.

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Q. If you would.

A. Tubing as tubing in the well.

Q. In the well.

A. Right. Many of those material transfers just said tubing; they didn't say for line pipe and you had to look them up to see, that they were.

The total cost of tubing in this well was $34,978.85.

Q. Now is that figure incorporated in your Exhibit Number Twelve on the total cost of the well?

A. Yes, sir. No, it is not. All this is here is material transfers. If there was any material bought from a vender it does not appear on this. All I'm attempting to do with Schedule Twelve is price C&K's material out of their warehouse at fair market value.

Q. But the total figure is reflected on the well cost on Exhibit Eleven, is that correct?

A. Yes, sir. We -- the total cost of $548,763.35 comes from Exhibit Three and all I'm doing with the next line is adding back in the amount that C&K has undercharged for their pipe.

Q. And that gets us to the total well cost of $557,188.15.

A. Well, that comes from Five, from Exhibit Five.

Q. Exhibit Five.

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A. All right. The next line there, that adjusted material cost, is from Exhibit Twelve, which we just went over, which brings you up to a total adjusted cost of $551,903.87 for the intangible drilling costs and the leasing well equipment.

Now, you apply the working interest applicable to this payout to that figure and you come up with the working interest cost of $78,292.92 for the IDC and leasing well equipment and $1,195.14 for the lease operating expenses.

The next line I have just applied the 120 percent cost recovery to the IDC. Of course the leasing operating expenses does not have that applied to it, to come up with a total to be recovered of $173,439.56.

MS. TESCHENDORF: May I ask you a question for clarification?

A. Certainly.

MS. TESCHENDORF: Okay. Your total intangible costs are the $548,763?

A. Yes.

MS. TESCHENDORF: That came from your exhibit --

A. It comes from both Exhibit Three and Exhibit Five.

MS. TESCHENDORF: Right. Okay, that's what I was looking at. Now the only tubing cost up till then

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that I've found is on your Exhibit Three, and that was $28,372.

A. Yes, ma'am.

MS. TESCHENDORF: And how did you -- then there was another tubing cost of -- well, what I'm wondering is, is when you're adding that $3,000 it doesn't come into the $34,000, that you said was the total cost of tubing.

A. No, ma'am. No, ma'am. The $34,000 that I said was the cost of the tubing was what was originally charged by C&K as the cost of the tubing.

MS. TESCHENDORF: And that was the $3,000 too much.

A. No, they have -- they have undercharged on all the material $3,000 too little. Okay? They have not charged $3,000 enough, but that's on all tubulars, not just tubing. You have to consider casing is in that, too.

MS. TESCHENDORF: Well, all right. I guess my question is just directed to tubing costs and Mr. Taylor's objection was to that.

A. Okay.

MS. TESCHENDORF: And I guess I would like to have a figure for -- that's applicable to tubing cost, if you can provide me with that.

A. Okay. All right. When you take what was originally charged to the joint account on just the 2-7/8ths

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inch tubing, you subtract the storage and handling fee, which we talked about, and you add back in just these last three lines on Schedule Twelve, which pertain to 2-7/8ths inch tubing, you come up with $34,559.80.

MS. TESCHENDORF: Thank you.

A. Getting back to our Exhibit Eleven, the next line comes from Schedule -- Exhibit, I'm sorry, Exhibit Seven, which was the true income to C&K of $949,046.20. You apply the net mineral interests which is applicable to the payout and we come up with $117,802.45, which has been income applicable to the payout and that leaves a balance to be recovered at July 31st of $55,637.11.

Q. Now based upon your examination of the records, the cost of the well and the income derived, in your opinion does Exhibit Number Eleven correctly reflect the well cost, the income, and the present status of the pay-out of this well?

A. To the best of my ability I will state that this is my opinion as the correct payout as of July the 31st, 1978.

Q. Do you have anything else to add, Ms. Brown?

A. No, sir.

MR. RAMEY: The 14 percent is the Taylor interest?

A. The Taylor and Page interest, as I under-

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stand it.

Q. (Mr. Kellahin continuing.) Were Exhibits Two through Eleven prepared by you or under your supervision?

A. Yes, sir.

MR. KELLAHIN: At this time I'd like to offer in evidence Exhibits Two through Eleven, inclusive.

A. Twelve exhibits.

MR. KELLAHIN: Twelve, I'm sorry, Twelve.

MR. RAMEY: Without objection they will be admitted.

MR. KELLAHIN: That's all we have on direct examination.

MR. RAMEY: We'll have a fifteen minute recess.

(Thereupon a recess was taken.)

MR. RAMEY: The hearing will come to order. Mr. Taylor?

CROSS EXAMINATION

BY MR. TAYLOR:

Q. Mrs. Brown, in reference to your Exhibit Number Three, --

A. Yes, sir.

Q. You make the -- I believe you made the statement that the first column of amount charged on account is that that has been charged to the joint interests.

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A. Right.

Q. Prior to this time.

A. Right.

Q. Since you are aware of C&K's accounting, I assume that you have gone through C&K's accounting to the Commission and the working interest owners dated June the 21st of 1977.

A. Yes, sir.

Q. And there are some differences in the figures listed in the accounting that was being charged to us at this point and the ones that you show. Now are you stating that -- and I use an illustration -- that the first item that Mrs. Lebow has listed is location pits and roads for a total cost of $7,007, and you state that there was charged to this joint operating account here $6,393.36, not the $7,007 that Mrs. Lebow gave to us. Where is the difference there? If this -- if your paper, your first column designates what was charged, then why wouldn't it agree with Mrs. Lebow's on this?

A. Because, as I explained awhile ago, a lot of the things were coded to the wrong classification. I attempted to go back and code them to the proper and correct classification so that my schedule would reflect actual charges by correct expense classification. That one that you are referring to there, that schedule, is the one from

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the computer runs and this, as the example I gave awhile ago of the bulk material, which was cement, was coded over in mud. This happened numerous, numerous times and the one that I am presenting here as Exhibit Three is to the best of my ability the correct expense classifications.

Q. All right, so this has been -- well, was really charged by rearranging the accounts --

A. Right.

Q. -- but it is what was truly charged?

A. Right.

Q. You have three items on here, 317, 315, 347, the production equipment, flow line and miscellaneous equipment, installation cost, that you list as being charged in for this total of $563,487.92. Now, Mrs. Lebow indicated that these were not to have the risk penalty applied to it, and it's your interpretation that the risk penalty should be applied to these articles?

A. Yes, sir, according to agreements which have been signed.

Q. By whom?

A. By you.

Q. I've not signed the agreements with them.

A. I believe that Mr. Kellahin read one awhile ago into the record that you had signed that stated that the cost would be drilling, completion, and all hookup

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equipment.

Q. No, ma'am, that's an error, but that's all right.

But really, the portion of this is -- this really, you feel this really should be cost -- it should be shared by the working interest as well, and there is a risk applied to the placing of these at the well?

A. If I may, before I answer your questions, read this agreement that you signed that Mr. Kellahin had read earlier, which states, "C&K Petroleum, Incorporated, agrees that at the presentation of this case it will not seek a risk factor in excess of 120 percent; that is, it will seek the right to recover its reasonable cost of drilling, completing, and equipping the subject well, plus 100 percent of that amount as a risk factor for drilling the well as provided by the New Mexico statutes and the Rules and Regulations of the Commission."

Q. All right, but we're still -- it says as per the Rules of the New Mexico Oil Conservation Division, and et cetera. So we come baCk to the Oil Conservation Division Rules and Regulations on that portion of it, and you feel that these three articles would be covered as risk articles under the Rules and Regulations of that order?

A. That is my interpretation. I think if you have an objection to that, that that is something the Com-

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mission should rule on.

Q. I do object to it because it's --

A. And I cannot rule on that.

Q. Right, but I do call to the Commission's attention that there are three articles in her Exhibit Number Three that have previously been designated as non-risk articles.

Exhibit Number Four, you list there in the expenses the overhead for these months. Now what is entailed in this overhead?

A. That is the overhead rate that is charged to the joint account by C&K as operator.

Q. All right, we're talking about this being administrative charges.

A. Right.

Q. All right. Are you -- are you familiar with the fact that the rule -- the Order R-5332 designates only $150 per month administrative charges?

A. Yes, sir, that has been taken care of in exception one on Exhibit Two.

Q. But -- so this is what they charged, then, and you have made exception to it and taken it back to the $150 per month?

A. Yes, sir.

Q. Thank you. In your Exhibit Number Six, you do

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list for the month of August, amended, you do list a total volume of 61,432,000 cubic foot.

A. Yes, sir.

Q. All right. You list for June of '77 10,042,000 cubic foot.

A. Yes, sir.

Q. Now you have seen that C&K has supplied to the Oil Conservation Division and -- period -- the C-111, which states an additional 2,350,000 cubic foot was sold to a rig drilling the Carlsbad 12, C&K Carlsbad 12, and that's not reflected in this, is it?

A. In which month and what --

Q. In June of '77.

A. And what was the volume?

A. I believe it was 2,350,000 cubic foot.

A. I do not have that.

Q. All right. Then --

A. The only two refuels I have are the one in August, which is included in that 61,432,000, and the one in July, which is the very last line, amended, for October.

Q. All right. And you do acknowledge, then, that the July, 1978, for October, 1977, amended, is fuel used for drilling purposes for a rig?

A. Yes, sir.

Q. Uh-huh, and there was no filing of this to

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either the New Mexico Oil Conservation Division or the Oil and Gas Accounting Division at the proper time?

A. It was filed in July of 1978.

Q. All right. Exhibit Number Seven again fails to list the 2,350,000 cubic foot for June of 1977, which was sold to a rig drilling Carlsbad 12. As I interpret your figures, even if C&K Petroleum deleted their late payment of the October, 1977 5,004,000 cubic foot of gas sold to a rig --

A. Excuse me, Mr. Taylor, which schedule are you on?

Q. Well, going back -- let's stay with Seven for just a moment.

A. All right.

Q. All right. What I'm trying to get at is if we delete July of 1977, or '78, payments here -- I'm just not quite certain. Let me ask you this and then you can refer to your exhibit, whichever one it is. If you delete the payment that you made for the October, 1977 taxes to the Oil and Gas Accounting Division, C&K would still have overpaid their taxes.

A. I don't quite understand your question, Mr. Taylor, I'm sorry.

Q. All right. You filed an amended report -- let's go back to Six, then -- for -- stating that in July

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of '78, that you filed an amended report on October of '77 concerning the use of the 5,004,000 cubic foot of gas.

A. Yes, sir.

Q. All right. Even if we subtract the payment of these taxes, you say that C&K Petroleum as of to date would still have overpaid the taxes owed?

What I'm getting at is at the time of my complaint using C&K Petroleum's figures they had not overpaid. They were underpaid and of course your figures do not reflect theirs and you have come up with quite a large overpayment.

A. Well, we have a distinction here, Mr. Taylor, in that at that time if they had underpaid it was strictly because they had failed to file the 5,004 Mcf. Every one of their months of production of gas sold to Transwestern has been overstated and overpaid.

Q. Every one?

A. As far as to my knowledge, most every one. I'd have to go back and look to see exactly.

Q. All right. According to my figures, there's a possibility --

MR. KELLAHIN: I object t o Mr. Taylor testifying.

MR. TAYLOR: All right.

Q. (Mr. Taylor continuing.) In Exhibit Eight you

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state that there is rig fuel income to C&K Petroleum of $9,176.16?

A. Yes, sir.

Q. All right, and -- but you do not state any income to C&K Petroleum for rig fuel for the 5,004,000 cubic foot of gas sold to the rig?

A. Yes, sir, the $7,843.78 right up here at the top. All that is at the bottom, Mr. Taylor, is a note that it was reported wrong to the Commission, the 9802.70.

Q. All right. Thanks for bringing this to our attention, but you do report that there was $7,843.78 then received for rig fuel for the month of October, 1977.

A. Yes, sir.

Q. In the -- I'm having problems with your tubing schedule on what is Exhibit Number Twelve, I believe.

Now, as I understood it, the prices here are just what you figure to be the fair market value. Is it not the actual expenditures, is that correct?

A. The -- all the material that is on this transfer is material that was located in C&K's warehouse. This is not any material that was bought directly from a vender.

Q. And you're saying that all this material was used at the well site, C&K's Carlsbad 13?

A. Yes, sir. If you will notice, a lot of these are credits as well as charges;when they sent back their

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overages they credited.

Q. All right.

A. The joint account.

Q. I did not determine that.

You are aware that C&K has filed with the Commission an Exhibit Number One, which stated that their cost of tubing was $2.87 -- $2.87 point 4 per foot for $287.40 per hundred, and this is more than the -- I mean, beg your pardon, is less than the unit price that you are charging for the tubing that's in C&K's warehouse?

A. All right, now, which column are you looking at?

Q. I'm looking at your unit price again of your tubing.

A. Okay, that is what C&K actually charged. If you will come over and look under column nine.

Q. All right.

A. Lone Star Steel's price at that time is $2.99 including tax. If you'll add tax back to that you'll come out with $2.99. I've added back in the freight and I'm giving you a credit in column thirteen for an overcharge on C&K's material that they sent to that well of approximately $278.

Q. Well, there's actually a discrepancy here of -- in their Exhibit One, which lists it at $2.87 point 4 a

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foot and your $2.99 -- in other words, about 11-1/2 cents a foot difference.

A. Excuse me just a minute. $2.87 what?

Q. Point 4 cents.

A. $2.8074 --

Q. No, $2.87 -- two point eight seven four, really, is what it would be. Let me let you have these figures and it might help you a little bit.

A. If you will multiply that number times 1.04, Mr. Taylor, which is the tax that has to be charged on that pipe, you'll come up with $2.99.

Q. All right, thank you.

MR. TAYLOR: That's all my questions at this time.

MR. RAMEY: Any other questions of the witness? Mr. Stamets?

CROSS EXAMINATION

BY MR. STAMETS:

Q. Ms. Brown, --

A. Yes, sir.

Q. -- what do you estimate the common, ordinary rate of error to be in charging out well costs in operations such as C&K has here?

A. In my opinion, if a well has ten percent errors,

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according to how much was spent. Say on this well the total cost came out to what, I've looked at it so many times I can't remember it. Just a minute, and I'll look.

Q. $551,3 --

A. All right, on $548 -- $563,000, which was the total amount, I would fully expect to go in and audit that well and find $56,000, at least, in errors. I did not on this well. I found $20,000 some odd.

Q. So if you just had a broad cross section of operators you would expect to find that?

A. Yes, sir, and we do find that.

Q. Is there any reasonable way that operators could reduce that rate of error?

A. The type of -- it depends on the type of errors that you find. In the type of error that we found in this, I think it's just almost impossible to reduce it any lower because the two major errors in it, the $10,000 invoice, and the $2,000 invoice, were both strictly miscoding errors done by an accounting clerk, and that's a human error and I think as long as you have humans operating your accounting department, you're going to have those type of errors, and in my opinion they've done an excellent job of eliminating the errors that I found. They just didn't have that many errors.

Q. So you're saying that by and large C&K is doing

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a better than average job in their accounting?

A. Yes, sir.

MR. STAMETS: That's all the questions I have.

MR. RAMEY: Any other questions of the witness?

MR. TAYLOR: Yes, sir, I would ask one more of Mrs. Brown.

A. Yes, sir.

RECROSS EXAMINATION

BY MR. TAYLOR:

Q. You're talking about the total final figure, not the individual entries, and et cetera.

A. No, I'm talking about the individual entries, Mr. Taylor, because I looked at the individual entries. Now, if you want to get down and talk about expense classifications, that's another -- completely another story.

But that has nothing to do with how much is charged to the working interest owners, about what expense classification it goes in, whether it's drilling or cement, but the charge being made to the proper account and being charged to the proper people, I feel that they're doing an excellent job.

Q. All right, so again we go back that you're talking about overall picture and whatever, you finally get things in the proper accounting, that they're doing what

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you feel is a fine job.

A. Yes. I don't think they've went back and changed anything, I mean, from the time I looked at it, I found $20,000 worth of mistakes, and I would have fully expected to find around $50,000.

MR. RAMEY: Thank you. The witness may be excused.

A. Thank you.

MR. KELLAHIN: I'd like to call Mr. Brown as the next witness.

H. GENE BROWN

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 state your name, please?

A. H. Gene Brown.

Q. What business are you engaged in, Mr. Brown?

A. I'm the president of H. Gene Brown and Associates, which is an independent joint interest audit firm.

Q. And that is the firm that Dorothy Brown, who just testified, works for?

A. Yes, sir.

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Q. Does she work under your supervision?

A. Yes, sir, she does.

Q. Now, what type of work does H. Gene Brown and Associates do?

A. We primarily do joint interest audits, revenue audits, payouts, royalty interest audits, revenue disbursements, anything in the line of accounting for the oil and gas industry.

Q. Now, do you do a large volume of this type of work?

A. Yes, sir, we average, myself and my staff, between 150 and 200 wells per year, usually for anywhere from 15 to 20 different clients.

Q. Do you have a -- what size staff do you have?

A. Currently I have ten people.

Q. Now do you have any training in accounting or --

A. Yes, sir, I have a degree in accounting.

Q. And where did you get your degree?

A. North Texas State University.

Q. When did you get it?

A. In 1965.

Q. What did you do after you graduated from North Texas State?

A. I went to work for Continental Oil Company on a management training program in their Lafayette, Louisiana,

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District Exploration and Drilling Department.

Q. And what type of work did you do there?

A. The first year I spent in the field observing operations, various operations, and thereafter I was moved into the accounting office, coded invoices, prepared AFEs, made material transfers, inventoried material, et cetera, in their accounting office.

Q. Then are you familiar with the common practices in the industry of taking material from inventory and charging it to some individual well?

A. Yes, sir, I am.

Q. And all of the costs that go into the drilling of a well?

A. Yes, sir, I am.

Q. Equipping it?

A. Yes, sir.

Q. And do you have anything to do with the accounting of the production of the wells?

A. Yes, sir, we -- in most cases, in line with a joint interest audit on the cost, drilling and completion cost of a well, the majority of clients also retain us to review and analyze all of the production, sales to the purchaser, and their net revenue interest.

Q. Now, after you worked for Continental Oil Company, where did you work?

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A. I then went to work for Coastal States Gas Corporation in their audit department. I worked for them for approximately six years and was a supervising auditor in charge of all exploration and production audits, and I left them and started my own company a little over four years ago.

MR. KELLAHIN: Are the witness' qualifications acceptable?

MR. RAMEY: Yes, they are.

Q. (Mr. Kellahin continuing.) Mr. Brown, you have no direct connection with C&K Petroleum Company, do you?

A. No, sir, I do not.

Q. Have you ever worked for them?

A. I have not worked for them as an employee. I have been retained by them prior periods in 1975. I did some audit work for them. I did some audit work for them in 1976 and in approximately January of this year, and these were to audit wells that were drilled and operated by other people and C&K was a non-operator in these properties.

Q. Now, you were retained to make the audit on the Carlsbad 13 Well, were you not?

A. Yes, sir, I was called and asked to make the audit and prepare a payout on the Carlsbad 13.

Q. And actual work was done by Ms. Brown, is that right?

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A. And a couple other members of our staff.

Q. But it was under her supervision?

A. It was under her supervision.

Q. Now have you reviewed her work?

A. Yes, sir, I have reviewed all of the work papers, all of the schedules, the calculations on the payout, the revenue interest, et cetera, on this well.

Q. And in your opinion, and based on your experience as an accountant, do her Exhibits Two through Twelve correctly reflect the situation as to the Carlsbad 13 Well, particularly as to its cost, its revenue, and its payout status?

A. Yes, sir, to the best of my ability in reviewing this property, all of the costs have been properly accounted for; as was pointed out in prior testimony, there are a number of problems in expense classification. I would like to point out to the Commission that this is not unusual. This is found in almost every job that we do, and it is strictly a matter of whoever gets the invoice, of what expense classification they might think it goes in, and a lot of times these are young girls that are unknowledgeable of the oil industry. I can cite you some examples where that they come in and they don't know where they go so they just code them to a miscellaneous account. Mr. Taylor has brought this question up earlier, why the difference in what

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C&K had prepared and sent to -- presented before, and our current figures. I feel that Dorothy Brown and my staff are probably equal to or better than anybody else in classifying expenses, and this is exactly what I had instructed them to do, is to take the charges as presented to C&K and reclassify them under proper expense classifications, and this is the reason for the variance between prior figures and current figures.

Q. Now you heard Ms. Brown's testimony to the effect she would expect to find a ten percent error on a well that she's auditing.

A. Yes, sir.

Q. Would you agree with that?

A. In my experience over the last ten years as a joint interest auditor, it is rather common to find in the range of seven to ten percent. I consider, and most auditors in the business will consider, that any time you get exceptions that are under seven percent of total expenditures on a well, it's an extremely clean operation. I would normally, had I been retained to audit this well for some other non-operator that may have had some other wells with C&K or any other company, if we went in, spent the time we've spent on this job, and didn't come up with but $20,000, I would not recommend them doing any further audit work with that operator. It is our practice to make

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recommendations to clients as to the necessity of further audits on an operator when we go in and look at their drilling costs and their revenue. If they're a clean or reasonably clean, then normally I'll recommend that they not do any further audit work, and this --

Q. And in this case you would not recommend any further audit work?

A. And this particular well I would not recommend any further audit work. I think the charges and the errors that have been pointed out are very reasonable. They're very normal. In almost every audit you will find one or two invoices that are coded to the wrong well. The instance of an invoice that went to the rig, same rig that drilled this particular well -- it was on another well -- that is not uncommon, and I would say that, yes, these are very reasonable exceptions found on this well.

Q. Now, do you feel that C&K Petroleum Company has done an adequate job in its accounting procedures on this well?

A. Yes, sir, I would say that C&K has done an extremely good job in accounting for the cost and/or the revenues on this particular well. I realize that there has been some rig fuel that has been stated has not been pointed out before. This can occur as a breakdown in communication between district offices and a home office. Nor-

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mally, companies rely on purchasers statements to file their production reports and their Tax Commission reports. In many instances where they're using fuel off of a well to drill another well, the paperwork gets in late, or somebody forgets to turn it in timely, the reports get made and it's not reflected in that month. It's not a matter of intent in my estimation, it's a matter of oversight in accounting where you've got people, you know, five hundred miles away preparing these reports, and like I say, the normal procedure is to use purchasers statements as their source of information to file these reports.

Q. Now, the purchasers statements, of course, does not reflect rig fuel.

A. That is correct.

Q. What would be the source of information on rig fuel?

A. Normally, in most setups, that will come from the District Office. They'll have some type of meter on the line going to this other well, as to the volume of gas being used in operations.

Q. Has it been your experience in the other audits you have made that this is a common oversight?

A. Yes, sir, it's a common oversight and it's also a very common practice to use fuel from one well to drill another well. And many times it is reported late by

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accounting and it's strictly a matter that the field neglected to notify them or they've got the charge in late to the accounting people.

I think it should be pointed out that a lot of these charges may not hit in the exact month or the succeeding month as when they occurred, and that's due to the system of paperwork in almost all large companies. Normally invoices are sent to the field for approval. They are then submitted to the home office. They have to be coded. They have to be set up for payment. And I've seen instances on revenue and on expenses that a charge may come in anywhere from three to six months after the operation is completed.

Also, in our audit procedures, when we're retained to do an audit, we normally will give a period of time after a well is complete, which is normally six months, to be sure all of the charges are in, because many times it takes this long to get all the costs in.

MR. KELLAHIN: That's all the questions I have of this witness.

MR. RAMEY: Any questions of the witness?

MR. TAYLOR: Yes, sir, one or two.

MR. RAMEY: Mr. Taylor.

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CROSS EXAMINATION

BY MR. TAYLOR:

Mr. Brown, you state that C&K was drilling other wells, so actually they were paying themselves for this gas.

A. No, sir, they're not only paying themselves, they're paying all of the working interest owners in this well for the gas.

Q. But we are saying that they purchased the gas from themselves.

A. Yes, sir, they purchased it from one well for another one.

Q. And so the problem lies in that this is not reported to working interests or other people, lies still with C&K.

A. It it goes unreported, yes, sir, that would lie with C&K.

Q. Yes, sir.

You stated that this is common practice and a common oversight, and I know that the Commission, the same as I do, appreciates this information. Is it more common when that the company sells the gas to itself?

A. This is normally the case in most respects where you're using gas off of another well, that they're usually drilling a subsequent well of their own. There are

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cases where you will sell gas to an outside party.

Q. Yes, sir.

A. There is still lag time, the same as if you're buying from yourself when you're selling fuel to another firm to drill a well.

Q. All right, sir, but is it more overlooked, since you are an expert in this field, is it more overlooked when that the gas -- when that the producer is selling gas to itself to drill than whenever that it's selling to a foreign company?

A. I would not say that the ratio is any more when they're selling to themselves than when they're selling to somebody else. I've found an equal number of cases. Usually not in that it goes unreported or undetected, but more so in that it may be late in being reported.

Q. Uh-huh. All right, sir, thank you.

MR. RAMEY: Ms. Teschendorf.

CROSS EXAMINATION

BY MS. TESCHENDORF:

Q. I have one question but I'm not really sure who to direct it to, maybe Mr. Kellahin could help me on that.

This was a question I'd asked Mr. Taylor previously about a couple of their exhibits where they

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seem to be mingling the accounts of the Carlsbad 13 and the Carlsbad 12, and I'd like that exhibit explained to me.

MR. KELLAHIN: Mr. Tompson will cover that.

MS. TESCHENDORF: Okay, thank you.

MR. TAYLOR: I would also have a question and perhaps this gentleman would be the one to supply the answer as to how our monies are being held in suspense, and since he has edited the account, perhaps he would be the one.

MR. RAMEY: Can you answer that question, Mr. Brown?

A. I believe that Mr. Tompson has been furnished this information. As far as the payout is concerned, I don't believe monies are held in suspense. Those are costs that are applied to his expenses rather than putting that money in an escrow account.

MR. RAMEY: I believe Mr. Taylor is referring to his royalty interests.

MR. TAYLOR: That is correct.

A. Well, they -- I can tell you from looking at their system that they've set up however much gas was produced in its net value and apply his royalty interest and that amount is set up in an account as to what he has due.

MR. TAYLOR: Is this an escrow account, sir, separate from C&K's other money?

A. I cannot testify to that fact.

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MR. RAMEY: Any other questions of the witness? He may be excused.

Mr. Kellahin, why don't we recess until about 1:15.

(Thereupon the noon recess was taken.)

MR. RAMEY: Mr. Kellahin, you may proceed.

MR. KELLAHIN: Yes, sir. We would call Mr. Tompson.

GILBERT C. TOMPSON

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 state your name, please?

A. It's Gilbert C. Tompson.

Q. By whom are you employed and in what position, Mr. Tompson?

A. C&K Petroleum as Manager of Production.

Q. Are you a petroleum engineer?

A. Yes, I am.

Q. Have you testified before the Oil Conservation Commission or one of its examiners and made your qualifi-

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cations a matter of record?

A. Yes, it's been quite a number of years ago, but I have.

MR. KELLAHIN: Are the witness' qualifications acceptable?

MR. RAMEY: Yes.

Q. (Mr. Kellahin continuing.) Mr. Tompson, in your position as Manager of Production, have you had anything to do with the Carlsbad 13 Well No. 1?

A. Yes, sir, I was responsible for the drilling operations and have been responsible for the production operations since the well was completed.

Q. Now, have you reviewed the testimony of Mr. Bill Taylor in the prior hearing on August 21st?

A. Yes, I have.

Q. Are you familiar with that testimony and his exhibits that were offered --

A. Yes, sir.

Q. -- at that time?

A. Yes, sir.

MR. KELLAHIN: If the Commission please, at this time we would withdraw our Exhibit Number Fourteen for the reason that it antedates the hearing on November the 10th, and the Commission has ruled that that wouldn't be acceptable, so we will not offer it.

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Q. Now, have you --

MR. RAMEY: Mr. Taylor?

MR. TAYLOR: Yes, I think that Mr. Kellahin is referring to the hearing on August the 9th, not the 21st. 9 August I believe is what the transcript says.

MR. KELLAHIN: Oh, you're correct. I was looking at the reporter's statement.

MR. RAMEY: Okay, please proceed.

MR. KELLAHIN: We will, as I say, withdraw Exhibit Fourteen since the Commission has already ruled it will probably not be admissible.

Q. (Mr. Kellahin continuing.) Now, Mr. Tompson, would you refer to what has been marked as Exhibit Number Fifteen?

A. Yes, sir, this is a letter from Mr. Bill Taylor addressed to me, dated August the 1st, 1977.

Q. Now it does not pertain to Carlsbad No. 13 Well, does it?

A. No, sir.

Q. Then for what purpose are you offering this exhibit?

A. This is a letter in which Mr. Taylor enclosed his check for $408.23. Quoting, he says,"This is the amount your AFE Number 00160 establishes as my share of estimated well costs." He's referring to the Carlsbad 7 No. 1 Well,

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and we offer this exhibit to show that Mr. Taylor did in fact know the procedure to be used in joining and participating in a well under the forced pooling procedure.

He did participate in the drilling of the Carlsbad 7.

Q. Now, before we go on to the other exhibits, I would like to have you identify what has been marked as Exhibit Number One, and Exhibit Number One-A.

And those were filed with the Commission but I do not believe they've been identified in the record.

A. Exhibit Number One is an invoice from Midland Pipe Corporation, invoicing C&K for 7,520 feet of 2-7/8ths inch 6.50 pound N-80 tubing, external upset end, threaded and coupled, range two.

It is -- it indicates that the amount -- the cost of that tubing is $287.40 per hundred weight -- per hundred feet, and the freight has been added onto that, and down below there's a four percent tax is added on.

Q. Now those are records that are kept in the ordinary course of your business, are they not?

A. Yes, sir, this is simply a copy of the invoice. This tubing went to the Carlsbad 13 Well.

Q. Now, referring to what has been marked as Exhibit Number Sixteen, a letter with attached --

A. Do you want to --

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Q. Pardon me?

A. Do you want our forms? Do you want to get One-A in, also?

Q. Yes, One-A. I'm sorry, I thought you had identified it.

A. No. Exhibit One-A is the bill of lading that was referred to in the testimony by Mr. Taylor in the past hearing, and I would call to your attention that no place on the bill of lading is there anything concerning the price of the tubing.

Q. Now if you would refer to Exhibit Number Sixteen, which is a multi-page exhibit, transmitting certain forms to the Oil Commission, would you identify that exhibit and discuss the individual records attached to that?

A. Yes. Exhibit -- Exhibit Sixteen is a letter written to Mr. Gressett with the -- in District Two of the Oil and Gas Division. This letter was and the attachments were sent to Mr. Gressett in an effort to clarify the record and be sure that your records were complete.

Mr. Taylor pointed out in the previous session of this hearing that there were some errors in some of the submittals and there were actually some forms that had not been filed as they should have been filed, and we can only admit that some of these forms were not filed as they should have been filed and that there were some errors. We have

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tried to correct these errors on these forms.

Going through them individually, there's Form C-102. The objection was made that the dedicated acreage was shown to be 320 acres. We have corrected this to show that it is infact 336.60 acres.

Form C-103, I think the point was made that we did not indicate that there was a -- that the 9-5/8ths inch hole was not drilled all the way to total depth, and that our well plan had indicated we would drill to approximately 8700 feet and reduce hole size. We did in fact follow the well plan but this was not reflected on the C-103 form when it was filed, as it should have been. We are filing that to make that clear in the record.

The Form C-104 is the authorization to transport oil and natural gas. This should have been filed when we made plans to deliver gas from the Carlsbad 13 to the Carlsbad 7 No. 1. It is filed now to clear the record.

The Form C-111, we have two sets of Form C-111s, the gas purchasers monthly report, and these two forms, the two for August and September, are gas delivered -- reflect gas delivered from the Carlsbad 13 to the Carlsbad 7 No. 1. And used on that well for drilling. Those filed for the months of June and July, 1977, reflect the gas that was moved from the Carlsbad 13 to the Carlsbad 12 No. 1 and were used to drill that well.

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MR. RAMEY: Mr. Tompson?

A. Yes, sir.

MR. RAMEY: Mr. Tompson, my packet seems to contain two Forms C-111 for June, 1977. Is there one for June and one for July, is that what you said?

A. Yes, there should be one for June and one for July. I think maybe --

MR. ARNOLD: Both of mine are for July, so I'll trade with you.

MR. RAMEY: All right.

MR. KELLAHIN: You all get together.

MR. RAMEY: Okay, I think we're in good shape now, Mr. Tompson.

Q. (Mr. Kellahin continuing.) Mr. Tompson, was this information depicted as to the gas that was used for drilling purposes on other wells available to Ms. Brown when she made our audit?

A. Yes, it was.

Q. So it would have been reflected in her audit?

A. Yes, sir.

Q. As she stated?

A. Yes, sir, that's right.

Q. Now referring to what has been marked as Exhibit Number Seventeen, would you identify that exhibit, please?

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A. Yes, sir, Exhibit Number Seventeen is three -- I mean four amended reports, C-115s, to reflect the gas transported to the two drilling rigs that -- the two drilling wells that we've spoken of, one for June and July, showing the gas that was taken to the Carlsbad 12 and one for August and September showing the gas that was taken to the Carlsbad 7. This is, again, to clear your records.

Q. And referring to Exhibit Number Eighteen, would you identify that exhibit, please?

A. Exhibit Number Eighteen is an amended Oil and Gas Accounting Commission form which is to pick up the taxes that were not reported or paid on the gas that was used -- let's see, that was -- well, this is to report the gas that was used on one of the wells and right now I'm trying to refresh my memory as to which one it was that they failed to pay on.

That is for the gas used on the Carlsbad 7 No. 1 Well.

Q. Now referring to Exhibit -- that was Exhibit Eighteen, wasn't it?

Were Exhibits One and One-A, Fourteen through Eighteen inclusive, prepared by you or under your supervision or -- or constitute documents kept by your company in the ordinary course of business?

A. Yes, sir, they were the -- the Commission re-

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ports were prepared by people in our office who are charged with that responsibility, who do work under my supervision.

The tax report was prepared in the accounting office in our Houston office and was filed out of that office.

MR. KELLAHIN: At this time we'd offer in evidence Exhibits One and One-A, and Exhibits Fourteen through -- well, I'd offer Exhibit Thirteen, also. I don't believe I offered it. It's identified by Mr. Taylor, and Fourteen through Eighteen. Fifteen through Eighteen. I'm sorry, we dropped Fourteen.

MR. RAMEY: Without objection, these objections will be admitted. I guess you did offer the other exhibits this morning.

MR. KELLAHIN: Yes, sir, I did.

Q. (Mr. Kellahin continuing.) Now, Mr. Tompson, you have reviewed Mr. Taylor's complaints and the transcript in this case and exhibits, have you not?

A. Yes, I have.

Q. Now, in connection with that, under your item nine, Mr. Taylor frequently complained that he was not permitted to join in the drilling of this well. To your knowledge, was he furnished with an AFE?

A. Yes, sir, he was furnished with an AFE. In fact, I think he was furnished with three copies of the AFE.

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Q. And in addition to that, you have seen the agreement which he signed, our Exhibit Number Thirteen?

A. Yes.

Q. Was it your understanding that he was going to join in the drilling of this well at that time?

A. Yes, sir, we understood that he was going to join and we thought that arrangements were made for him to join in the drawing up of that agreement on the 9th of November.

Q. But he never did contribute his share of the cost?

A. No, he did not.

Q. Now, Mr. Taylor -- you have it as item nine on your sheet there -- testified that there is evidence that shows that C&K Petroleum is not living up to the statutes of New Mexico in their application. Do you know what he meant by that?

(There followed a discussion off the record between Mr. Taylor and Mr. Kellahin.)

A. I honestly can't say in what context he says that unless he is referring to the fact that we made an error in identifying the number of acres in the lease when we filed for our permit to drill. I recognize that a mistake was made at the time that application was filed. I

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think the man who filed the application honestly did not know and really was not in the position to know how many acres were in that tract. We received the title opinion after that form was filed and that title opinion did reflect the correct number of acres.

Q. Well, actually you have reviewed the record in this case. Do you recall whether the application of C&K Petroleum Company for their forced pooling order reflected the correct acreage?

A. It did, yes.

Q. And all the other instruments that have to do with this case reflect the correct acreage with the exception of this one, did they not?

A. Yes, sir.

Q. Now, have you -- do you recall there being any pressure tests on the casing in this well?

A. I reviewed our records in this regard after I went over the testimony for the previous session of this hearing. Our drilling report, the tower reports from the rig, do show that the 10-3/4 inch casing was tested to 1500 PSI before drilling out. There is no -- nothing said in there in our records as far as the 16 inch casing was concerned. I would feel quite certain with the Sharp Drilling Company Rig 37 on that hole, which had been drilling in New Mexico for several years, that they did test the

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casing, but I cannot actually find a record and I was not on the well.

Q. Now, as a matter of practice, the drilling company does the testing, does it not?

A. Yes, yes, they do.

Q. Not the operator?

A. No, it's -- of course, it's the operator's responsibility but it -- the contractor does do the testing, that's correct.

Q. Now, you've had considerable experience in the drilling of wells in New Mexico, have you not?

A. Yes, sir.

Q. Have you, or C&K Petroleum Company, observed the practices of the drilling contractors?

A. Yes, sir, and I would also state that Sharp Drilling Company is a very reputable contractor. The two toolpushers who were on this rig are both very familiar with the requirements of the State of New Mexico and I feel, I would be very surprised to learn that they didn't follow the procedures that are routine.

Q. Now, you did not file a completion report timely, I think you've already stated you did not.

A. That's right.

Q. When was the well completed?

Why don't you just give us a brief summary of

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the history of this well.

A. All right, let me do that.

Q. I think that will be helpful.

A. The well was spudded on January the 16th, 1977, at 5:00 a. m.

The 16 inch casing was set at 399 feet and cemented on January the 17th, 1977.

10-3/4 inch casing was run and cemented on the January 24th and 25th of '77 and set at 2603 feet.

We reached a depth of 8747 feet on February 7, 1977, at which point we pulled the 9-1/2 bit and went back in with a 7-7/8ths bit to reduce hole.

On the 2nd and 21st, on the 21st of February, we reached total depth of 11,701 feet.

On February 22nd we ran 5-1/2 inch casing, it was 20-pound and 17-pound N-80, and it was set at total depth of 11,701.

On the 23rd of February we ran a temperature survey and found the top of the cement behind the pipe at 8,430 feet. We released the rig at 2:30 a. m. on the 23rd of February.

We moved a completion unit onto it to start the completion on March the 3rd, 1977. The completion procedure was slowed down by some high winds during the first couple of days but there was some discussion of when

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the Christmas tree was installed and the Christmas tree was first installed on March the 8th, 1977. The well was swabbed down and we on the 9th of March, we perforated from 11,541 to 11,642, perforating through tubing.

That zone was tested and after getting no encouragement from that zone, we set a DR plug in the Baker packer that was above the perforation. We pulled -- we pulled the Christmas tree and tubing and on the 14th we reran the tubing and set a Baker LokSet Packer.

Now, we set the Christmas tree the second time for the second attempt at a completion on March the 14th, 1977.

Again we swabbed down and we perforated from 11,298 to 11,449.

Now, on the 15th we acidized the well and after acidizing we ran the swab a few times, the well kicked off and started to clean up.

And on the 16th we flowed the well to clean up; we hooked it up to test separation equipment, and after testing briefly, we shut it in to wait for pipeline connection.

Q. Now, did you make a 4-point back pressure test?

A. Yes, sir.

Q. And when did you do that?

A. That was made on March the 3rd. Excuse me, August the 3rd, 1977.

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Q. Now, I believe Mr. Taylor complained in his testimony that the test had not been made in the proper time.

A. Yes, sir.

Q. Do you have any comment on that?

A. Yes. I would point out that we did write the Commission requesting that we be allowed to wait until the pipeline was connected to run our 4-point test, since it would be flaring gas, wasting gas that could otherwise be sold if we would wait. And I don't recall actually receiving a letter in reply, but I heard nothing to the contrary and we did wait until the pipeline was in place.

Q. Now, Mr. Taylor made reference to what he had marked as his exhibit 12-2 -- I think that's right -- which is a letter addressed to you. He seemed to indicate in his testimony, as I read it, that this was his notice to you that he did not agree with your well cost.

Did you take that as being a complaint about the Carlsbad 13 Well?

A. No, sir, I did not. If you will look at that letter, Mr. Taylor starts out indicating that this letter is in reply to my letter of July 15th and with my letter of July 15th I forwarded Mr. Taylor an AFE inviting him to participate in the drilling of the Carlsbad 7 No. 1 Well.

In the first paragraph he states that he has

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not nor will not authorize us to bill him for his share in the Carlsbad 7.

In the second paragraph he states that he does wish to participate in the Carlsbad 7 but that he will pay under the terms of the forced pooling order.

The fact is that since Taylor had told us that he intended to participate, we had not actually included him in the list of people to be force pooled in the Carlsbad 7.

MR. TAYLOR: I object to this portion of the testimony. Mr. Tompson has not laid any groundwork whereby that Mr. Taylor was ever approached on this particular well to either be force pooled or participate except this one letter that you've made reference to.

MR. KELLAHIN: If the Commission please, the testimony is designed to explain the conclusions reached or discount the conclusions reached by Mr. Taylor in his own testimony regarding this exhibit which has been admitted, and I think it's proper to permit Mr. Tompson to explain just what happened in this case and how the C&K drilling company read this letter, which as Mr. Taylor says, was a complaint about them, the Carlsbad 13, and it wasn't even mentioned. The letter will speak for itself, I agree.

MR. TAYLOR: I think that Carlsbad -- the south half of 13, 22, 26 is mentioned here under R-5332,

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and that certainly is a reference to the Carlsbad 13 Well. I'm not fully aware of the necessity of your bringing Carlsbad 7 in, but I'll be glad for you to bring Carlsbad 7 in.

MR. RAMEY: I think I'll overrule the objection and I would ask Mr. Tompson to proceed.

A. Well, this letter -- my point is that this letter seemed to be a letter referring to the Carlsbad 7. He does go on to say that he cannot foresee any other way we could work directly together as, and he lists some "as" below there.

The first one is that C&K has requested $15,000 as his share of the well insurance, a ridiculous figure, which I agree it is a ridiculous figure, but the $15,000 was the total amount that we anticipated the well insurance would cost all the working interest owners in that well.

The amount for his interest was $9.28. I think this should have been clear to him since the total AFE cost to Mr. Taylor was $409. So certainly $15,000 of it couldn't be for well insurance.

MR. TAYLOR: I would like to object to this as Mr. Tompson has not produced the letter to which Mr. Taylor made reference here, that led Mr. Taylor to believe that what they were requesting was this ridiculous figure.

MR. KELLAHIN: We're confining our testimony

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to the matters stated in Mr. Taylor's letter and this has been admitted; he sponsored the exhibit.

MR. TAYLOR: Yes, sir.

MR. KELLAHIN: I think we have a right to respond to it.

MR. TAYLOR: But I did not make reference to the Carlsbad 7 Well's --

MR. KELLAHIN: You'll have an opportunity to explain later, Mr. Taylor.

Q. (Mr. Kellahin continuing.) Would you go ahead, Mr. Tompson?

MR. RAMEY: Excuse me, Mr. Tompson, is this $15,000 pertaining to the insurance for the Carlsbad 7 or the Carlsbad 13?

A. I take it to be the Carlsbad 7. I take it -- I would assume it is the Carlsbad 7.

MR. TAYLOR: Without Mr. Tompson's letter to Taylor, the Commission would be unable to determine whether this would appear a ridiculous figure to Mr. Taylor and give justification for his thinking that they were requesting $15,000 or not.

MR. RAMEY: I think --

MR. TAYLOR: It obviously reflects my opinion as to what the letter meant to me.

MR. RAMEY: Well, this is in your exhibit, Mr.

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Taylor.

MR. TAYLOR: Yes, sir.

MR. RAMEY: If you -- if you don't agree to what Mr. Tompson says, why I think you can -- you can clarify it at a later period. I think we ought to let Mr. Tompson give his interpretation of this.

MR. TAYLOR: Well, he has stated that my figure was supposed to be $400 and something -- was $9.00 and something, beg your pardon, for the insurance. Can he produce any documentation that would have indicated to Taylor that my share of the insurance was only going to be $9.00 and something?

MR. KELLAHIN: If the Commission please, if Mr. Taylor has any correspondence he hasn't produced, why he can certainly have an opportunity to produce it, but judging by this letter, he said we requested $15,000. He participated in the well and paid $409. Now that's what Mr. Tompson is testifying to and Mr. Taylor -- this letter admits that he --

MR. TAYLOR: This letter is not in reference to the forced pooling order. I had not received the forced pooling order. I had not even been notified of the forced pooling.

MR. RAMEY: Which forced pooling order are you talking about?

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MR. TAYLOR: We're talking about the Carlsbad 7, which is what he has reference to here.

At this time I did not know thta my share was going to be $400 and something dollars. All I had, knowledge that C&K was going to drill at this particular time was Mr. Tompson's letter and the AFE that was included therein, which to me in my interpretation of it at that time did indicate that there was $15,000 my share of the insurance.

Looking at it now I can see it possibly interpreted to mean that it was the total insurance for the well.

MR. KELLAHIN: If the Commission please, I think we're degenerating in this silly discussion. Mr. Tompson has testified that the total amount of the insurance was $15,000. If Mr. Taylor is willing to accept that, why we can go on to something else.

A Shall I proceed?

Q (Mr. Kellahin continuing.) Yes.

MR. TAYLOR: I will not concede, sir, that I knew at that time that the total cost was $15,000.

MR. KELLAHIN: Are you willing to concede now it was $15,000 or do you want to dispute Mr. Tompson's testimony? It would be up to you to come in with some evidence. I'd like to get on with the hearing if we pos-

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sibly could.

MR. RAMEY: Yes, I think that would be well. I think you can bring this up in cross examination, Mr. Taylor. Just make a note of it and ask some questions later.

A. One of the items that was brought up the last time was the fact that we failed to fulfill Order R-5332 by filing an itemized schedule of actual well costs within the time specified, and we can only agree that we were about ten days late in making that filing. I do think that Mr. Taylor had the thirty days after the time received to make complaints if he wished to do so.

Then he goes on to say, then exaggerating said cost by listing items as tubing at $33,000 when actual cost was approximately $12,000.

I think Mrs. Brown has already testified that the actual cost of the tubing was just over $34,000. I think it's also interesting to note that that tubing was delivered to the well on March the 2nd and if we had bought the tubing on the date that it was delivered, the price of the tubing, the FOB mill price of 2-7/8ths N-80 tubing on the day it was delivered from the Lone Star price list was $318.99 per hundred feet. The price went up on March the 1st. That's FOB mill. If you add the freight rate of $1.53 per hundred weight and the tax, the actual cost that we would have charged the account, if we had bought it on the date

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it was delivered, is $3.4169 cents for that tubing, and that is the price at that date.

Now we charged them what we actually paid for it. We bought it before the March 1st deadline, but that was the price.

Q. Would you refer to Mr. Taylor's Exhibit 12-4 and do you have any comments on that exhibit?

A. This -- this is a letter from Mr. Taylor to the New Mexico Oil Conservation Commission. In this letter he states that the Commission promoted the 200 percent risk factor and forced pooling. Of course we did not ask for 200 percent. In fact, we agreed prior to the hearing with Mr. Taylor that we would not ask for more than 120 percent. This is one of the things that we thought we had worked out in the agreement that has been submitted. I think --

Q. Let's go on down. He accused you of having failed to pay the royalty owners. What about that?

A. Well, I think that --

Q. I'm talking about the one-eighth royalty interest on those who were force pooled.

A. I think that we all need to recognize the order in which these things occur. We do not start preparing a division order title opinion until the date of first runs. At the date of first runs we ask our attorneys

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to start preparing the division order title opinion. When that division order title opinion is completed it is -- the division order is written following the attorneys findings and the division order is mailed out. Now there is some time elapses between the date of first run and the time that these division orders are out and back to us and we're in a position to pay.

So first of all there could be a period of three to four months after runs commence before we start paying anybody. Every royalty owner that has paid -- that has signed the division order has been receiving his payment since -- since we had that signed division order and since we've started paying anybody.

Q. Now if Mr. Taylor signed a division order would you pay his?

A. Yes, sir, we'd pay it tomorrow if he'd sign a division order.

Q. Now there were two witnesses this morning who tendered their check stubs and apparently had signed division orders but there appeared to be some discrepancy in the rates at which they had been paid. Do you have any explanation for that?

A. Well, I think that it should be pointed out that it's impossible for me to sit here and testify with full knowledge without examining their payments and going

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to our accounting records and finding out if there was any other reason that they did not receive full payment. I can say this, that I did look into the statement that was handed to us at the previous hearing and I identified that royalty owner by the -- by the owner number on that check stub, and we went back to our records. The only monies that we withheld from that royalty owner was the money that was in question as far as the FERC price was concerned. I think Mr. Taylor or one of the other gentlemen that was here this morning introduced into evidence the fact that that money was released in July, I believe it was, and I think that I would assume that their failure to receive full payment is attributable to the same thing.

And this is something that can be verified by going to our accounting department, understand, but I think that this is what we would find.

Q. Now, did your company ever pay a royalty owner or a working interest owner in the absence of a signed division order?

A. No, sir.

Q. Have you attempted to get Mr. Taylor to sign a division order?

A. Yes, we have.

Q. Did you make that attempt subsequent to the last hearing?

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A. I have talked to Mr. Taylor on the telephone again. We discussed it at some length. He suggested some deletions from our division order form. I in fact agreed to those deletions on the telephone. The I subsequently received a letter that he was going to examine some further I believe he called them major company division order forms and that he would be back in touch with me.

Q. And have you heard from him since then?

A. No, sir.

Q. Now, if you would turn to Mr. Taylor's Exhibit Number 16-4, a letter to the Oil Conservation Commission dated March the 30th, 1978. I believe in that letter he stated there are several errors in the interest percentage of various individuals. Do you know of any errors in the percentage interests in your division orders?

A. No, I certainly don't. I can't -- I do know that our division order is in full agreement with the division order title opinion that was prepared by our attorneys and if there is any errors in the ownership reflected in that division order they have not been brought to our attention by the owner in question and I would say that they are not a matter of record at the time that division order was prepared if they were in fact different than we have shown.

Q. Now Mr. Taylor did return a signed division

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order to you, did he not?

A. Yes, he did.

Q. What objection did you have to the change that Mr. Taylor had made?

A. Well, it crossed out a great deal of language that we felt was important. It crossed out that language that allows us to recoup overpayments; the language that ratified the owner's interest; the language allowing the withhold and pay taxes; the language allowing the operator to pay treating charges to make the gas merchantable; and he also crossed out the language that allowed the operator to withhold payments in the event a question of title arises. He added some language that was not clear to us as to what it meant or what it would mean, that we couldn't accept without at least some rewriting. On the interest sheet he crossed out the interest opposite two names, not his name but two other owners that we had no reason to think that he has any reason to speak for them, and he crossed out his wife's name on the -- on that division order which it's our understanding that New Mexico being a community property state, that it is required of us that both parties sign the division order.

Q. And the division order included his wife's name based on your title opinion, did it not?

A. I'm sure it did, yes.

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Q. Are the other items you just mentioned customary and ordinarily found in division orders by your company and other companies?

A. Yes, sir. Every division order I believe I've ever seen these items were included.

Q. Are all the people who have signed division orders being paid at the present time --

A. Yes, sir.

Q. -- on the Carlsbad 13?

A. Yes, sir.

MR. KELLAHIN: I believe that's all the questions I have.

MR. RAMEY: Any questions of the witness?

MR. TAYLOR: Yes, sir.

MR. RAMEY: Mr. Taylor.

MR. KELLAHIN: I have one other question. May I?

MR. RAMEY: All right.

Q. (Mr. Kellahin continuing.) Mr. Tompson, has C&K Petroleum Company opened an escrow account in the State of New Mexico?

A. Yes, they have.

Q. Where is it located?

A. It's located in the American Bank in Carlsbad. It's located in the American Bank in Carlsbad, is where it

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is.

Q. Is there sufficient money in that account at the present time to pay any unpaid royalty or working interest owner of Carlsbad 13?

A. There is more than enough money in it to pay every account in question, that is held in suspense.

MR. KELLAHIN: That's all I have, thank you.

A. Jason, did you want to get into something about that payout statement with the two wells on it?

MR. KELLAHIN: Oh, yes, yes, thank you.

Q. (Mr. Kellahin continuing.) Yes, we do. Would you discuss that, Mr. Tompson?

A. All right. Exhibit 15-1 and 15-2 and 5, I believe it was, includes a payout statement that has -- refers to the Carlsbad 13 No. 1 and the Carlsbad 12 No. 1. As a matter of fact, this payout statement should never have been sent to Mr. Taylor. It in no way relates to Mr. Taylor's interest.

The fact is that Mr. Gardner and Mr. Gilden -- Hood had an over -- when they put this acreage together they put an override on it that reverted to a working interest after payout, but we took more of the acreage from them than just the Carlsbad 13 and their payout includes payout on both of these wells. The fact is that the people in accounting should have sent this only to Mr. Gardner and

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Mr. Hood.

And it really has nothing whatever to do with Mr. Taylor's payout.

Q. Do you have anything else?

A. I don't believe so.

MR. RAMEY: And Mr. Gardner and Mr. Hood don't get any money until both wells are paid out.

A. That is right.

MR. RAMEY: Theirs isn't on an individual well pay.

CROSS EXAMINATION

BY MR. TAYLOR:

Q. Mr. Tompson, in reference to your Exhibit Number Fifteen, which you introduced as a letter of Bill Taylor to you, dated August the 1st of 1977, it pertains to New Mexico Oil Conservation Division Order R-5451.

A. Just a minute.

Q. All right, sir.

A. Okay.

Q. You state that this shows that Taylor knew the proper procedure. Would you state as to whether that Taylor was ever force pooled under this order to C&K's understanding?

In other words, was I force pooled under this

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order in your interpretation?

A. Mr. Taylor, you are not listed as one of those we are force pooling in the application to force pool. You are not listed because you had given us to understand that you would participate in the drilling of the well.

MR. TAYLOR: I object to this, sir.

MR. KELLAHIN: He's responded to the question as it was asked.

MR. TAYLOR: Okay.

MR. RAMEY: I thought he was talking about R-5451, which pertains, I think, to the Carlsbad 7.

MR. TAYLOR: Yes, sir.

A. That is right. I'm talking about the Carlsbad 7.

MR. TAYLOR: Off the record.

(There followed a discussion off the record.)

Q. (Mr. Taylor continuing.) Was Taylor force pooled under this order, sir?

A. You want me to repeat what I've already said?

Q. It's up to you, sir.

A. Well, you were not listed on the forced pooling application. It's my understanding that forced pooling order applies to anyone who fails to join or who has not leased regardless of whether they're listed or not. So to

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that extent,yes, I would say you were force pooled. You wrote us and told us that you wnated to be included -- that you wanted to participate under the Commission's order and not by paying our AFE. So I think that by your own words you were under the forced pooling order.

Q. You don't happen to have that letter that I'm supposed to have written, sir?

A. I sure do. It's your Exhibit Number --

Q. Are you talking about the July the 19th, 1977 letter that has both wells included?

A. Yes, sir, your letter of 12-2.

Q. All right, sir.

A. Exhibit 12-2.

Q. And 12-2 states that I did not desire to participate -- I mean desired to participate and not be included in this pooling order, or what, sir?

A. Well, it says may I state that I have at no time authorized your direct inclusion of myself in your billing as a participating partner nor do I recall being approached by your company to lease the tract to you. On May 1st -- on May 25th I received from the New Mexico Oil Conservation Commission a notice of a forced pool hearing to be held on May the 25th. I expect to be bound by the findings of that hearing.

Q. All right, sir, so you would indicate from

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this that Taylor expected to be included in the forced pooling provisions.

A. Yes.

Q. All right, sir.

You are admitting in your Exhibits Sixteen, Seventeen, et cetera, that -- that there were forms that were required to be filed within certain time periods to comply with the regulations and C&K Petroleum did not comply with those.

A. Mr. Taylor, I think that we admit that we have not filed forms in as -- in a timely fashion as we should have. I guess if there's one embarrassing thing to me in this whole matter it is the fact that our people did fall down in this respect.

We -- I think that it needs to be pointed out that we deny any intent to in any way damage you or any other person in anything that has happened. We confess that we were human, that we make mistakes, and that sometimes we don't get things done in as timely a fashion as we might, but we certainly have not done anything that was done with any intent to defraud you or anyone else.

Q. Your title opinion that you obtained was after the filing of the C-101 on the well?

I believe this was your testimony, sir.

A. Yes, I believe that's true, yes, sir.

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Q. And --

A. The drilling title opinion.

Q. And yet some reason it correlates with the forced pooling order acreage.

A. Well, the forced pooling order was prepared after the title opinion was prepared.

Q. Well, if this is the case, sir, the forced pooling order was applied for in October the 18th, 1976, and I believe that you filed your C-101 in December of 1976, unless I'm mistaken. So if you had the title opinion at the time of the forced pooling, it would seem that you had it at the time you filed the C-101, sir, is that correct?

A. Mr. Taylor, you're right. I've got to -- I've got to back up and say that I was undoubtedly mistaken about that.

Well, now, wait a minute. Well, it was surveyed on October the 29th. It appears to me that our Mr. Cooper, who prepared this Form simply didn't look at it carefully enough to determine what the proper number of acres was.

Q. Thank you. And you do not have any documentation to show or any filing in compliance with the regulations that the 5-1/2 inch production string of casing was tested in compliance with regulations?

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A. Mr. Taylor, we -- that was new casing of top quality. It was -- it was N-80 casing. It met all the design qualifications. It was cemented by BJ Service, who is a recognized company that is qualified to do this kind of work.

We have nothing written in our report that indicates that it was tested. I have looked for that. We have -- I have talked to our man who was on the well, Mr. Robinson, and he assures me that the casing was in fact tested when drilling out was completed. We had to drill out cement stringers before we --

Q. Well, wouldn't that be hearsay in front of this hearing, though, what Mr. Robinson stated?

A. I think it would be hearsay, but that -- I'm trying to answer your question.

Q. Well, I tried some the other day myself and they ended up being hearsay.

So you have not complied with the State regulations of --

A. I think that well was drilled with the very best material and under the very best circumstances. It was a good drilling contractor. Everything was done in the very best way that it could be done.

Q. Of course --

A. No expense was spared.

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Q. The regulations do not state that it's new casing it's not to be tested, though, does it, sir? It states all casing will be tested.

A. Well, I'm telling you that I think the casing was tested.

Q. All right, sir, but you have nothing to document that.

A. No.

Q. And I believe now that you have come up with the well was completed, the Christmas tree was placed on approximately the 3rd and the 3rd, or something like that, and the second time on the 3rd and the 8th.

A. No, it was put on the first time on the 3rd and 8th --

Q. 3rd and 8th and 3rd and 14th.

A. 3rd and 14th, that's right.

Q. You have testified that in filing your test on the 4-point that you filed it or that it shows the test was August the 3rd of '77. You stated it was not made at the proper time but you wrote the Commission. Your letter to the Commission was even beyond the time allowed for the test, was it not, sir?

A. Yes, it was, that's true.

Q. All right, sir. In acknowledging that the tubing that was purchased on the 3rd and 2nd, when it was

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delivered it would have cost $318.99 per hundred, you are pointing out that the cost of drilling these wells escalates each day, doesn't it, sir?

A. Yes, it does.

Q. You pointed out that there was a time lapse between the time of the first runs and the time of the first payment, that it was at this time period that you sent out for the division orders. Is there any reason, sir, that the division order that you contend to be desired should have to wait for this time period? Could it not be sent out at the time the well is completed and so that the royalty owners could receive their money at an earlier date?

A. Well, Mr. Taylor, this is what I was trying to explain in my previous testimony. The procedure that has to be followed legally, I think, is to wait until first run before the division order title opinion can be prepared. They prepare that title opinion effective as of the date of first runs. If they do it before that date and there's a change of ownership between the time of preparation and the date of first runs, there's a mistake, and so this is customary in the industry and I think that any attorney will tell you that this is what we do. We can't prepare the division order until we have the title opinion. If this all takes time and you're usually talking

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about three to four months by the time you get your division order title opinion, prepare your division order, circulate your division order, and have them back in your hands where you're in a position to make payment.

Q. But you're -- you told us awhile ago, sir, that the title opinion was prepared even prior to the application for forced pooling, and I --

A. I did not not. That is the -- that is the drilling title opinion. There are two title opinions.

Q. All right, sir.

A. There's the drilling title opinion and the Division order title opinion.

Q. So we're saying that it takes this much time for your legal department to come up with the proper percentage, then, after the well is completed and you see a necessity?

A. Yes, we do.

Q. All right, sir, I appreciate that explanation. I did not know that.

You stated that you did withhold money in question and I will assume that you're making reference to thought that the Federal Power Commission was having a problem as to whether that its order stating the price was legal or not, and that you relied upon this and this is the reason you did not pay the total amount of royalties

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owed to the royalty owners for the period of June through -- of '77 through March of '78.

A. Yes, Mr. Taylor, we consulted our attorneys on this in the past and they -- they advised that all funds subject to refund under Federal Power Commission orders should be withheld until that matter cleared up, and we did disburse those funds just as soon as the Supreme Court ruled on the validity of that price.

Q. Two questions on that, sir. First, did you or was C&K Petroleum receiving the full value of that gas from Transwestern?

A. Yes, sir.

Q. And it was not being passed on to the royalty interests.

A. No, sir.

Q. Did you have the same obligation to refund to Transwestern if --

A. Yes, sir.

Q. -- the ruling went against the Federal Power Commission?

A. Yes, sir. And let me point out one thing to you, Mr. Taylor, that the Federal Power Commission, or now the FERC, looks to the operator and to the operator alone, for the refunding of that money, and not only do they look to us for the refunding of that money, but they look to us

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to refund it with interest of seven percent.

They do not look to the royalty owner. If we paid the royalty owner and this money was required to be refunded, we could make efforts to recoup it from the royalty owners, but so far as the FERC is concerned, you don't owe them anything; it's all on the operator.

Q. Doesn't the division order that you desire of royalty owners give you this right to recuperate the money from them if you do overpay them?

A. Well, it gives us the right to recoup the amount of runs, yes, but that is not a very safe procedure if you have a well that has been plugged out during the period of time that we're talking about. What do we have left to get it out of? Oh, we can sue you, yes, that's true. We could sue any royalty owner to recover it, but when you have as many royalty owners as there on that division order, it would just be an impossible and an uneconomical task.

Q. Uh-huh. Of course that would be for a well that possibly was a marginal well, but a well that's a producing well, and so forth, you --

A. Any well, this is our -- this is our procedure and it is the procedure of every oil company that I know anything about.

Q. Well, sir, the -- you recognize that the un-

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paid portions of royalties is still the royalty owners, correct, sir?

A. It's the royalty owners if and when the Federal government tells us we can release it for payment, yes.

Q. And you're saying that -- that you have,those royalties are yours until they release it to the royalty owners?

A. I'm saying that we hold it in escrow until that time.

Q. All right, sir, so you're saying that you withheld the royalties that you withheld from the royalty owners, that C&K Petroleum did hold it in escrow for the royalty owners.

A. Yes, sir.

Q. All right, sir, and it is not commingled in any way with any of C&K's monies.

A. I didn't say that, no.

Q. Well, if it's held in escrow for them, sir --

A. We have escrow accounts that completely account for everything. How do you think we went about paying the royalty owners when the -- when this money was released for payment?

We had the full records of what we owe every one of them.

Q. But C&K --

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A. And we're prepared to pay it on notification from the government that we're free to do so.

Q. But you did have this money for your use, then, it was not in a separate account.

A. No, sir, it was not in a separate account.

Q. And so --

A. And this again is customary, Mr. Taylor.

Q. The Provision Number Twelve of the forced pooling order shows that there is reason to believe that the royalty owners have a little bit of rights here, too, sir, and if they can't have the monies, this is where it says that if they're not being paid, it will be placed in escrow in Eddy County, and if they do not derive the benefits of it, it is not fair that you should derive the benefits of it, too, is it, sir?

MR. KELLAHIN: That's argumentative and I object.

MR. TAYLOR: All right, sir.

Q. You state that you and I had a conversation by phone concerning the division order and we discussed it at quite lengthy, and you said that we discussed some deletions and et cetera. Now, you also made reference later on to a division order that I signed and returned to you, sir.

A. Yes.

Q. What is the difference in the division order

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that we discussed and the one that I returned to you and you refused, sir?

A. Well, Mr. Taylor, there were several differences and I don't have the one that -- that I marked up over the telephone, so I can't answer that question in specifics, but I will say that I made --agreed on the telephone, and am still prepared to do so, I agreed on the telephone to pay on a division order such as you described, simply to try and reconcile this thing and get on about our business. Now, some of the language that you wanted marked out in there, I would be the first to tell you that if certain things occurred, regardless of whether that language was in there or not, we would stop paying you. Language that deals with -- with any challenge to your title, if we get it -- if we have somebody come in and say, hey, Bill Taylor does not own that interest; I own that interest and here's my evidence of ownership, we would simply suspend that right now and we would let you and that gentleman go to the courthouse and work it out between you, and we would pay whichever one of you succeeded in clearing the title.

Q. Don't you think, sir, that you might be in error on what you told Taylor? I believe if you will think back, you told Taylor, I'll take this to my legal department and we'll see what we can work out on it.

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A. No, Mr. Taylor, I don't --

Q. And if you want to send it, we'll see what --

A. I got our lawyer on the phone and I told him that, and discussed it with him, and I told you that those -- that form would be all right, and a short while later I got from you a letter saying that you wanted to look at some other division order forms.

Q. I, again, sir, believe that you'll find that was a telephone call instead of a letter, and et cetera, but I --

A. I have the letter, Mr. Taylor, if you want to refer to it.

Q. I was thinking it was a telephone call, sir.

A. No, sir, it was a letter.

Q. All right.

MR. RAMEY: You agree that it was a conversation of some kind between the two of you?

MR. TAYLOR: Yes, sir.

MR. RAMEY: Either by letter or by telephone call?

MR. TAYLOR: There was a conversation. I do not agree that Mr. Tompson told me that he would accept it. My contention was that Mr. Tompson told me that if I wanted to send that, he would get his legal department to look at it and then we'd see if we could work something out, and I

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viewed a couple more division orders that did not have such stringent "adhesionary" qualities and I was promised some from other individuals, and consequently, knowing that I was going to receive the others, then I did convey to Mr. Tompson, and I thought I did it by phone, and conveyed it to his secretary, that I would not be sending it.

Did you find the letter, sir?

A. No. Let me -- let me correct myself, and I'm sorry that I was so positive, because your letter does not make reference to this, and you are right. You talked to my secretary or somebody in our office and she handed me a note. It was in written form when I saw it, but it was not --

Q. It was not a letter from me, sir.

A. It was not in a letter.

Q. All right, sir.

You stated that you opened an escrow account in the American Bank in Carlsbad and you do have all the royalty owners and royalty interest by name listed there, sir, or do you just have a bulk account?

A. We have an account that covers that full amount. The listing is not in the bank in Carlsbad but in our office in Houston.

Q. Are there more than one royalty owner, sir, that's not been paid this besides Taylor and Page?

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A. Oh, yes.

Q. All right, sir. Can you tell us, sir, on which date that the first gas was produced from the sale from the C&K Carlsbad 13 No. 1 Well? We have documentation and evidence of -- it stated the 6th and 15th. Mr. Kellahin stated in the hearing the 6th and 21st, all of 1977.

A. Mr. Taylor, I don't think there's been any real controversy over that. On the 6th and 15th we started selling gas to the Carlsbad 12 No. 1 Well. On the 6th and 21st we started delivering gas to Transwestern Gas Pipeline.

Q. On the C-115s that we introduced into evidence there was attention called to 2,350,000 cubic foot that is listed on the amended C-115 for June of '77. This was listed in my documentation as 17-2, A and B.

This was not reported to the royalty owners or the Oil and Gas Accounting Division and the amended C-115s that represent 15.025 pounds pressure, sir. Can you explain that 2,350,000 cubic foot not being reported to the royalty owners, sir?

A. Mr. Taylor, it is reported to the royalty owners. It was paid to the royalty owners and the working interest owners. It was -- it is not necessarily identified in the month of June, 1977.

Q. All right, sir.

A. But at -- on a future payment you will find that

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the royalty owners and the working interest owners were paid for that gas and also for the gas that was sold to the Carlsbad 7.

Q. All right, sir. We have made reference to the 5,400,000 cubic foot reported as sold in October of '77 and this, of course, was not reported to the Oil Conservation Division and to the Oil and Gas Accounting Division, and you just state this was an oversight on your part, sir?

A. Yes, sir.

Q. All right, sir.

A. Now, well, it was not reported to the Accounting Division. Mr. Taylor, I just don't remember at this moment whether it was reported to the Oil and Gas Conservation Division or not, but if it was not, it was an oversight.

Q. Well, I think it was pointed out in my presentation that it was not shown on any of the C-115s or on the C-111 --

A. The C-115s and C-111 are various forms that have been presented here today, are an effort to clarify that, and I think that I have agreed that these were not filed as well as they should be and we have attempted to apologize to the Commission, but again, I would reiterate that one makes mistakes, but we certainly have in no way tried to do anything but the right things as far as this

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well is concerned. Or any well.

Q. In the hearing room on the 8th and 9th of '78 approximately behind where I'm sitting now, sir, you, Taylor, and Mr. Kellahin discussed the agreement that Taylor made reference to so many times in the hearing of the 8th and 9th of '78, that existed between C&K Petroleum and Taylor, whereby that Taylor would participate in the well and pay Taylor and Page cost as we were billed and the drilling progressed.

Now, this -- Mr. Kellahin confirmed this to you before several witnesses here in this room. He confirmed that an agreement existed whereby that C&K Petroleum would set up a system of Taylor and Page's payments of their participating monies by being billed as drilling progressed, stating he, Mr. Kellahin, had not desired to be involved in this, that it was C&K's jurisdiction, and he declined accepting this responsibility. Whereupon Mr. Cooper was to have C&K's legal department carry out the responsibility on the part of C&K Petroleum, but that there was an agreement whereby Taylor and Page were going to be allowed to participate and billed as the drilling progressed after C&K Petroleum's legal and accounting departments set up the procedure.

Did I not --

A. Mr. Taylor, I not only don't remember the con-

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versation like that. There was no conversation like that in this room, where anything like that was said. We did talk about the agreement. You did ask Mr. Kellahin some questions and he said essentially what you said he said, that that was -- that he, perhaps, didn't remember some of the things that were said at that time, but we did not talk about anything that -- of the nature you have pointed out, that C&K would -- would bill you or anything of that kind. That agreement specifically said that you will put up your money within thirty days, and we were waiting for you to do that, and we were prepared for you to do it.

Q. You are denying, sir, that you and Taylor and Mr. Kellahin discussed in this room before witnesses that there was an agreement, verbal agreement, between C&K Petroleum and Taylor, whereby that Taylor was going to be -- pay as he was billed as the drilling progressed.

A. Now wait just a minute, Mr. Taylor. If you're saying that you said there was such an agreement, yes, you did say there was such an agreement. If you're saying that I said there was such an agreement, you are completely mistaken.

Q. Right, sir.

I did say there was such an agreement and Mr. Kellahin confirms that yes, there was one, but he wanted no part of it, and I --

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A. Mr. Kellahin?

MR. KELLAHIN: If I have to be sworn, I'd like to be protected, and I'll be happy to submit to cross examination on that question.

MR. TAYLOR: Well, I'm asking it of Mr. Tompson, he was there, he participated in the conversation.

MR. KELLAHIN: You're putting words in my mouth, too, Mr. Taylor, and I --

MR. TAYLOR: I stated earlier, I'd be glad to place you on the witness stand.

MR. KELLAHIN: Is this the purpose of putting me on?

MR. TAYLOR: This would be one of the purposes, sir. There is another one.

A. Mr. Taylor, there's no -- there's no recollection on my part of Mr. Kellahin making any such statement.

MR. RAMEY: I think he's answered the question three times now.

MR. TAYLOR: All right, sir, we will go on.

MR. RAMEY: Let's move on to something else.

Q. (Mr. Taylor continuing.) All right, sir, also in this hearing room on the 8th and 9th of '78 before witnesses, you and Mr. Kellahin stated to Taylor that the AFE was supplied to Taylor at the hearing time, which we acknowledged we received on the 11th and 9th and 11th and 10th

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of '76, was the only AFE there was. There never was any other.

Now, I'll repeat that. You all stated to me that this, the AFE supplied on the 11th and 9th and 11th and 10th was the only AFE there was; there never was any other one, or some words to that effect.

A. No, I don't -- I may have said something that you interpreted in that fashion. As a matter of fact, there may have been an AFE previous to that AFE. There was no subsequent AFE. There was no AFE prepared after that time.

Q. All right, sir, so you're saying that then you did not supply New Mexico Oil Conservation Division or working interest owners an AFE after the date that the Order R-5332.

A. We have -- we have stated that.

Q. All right. Whenever that C&K Petroleum bills working interest where you have a voluntary operating agreement, you bill the interest as the drilling progresses, do you not, sir?

A. Yes, sir.

Q. And --

A. And, Mr. Taylor, if you had signed an AFE and an operating agreement, we could have worked with you on that basis.

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Q. I don't think I could work with you all, sir.

Your letters to Taylor state the 1/8th royalties to Taylor's interest are held in suspense by C&K Petroleum, and several of the letters, the 16 dash series that we introduced, if you'd like to make reference to them, made this statement, sir, is that correct?

A. That's correct.

Q. And so you did hold our monies in suspense. Would you explain this accounting system to us?

A. Well, Mr. Taylor, I have explained it in regard to the other royalty accounts and yours are handled exactly the same way.

Q. All right, sir. So our funds, then, were not placed in any escrow account separate from C&K monies.

A. They are in the bank in Carlsbad, New Mexico, at this time. They were not at the time of the previous hearing.

Q. You want to tell us the date that you established this account at the Carlsbad bank?

A. Now if I could find that -- oh, yes, we do. It's somewhere.

Q. Just approximately the date, sir. Has it been since the last hearing?

A. Yes, sir.

Q. I thought so.

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A. That's what I'm saying.

Q. Do you know of any legal requirements of -- let me ask you this first, sir.

The payment of the royalties to Taylor and Page, or the working interest --

A. To the royalty interests.

Q. Yeah, the payment of the royalty interests to the working interest owners --

A. Now just a minute.

Q. The royalty.

A. Are you talking about royalty or working?

Q. I'm talking about the 1/8th royalty that's designated for the working interests, and it's so --

A. It's designated for the royalty interests.

Q. Yes, sir, it's designated for the working interest owners, then.

A. Help me out, Jason.

MR. KELLAHIN: Well, I think what he is saying, Mr. Tompson, is he's talking about the 1/8th royalty he's entitled to as a landowner.

A. Okay.

MR. KELLAHIN: Not his working interest.

A. All right, we're talking about the royalty interest is what I'm trying to establish.

Q. Yes, the royalty -- then the royalty interest

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of Taylor and Page.

A. All right, so that I understand.

Q. Discussing it, it is within your possession and authority to either release or retain that -- those funds to or from Taylor and Page, correct, sir?

A. Are you talking about me as an individual?

Q. Yes, sir. If I were to sign the division order that you would like, then you would be authorized immediately to release the funds, is that correct, sir?

A. Yes. Yes, that's true.

Q. Does it take -- do you have special authorization designating that or could you do it just on your own?

A. Well, as a practical matter I'm not going to do it on my own unless you sign the division order. If you -- if you sign the division order, I will take it upon myself to release it. If you don't, then I would have to have advice of counsel before I could release it.

Q. All right, sir, but you can release the funds or have them held according to your discretion.

A. It's not my -- it's not my discretion, Mr. Taylor. This is a company matter.

Q. All right, sir. Since -- has your legal accounting departments advised you that there is a legal requirement of the New Mexico State statutes or the Oil Conservation Division that Taylor and Page sign a division

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order with you, sir? In order to receive their royalties?

A. I don't believe they put it in exactly those terms, Mr. Taylor, but I do know that our -- our counsel tells us that we should not release any runs without a signed division order.

Q. But this is a custom with C&K Petroleum.

A. This -- this is advice of our counsel. This is the custom of every company in the oil industry. This isn't something that you --

Q. No, sir, that's hearsay on every company in the oil industry, same as mine would be if I said that not every company did it, sir.

A. All right, let's say --

Q. It's a custom with you.

A. -- that the great majority of companies in the oil industry insist on a division order.

Q. All right, sir. You stated that this division order is compliance with all the other division orders you've seen. There are certain things in there that I do not believe are in all other division orders, and I believe that yours are more stringent than others, are they not, sir?

A. I don't think so.

Q. By what authority, then, do you retain the royalties owed to Taylor and Page?

A. You're putting this on a personal basis, Mr.

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Taylor. This doesn't have anything to do with you and me. It has to do with the policies of our company and the fact that they do not release runs without a signed division order. Now we've indicated we're ready any time to pay you if you will sign a division order. We have leaned over backwards trying and agreeing to things that we don't normally agree to in an effort to get you to sign a division order.

Why is it that you don't want to sign a division order?

Q. I would repeat, sir, to your information that the way you withhold royalties, and et cetera, the methods that you have presented and complied with the regulations and such of the State of New Mexico, I have no confidence in your company, sir.

MR. RAMEY: Gentlemen, I'm having a lot of trouble with who is the witness.

MR. TAYLOR: All right, then we'll continue.

MR. RAMEY: Please don't answer questions with a question, Mr. Tompson.

Q. (Mr. Taylor continuing.) Now, C&K Petroleum does have a copy of Order R-5332.

A. Yes.

Q. And the Provision Twelve of that order stating that all undisbursed monies for any reason be place in es-

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cros in Eddy County, was not complied with until -- since the last hearing.

A. That's true.

Q. Concerning Taylor and Page's --

A. That's true.

Q. -- royalties.

A. Mr. Taylor, let me make a suggestion here on this point about the royalty. If this Commission orders us to pay you your royalties without a division order, we will do so, but we're not going to pay you without a division order unless we have an order from the Commission or a court order to do so.

Now that, it's just that simple, and if they order us to, we'll do it. We may be back to them some day if it turns out that, but --

Q. Now, I have stated, you have brought out that you felt that C&K had made efforts to obtain the division order from Taylor in order to pay his royalties. Now, Taylor has stated to C&K Petroleum that the withholding of the royalty portion of the working interest is in conflict with Order R-5332 of the New Mexico Oil Conservation Division and state rules and regulations and was working a hardship upon Taylor. Have I not stated that in a letter, sir?

A. Well, I don't remember the letter. You've

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state it, all right, but it may be in a letter, too.

Q. In the telephone conversation that and Taylor had on the 8th and 18th of '78, which you and I have already made reference to prior, you stated to Taylor that Antonio Bonillo's (sic) royalty was not paid by C&K because Mr. Bonillo had not signed a division order also, is that correct, sir?

A. Yes.

Q. Mr. Bonillo's interests and royalties are in escrow in Eddy County in the Carlsbad bank, now, sir.

A. Yes.

Q. Were the total royalties owed royalty owners excepting Mr. Bonillo, for the period of June, '77 through March, '78 paid? I'm talking about were there other royalty owners that did not receive payment, sir, besides Mr. Bonillo, any at all?

A. Yes.

Q. I'm talking about any payment whatsoever.

MR. KELLAHIN: Are you talking about the Carlsbad 13 Well?

Q. Yes, sir, Carlsbad 13 Well. What I'm trying to say is, are there royalty owners still of the Carlsbad 13 that have not received any funds of royalty owed them for some reason or other?

A. Yes. Yes.

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Q. So there are others. And these funds were not placed in escrow in Eddy County until just the other day, also. Now, these were placed in there along with those that had been receiving monies.

A. Now, wait a minute. I didn't say anything about those receiving monies. We haven't --

Q. All right, sir. I stand corrected.

A. People that are not being paid their money is in an escrow account in the American Bank in Carlsbad.

If they're receiving money, we're paying them each month.

Q. During the period of time that C&K Petroleum was not paying the full royalties due the royalty owners for whatever reason, did they ever indicate or state to the royalty owners that C&K's total net income for that period was anything different than the net come that was stated on the check stubs for the volume shown?

A. I don't -- I don't know. I doubt that they did. I don't think it's customary for that advice to go out from the company to the royalty owners. If they're -- if they're ever questioned, of course, it is certainly public knowledge, but we -- I don't know for a fact one way or the other.

Q. How is it public knowledge, sir?

A. We'd be glad to tell anybody that asks us.

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Q. Well, unless --

A. Just like we're telling you.

Q. -- a person knew it, they wouldn't have any reason to ask it, would they? If -- if you sent out a letter stating your net income was such, a person would not have any reason to believe it was anything except what you stated, sir, is that correct?

A. Well, they could or they couldn't, Mr. Taylor. Some of them might and some of them might not.

Q. Well, in that case, we could still have a question as to whether you're paying the royalties totally at the present time, couldn't we, sir?

A. You can have -- always have a question, yes.

Q. Uh-huh.

A. And we're always glad to answer it.

Q. And you are paying the total royalties owed at the present time?

A. To those people who have signed the division order and there's no question of their title.

Q. And those that are not, you're paying -- putting their total royalties in the escrow account?

A. Yes.

Q. All right, sir. During the period of June, '77 through March of '78, concerning the Carlsbad 13 Well we're discussing, did C&K Petroleum treat all the royalty owners

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alike? Did all that -- who had to sign the division order, did all of them receive a portion of that that was owed them, or do we have some that received a total amount, others received a part?

A. So far as I know, they were all treated exactly the same.

Q. And, of course, if they were not, then this would be discrimination, sir, wouldn't it?

A. Well, Mr. Taylor, I -- I think, as I pointed out to you, I don't think -- I know it wasn't on the witness stand, but I think I pointed out to you at the time we had the last hearing, sometimes these runs are paid if a sufficient bond or something of this kind is put up to assure us that we don't have to go back to the -- to the owner. Now, I can't say for certain that there wasn't an interest paid, but I feel quite confident that there was -- that everyone in this case was treated exactly the same.

Q. But you do not know that, then, sir.

A. No, I don't know that. That's what I said. As far as I know.

Q. When did the Supreme Court ruling take place that C&K relies upon for not having paid the total royalties owed, and I make reference to, I believe it's Mr. Wells' Exhibit either Number One or Number Two, something of that nature?

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A. I don't know.

Q. When did C&K make up the difference that they owed the royalty owners?

A. It was sent under a letter dated in July and that letter is in -- was presented into evidence. I can find it, if need be, but it's already there.

Q. That's all right, sir. We have the time. It actually,was approximately July the 28th of '78.

If the Federal Power Commission's authority to establish prices was definitely established in March and you began making payments, full payments, say on the April accounting and the May accounting, it would seem to indicate that you realized that there was no question then for -- concerning this, and you should have been able to make up the payments within that period, wouldn't you have thought?

A. Mr. Taylor, we look after a whole lot of wells and it takes -- it sometimes takes us quite a time to do some of these things. Now, I'm not -- I'm neither bragging nor complaining about our accounting department, I'm just telling you how it is, and I am sure that it took them that length of time to get around to making that disbursement. It doesn't -- these things don't happen overnight and it does take some time in order to get these things out.

Q. If you were taking care of the accounting as you said you were, and holding the money in with your other

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monies while it was held, it would not seem that it would take that much time. If it takes time, it seems that you were having to separate the monies, sir.

A. That may seem that way to you but I think you better discuss that with someone in the accounting department. I think -- I do know from my own experience that it does take time for these things to happen and I know that they're very busy.

Q. Can you explain why there is no signature except a typed C&K Petroleum on the letter dated July the 19th of 1978 to the royalty owners whereby that the --

A. That was a form letter that went out with all of the royalty payments for that month. Another thing, Mr. Taylor, you need to recognize, that we weren't making this disbursement on just the Carlsbad 13 Well, but on probably four hundred or five hundred wells at that time, and this -- this further explains the reason that you had this kind of a problem.

Q. Well, this is true, sir, but now this is their money and they would like to have it and use it, the same as you would, sir.

A. I recognize that. I'm saying --

Q. And do you not think that this is --

A. I've simply tried to explain to you why it takes time to get it out.

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Q. Do you realize that in my objection here, that why I claim that you have withheld monies unjustly, and if the Commission determines this to be so, and I claim that you did not place the monies in escrow as was supposed to have been in CArlsbad during this time period, do you realize that the penalties I'm asking for under 65-3-27B can amount to up to Forty Million Dollars, thereabouts?

A. No, sir, I'm not familiar with that.

Q. We introduced the accounting letters of C&K's, the 15-1 through 5 series, and we find that today you -- did Mrs. Brown's presentation account for the additional well costs since Mrs. Lebow's accounting of the 6th and 24th of '77 to the Commission and to the working interests?

A. I don't understand the question.

Q. One of my contentions at the last hearing was that you were not accounting for the additional well cost that you were claiming that seemed to have been incurred since Mrs. Lebow furnished the well cost accounting to the Commission, and I stated at that time that you had not done any accounting to us, even though we'd requested it.

Now, did her letter -- did her presentation today include that accounting?

A. No.

Q. It did not.

A. May I -- may I speak to that question a little

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bit? Do you want --

Q. I'd appreciate you, --

A. -- an explanation?

Q. I would. I really would.

A. All right. First of all, I think as was pointed out by either Mr. or Mrs. Brown, it does take time to get these invoices in and processed. We have, under the New Mexico statutes, ninety days. We were ten days late.

If we don't have all the well costs in after ninety days, and I'm sure there were some additional costs that came in, that schedule that was prepared by Mrs. Lebow, was prepared using the accounting records that were available to us at that time, and adding any invoices we knew of, were aware of, that were not included.

Now, what I want to point out to you is that on those statements that -- that you're talking about, it is true that there were mistakes made, and the added well costs were primarily the operating costs, or the added costs you're referring to were primarily the operating costs. There was an invoice in February of 1977 -- 1978, excuse me, for fuel that did not come in until quite late.

But other than that, I think that you will find that all of the costs that were charged were -- were simply operating costs, the subsequent costs that were charged.

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They did make a mistake in applying the penalty to those operating costs, and when we became aware of it we instructed them that they were not to do this.

What we have attempted to do with Mrs. Brown's testimony is to set the record straight. We have gone through and we have -- at considerable expense, Mr. Taylor -- we have gone through --

Q. I realize that, sir.

A. -- and have audited the entire account. We have not only found mistakes -- we have not only recognized some of the mistakes that you recognized, but we have recognized other mistakes and we have pulled them out. Frankly, we could -- there's a possibility that if we audited other wells we might find invoices that were charged in error to that well that should have been charged to this well. We haven't done that and we don't intend to, incidentally.

But my point is that her accounting is an effort to get an independent accounting of this thing that will show us what the true well costs were, something that we can go from from here on.

Q. Well, does her accounting reflect, though, such things that should not be risk factors, such as fencing and things of this nature?

A. I think that we consider under the terms of

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the order everything up to the tanks to be risk -- the risk to apply to. After the -- after the well has been completed and in the tanks, the operating costs are not subject to the penalty.

Q. Well, I would request the Commission to determine the extent whereby risk should be allowed.

A. Well, now, this is our interpretation.

Q. That's right.

A. This is our interpretation and we frankly admit that this is what's been done. If the Commission says that -- in an operating agreement, for example, the operating agreement in the non-consent provision or paragraphs, the typical operating agreement will say that -- that 200 or 300 or 400 percent will be applied to everything from the Christmas tree down, and everything --

MR. RAMEY; Mr. Taylor.

MR. TAYLOR: Yes, sir.

MR. RAMEY: Let me interject, we had one hearing before the Commission wherein the Commission determined that everything that was necessary to produce the well would be subject to the risk. That included flow lines, treaters, tanks.

MR. TAYLOR: All right, sir, I appreciate knowing this.

And this does go along with his and so it makes

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it more imperative that my participating efforts be allowed.

All right, you did answer my question and it was one I desired to know of the Commission.

Q. (Mr. Taylor continuing.) I earlier presented an Exhibit 15-7, sir, do you have a copy of that available?

A. I don't believe I do.

Q. We did give your attorney one. It actually pertains to your accounting as compiled by Mr. Newkirk and furnished to the -- to us on -- it's dated August the 22nd.

A. Okay, yes, I have it.

Q. I believe you would probably like to see Mr. Kellahin's copy because on his copy I have a notation there whereby that I took this to a notary public to show that I received it on the 8th and 19th of '78, which was three days prior to it ever being written, sir.

A. Well, I don't -- haven't discussed that with Mr. Newkirk, so I can't answer that.

Q. All right, but the point of it is that I want you to look at it and I did want you to take notice that I did receive it three days to your writing it.

A. That's pretty prompt service, isn't it?

Q. That's awfully prompt and it would also indicate that you can't always rely on C&K's dates upon their letters, and et cetera, wouldn't it?

The --

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MR. KELLAHIN: That's an unwarranted conclusion and I object to it.

Q. All right. I would like for you to explain to us this latest accounting. I'm not certain how it correlates with Mrs. Brown's or if it does.

I do find here that this accounting is different from the others presented to Taylor and Page in the past and it -- I assume this is a direct result of your request of your accounting department after the last hearing, was it not, sir?

A. I think this is a direct result of my advising the accounting department that they could not apply the penalty to the operating costs.

Q. All right, sir, and, of course, we'll not get into it, but there is differences, as Mrs. Brown -- I realize she has brought out the differences concerning the operating costs as you had them here and what she claims to be actual ones.

A. Mrs. Brown did not start with anything that we gave her. She started with the invoices of the well and the revenue -- the revenue records and she made -- built her own picture, and that -- that is what we were trying to accomplish, was to get an independent view of this thing.

Q. Yes, sir.

MR. RAMEY: Mr. Taylor, would it upset your

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train of thought to take a short recess?

MR. TAYLOR: Don't really think so, sir, my thoughts are just about gone anyhow.

MR. RAMEY: Let's take about a fifteen minute recess.

(Thereupon a recess was taken.)

MR. RAMEY: Mr. Taylor, would you proceed?

MR. TAYLOR: Yes, sir.

Q. (Mr. Taylor continuing.) We were discussing the Newkirk accounting, dated August the 22nd, 1978, of C&K Petroleum to Taylor and I would like to ask you to -- the question as to whether this accounting does indicate that C&K had been previously seeking 120 percent penalty on supervision operating cost but now you're making an attempt to stop this, is that correct, sir?

You had been seeking the penalty --

A. On the operating costs, that's true, yes.

Q. On the supervision and operating cost.

A. Supervision during the drilling of the well we're entitled to. Operating costs are not entitled to. Is that what you're saying, sir? Are we--

Q. I didn't realize you were on the supervision.

A. During the drilling of the well.

Q. I thought it just established a definite amount that you were entitled to but you had been seeking --

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A. If I'm mistaken about that, well, again, we certainly don't want to do anything but what's right, but I think that -- if I understand the way it's been prepared, the penalty is applied to the supervision during the drilling of the well. After the -- after the well is producing, then, no, the monthly charge that we're entitled to make for overhead, there's no penalty on that, but the overhead that is charged during the drilling of the well, a penalty is added to that.

MR. TAYLOR: Is that correct, sir?

MR. RAMEY: I think that is correct.

Q. (Mr. Taylor continuing.) All right, sir. So then this does reflect that you had been seeking a penalty upon operating cost and you're no longer seeking to do that.

A. Again, Mr. Taylor, let me reiterate that we simply had clerks that did not understand the procedure and that we have no intention to in any way do anything but what's right.

Q. In this statement you have a listing of the net income of royalties. Beg pardon, your net income for the months of June, 1977 through June of 1978. I would have to examine Mrs. Brown's documentation in more depth to determine whether that there is a close correlation between this document and hers or not. However, you did

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provide me with this and to where I could examine it prior, and so I have some questions about it.

But do you state --

A. About this?

Q. -- to the best of your knowledge that these are the net incomes by C&K for these months?

A. Mr. Taylor, the reason we asked Mrs. Brown to do this work was so we could give you something that we could tell you, yes, this is what it is. I'm not telling you that anything is -- is what it is, other than the figures that Mrs. Brown has furnished you. If we -- if we have made mistakes before, we have made every effort to correct those mistakes.

Q. All right, sir. I would point out for your information the fact that this accounting still tries to retain approximately $2,500 of Taylor and Page's money; well, interest and royalty.

I would point out for your information the fact that --

MR. KELLAHIN: If the Commission please, I object to Mr. Taylor testifying at this point. He is --

MR. TAYLOR: Well, I was trying to summarize it, sir.

MR. KELLAHIN: He is examining the document, he can do that if he wants to, but he's supposed to be

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asking Mr. Tompson questions and not attempting to answer.

Q. (Mr. Taylor continuing.) For the month --

MR. RAMEY: Mr. Taylor, I think it would be well to -- I think Mr. Tompson's pointed out that in effect, and correct me if I'm wrong, Mr. Tompson, that this document you're referring to is no longer any good.

A. That is true.

Q. All right, sir. Well, then the document that Mrs. Brown introduced, I do not believe that it showed a -- where was that?

I would like to ask you if the Exhibits Seven and Eight of yours, if they do reflect or do not reflect the income from the production sold to the drilling rigs and I have particular questions concerning the 5.004 million cubic foot.

MR. KELLAHIN: If the Commission please, I object to Mr. Taylor asking these questions of Mr. Tompson. Mrs. Brown pfepared this exhibit and on the witness stand she presented it and was cross examined by Mr. Taylor. If he wants her to return to the stand, we'll be happy to put her back on.

But to ask Mr. Tompson to explain Mrs. Brown's work and what it includes is asking something that I don't think he's prepared to testify to.

MR. TAYLOR: I suppose he's correct, sir.

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MR. RAMEY: I think he is, Mr. --

MR. TAYLOR: All right, sir.

MR. RAMEY: -- Taylor. If you want Mrs. Brown back on the stand, why, I think you can --

MR. TAYLOR: Well, it would be to determine that there has been accounting for this to Taylor and Page because it is not here in this particular accounting, and I've not had the five weeks to examine C&K's documentation, as they did mine.

MR. KELLAHIN: I think we should recall her, then.

MR. TAYLOR: All right, sir, just for that one question on it, as far as I know right now.

Q. (Mr. Taylor continuing.) The document that we're discussing here does list .1418597 interest for pay-out number one. Are these Taylor and Page interests combined?

A. That's my understanding.

Q. All right, sir. And then the .1241272 is also applicable to the Taylor and Page working interest combined.

A. Yes, that's my understanding.

Q. All right, sir.

You do admit, sir, that you do have problems with your accounting and paperwork in getting it in the

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correct places and filing in time, and et cetera.

A. Yes, we've talked -- spoke of that point.

MR. TAYLOR: My questions of Mr. Tompson, as such, could possibly be terminated at this point.

I would like to object to Mr. Kellahin's presentation of the agreement that he has listed as Exhibit Number Thirteen.

I contend, first, that this writing does not reflect the true agreement between the parties and it is not complete. This I will try to state into evidence in discussing a verbal agreement between C&K Petroleum and Taylor, whereby Taylor and Page were to be allowed to participate and pay their cost as billed.

MR. RAMEY: Mr. Taylor, we have already accepted that into evidence and --

MR. TAYLOR: Yes, sir.

MR. RAMEY: -- we will certainly note your objections and we'll --

MR. TAYLOR: My objection, sir --

MR. RAMEY: -- take the exhibit for what it's worth.

MR. TAYLOR: Well, let me place into evidence the reasons for my objections, sir, so that you can rule upon it for this reason.

The Commission ruled on the 8th and 9th of '78

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that the order could no longer be challenged, that the thirty days allowed for the rehearing of the provisions of the forced pooling agreement had passed and the order as such stood.

I contend that Mr. Kellahin is seeking to challenge the provision number three of the order and as it now exists, and instead substitute this agreement.

If Mr. -- if the thirty day provision of the forced pooling agreement -- no, that's in error.

If the thirty day provision of this agreement that Mr. Kellahin desires to -- us to discuss, were interpretated as -- interpretated as Mr. Kellahin and C&K desire now, then the validation of the first pooling agreement at the end of the thirty day period, appeal period, nulls and voids any provisions of this agreement that are in conflict with the order.

Now, if Mr. Kellahin had desired any other interpretation in this thirty day provision, as is stated in here, then what that the forced pooling agreement has, then he should have so stated that into the hearing itself, and he did not do so. He had every opportunity to do so.

If the Commission would desire, I would state exactly what took place and thereby give you an opportunity to perjure me, but if not, then I would like to get on and discuss --

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MR. KELLAHIN: I would like to respond to Mr. Taylor's complaints about our Exhibit Number Thirteen, which is an agreement signed by him.

This was offered to indicate, along with the testimony or statement of Mr. Taylor at the hearing, that we did have an agreement.

It is our position, and we are not attacking the order in any sense of the word, he did not comply with the agreement, and we therefor assumed that he came under the forced pooling order because he never contributed his money as provided in our agreement.

Now, we are not questioning the order in any sense.

MR. TAYLOR: I think that I raised basically these same questions at the beginning of my presentation, that I sought to present evidence concerning the relationship of Taylor and C&K Petroleum prior to the forced pooling order, and the documents that I sought were documents between C&K Petroleum-- that I sought to present, were documents between C&K Petroleum, and would lend interpretation even of this, possible interpretation of it.

Now, they --

MR. KELLAHIN: The Commission's already ruled on that.

MR. TAYLOR: That's right, and consequently,

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the same rule that applied concerning that, that it was an attack upon the order, and Mr. Kellahin now seems to indicate that this agreement would take the place of the thirty day provision of the order.

MR. KELLAHIN: I didn't say any such thing. I said that we thought we had an agreement. We didn't. But certainly Mr. Taylor was well aware of the well costs and his opportunity to participate, and his testimony is he did not have that opportunity, and that's the purpose of this agreement, and that's the only purpose of it.

MR. TAYLOR: Mr. Kellahin stated in the hearing at the beginning for you, sir, that Taylor was never force pooled on this.

A. Are you talking to me again?

Q. (Mr. Taylor continuing.) Yes, sir. Is that correct, sir, was I ever force pooled?

MR. KELLAHIN: I did not state that, Mr. Taylor, and I'll stand on the record on this. I don't like being misquoted.

MR. TAYLOR: All right, sir, well, I just --

MR. KELLAHIN: I point the Commission to what was said and I'd stand on that.

MR. TAYLOR: All right, we -- when the transcript comes out we will probably want to listen to the tape and et cetera on it.

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MR. RAMEY: Mr. Taylor, I've already ruled on this. The Commission will accept the Exhibit Thirteen and we will consider it for what it's worth.

MR. TAYLOR: I would like to call to the attention of the Commission in the hearing itself concerning this agreement, that Mr. Kellahin, page ten, line 22, through page eleven, line two.

MR. RAMEY: Which hearing is this?

MR. TAYLOR: This is the 5807 hearing. Page ten, line 22, through page eleven, line 22.

Mr. Kellahin did --

MR. RAMEY: ARe you testifying, Mr. Taylor, or --

MR. TAYLOR: Yes, sir, I guess basically -- as I said in my earlier situation that I did have some testimoney to introduce.

MR. KELLAHIN: Well, I haven't finished my case yet, Mr. Taylor. You'll get your turn when I get through.

MR. RAMEY: Yes, I think we --

MR. KELLAHIN: Would you continue with Mr. Tompson, please?

MR. RAMEY: I think you'll have a chance after Mr. Kellahin finishes --

MR. TAYLOR: To place some more testimony in evidence?

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MR. RAMEY: To place some more testimony in evidence.

MR. TAYLOR: Well, I assumed from the way we discussed it earlier, that this was the place to do it. I apologize, then.

MR. RAMEY: Well, let's finish with Mr. Tompson. Do you have any more questions of Mr. Tompson?

MR. TAYLOR: No, sir, that will be all.

MR. RAMEY: Does anyone else have any questions for Mr. Tompson?

Mr. Stamets.

CROSS EXAMINATION

BY MR. STAMETS:

Q. Mr. Tompson, when you drill a well in New Mexico and there are lands such as we have here with varying ownership inside the drill tract, how do you operate? Do you usually operate under an operating agreement with the various interest owners and/or a compulsory pooling order, such as we have here?

A. We normally -- our first efforts would be towards trying to get everything leased or if they do not choose to lease, to voluntarily join through signing an operating agreement and an AFE. Only when those procedures fail do we force pool, and of course, when we force pool,

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then we're operating under an operating agreement and a forced pooling order.

Q. Now you don't drill wells when you don't have one or all of these things going for you? You just don't go out and drill wells on somebody's land without --

A. That is certainly true.

Q. -- an operating agreement, forced pooling, leasing, and so on?

A. Yes, sir.

Q. All right. Did you have an operating agreement with Mr. Taylor?

A. No, sir. No, sir, we -- well, I don't believe we submitted an operating agreement because I don't believe we ever got to that point on the -- on the other well we've talked about, the Carlsbad 7, we actually submitted an operating agreement.

Q. But you did not have one on Carlsbad 13?

A. No, sir.

Q. In that event you were operating under the provisions of the compulsory pooling order Number R-5332?

A. Yes, sir.

Q. All right. Now, you're aware, I'm sure, of the Provisions of Order Three, that -- and it says that after the effective date of this order within thirty days prior to commencing said well, the operator shall furnish

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the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

A. Yes, sir. We did feel that the agreement that Mr. Taylor had asked for and that we prepared the day before the hearing recognized the fact that we had furnished him with well costs and that he was satisfied with that, but we cannot say that we did comply with that -- the timeliness of that provision.

Q. Okay, now, if you're operating under this order and you failed to provide Mr. Taylor notice under the order, then under the terms of the order would Mr. Taylor have reasonably had thirty days from the date of such a schedule to have paid for the well?

If he didn't get it, could he have paid for it?

A. Well, under the agreement that was handed to you he had thirty days from the date of that agreement. The fact is that any time up until the time we got the well down and knew what we had, we would have been glad to accept his money. We would not have stood on a time period until we had actually shown for production or that it was a dry hole.

Q. Now you indicated you were operating under the provisions of the compulsory pooling order.

A. Yes, sir.

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Q. But you did not comply with the provisions of that order yourself.

MR. KELLAHIN: I think that his testimony was that he operated on the assumption they had an agreement. It turned out they didn't, so we are under the order, but at the time we had a signed agreement there, our Exhibit Number Thirteen.

Q. Was this signed agreement with Mr. Taylor sufficient -- a sufficient substitute, in your opinion, for an operating agreement?

A. For an operating agreement?

Q. Yes, sir.

A. No, it's not a sufficient substitute for an operating agreement.

Q. Okay, and you've indicated already you only drill wells under these circumstances with an operating agreement or compulsory pooling order.

A. Yes, sir, I think that's true. At the same time we felt that -- that Mr. Taylor had sat with Mr. Kellahin and Mr. Cooper and helped in the drawing up of that order, and we felt that we had -- we had satisfied the requirement of providing him operating costs by providing it to him at that time. We actually mailed Mr. Taylor an AFE, or our land man sent him an AFE, at the time that he was offering to -- trying to lease from him and offering to

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let him join. We also sent him one routinely, which he indicated he received the day after the hearing. Now, it's -- we really felt at the time the hearing was held that Mr. Taylor was operating under -- I mean that he was participating under -- that he would participate under the provisions of this agreement. He didn't participate. He said he was going to participate. He has stated that himself into the record, and we presumed all along that he would participate, but he didn't put up his money.

Q. Getting back to what I think is the main point here, C&K was aware of the terms of the order.

A. Yes, sir, I think that --

Q. And C&K was aware that they had not complied with the terms of the order?

A. Well, I don't feel that way because we -- we did have this agreement.

Q. Well, I'm talking about the order, now.

A. Well, I --

MR. KELLAHIN: I think he's answered your question, Mr. Stamets.

Q. Well, I tend to disagree. He hasn't said that they were or were not aware that they were not in compliance with the order.

A. I can't honestly remember. I mean I can't say that I was or was not aware at the time that we were or

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were not in compliance. If you had asked me that question and I had -- at that time and I had looked at the order, I'm sure I would have had to agree that we had not complied with that part of the order, but all during the time that this was happening we were under the illusion, perhaps, that Mr. Taylor was going to participate and that that's what this agreement was all about; that this was giving him time to get his money together and to put it up.

Q. Okay. What about the provision of Order Twelve, where it says all proceeds from production from the 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, and so on and so on. Why did C&K not comply with that provision of the order?

A. Well, this is an accounting function and I'm not sure I can answer why it was not done, but I know it was not done until it was brought to our attention, and I questioned the fact that -- to the accounting department.

Q. Is there somebody with C&K that has responsibility to see that the provisions of orders such as these are complied with?

A. This would be a land department function.

Q. I presume C&K has made provisions so that any future such orders will be complied with.

A. I hope so.

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MR. STAMETS: No further questions.

MR. RAMEY: Ms. Teschendorf?

CROSS EXAMINATION

BY MS. TESCHENDORF:

Q. I have one more question about that escrow account, Mr. Tompson.

Since it has been opened you said you have sufficient money in that account to pay all the royalty interests that have been paid.

Have you accounted for interest on that account since June of '77?

A. Yes, ma'am.

Q. Do you know what percent that would be?

A. Well, I can -- where is that letter? It's got to be in there somewhere.

I've got a letter somewhere that I can't seem to put my hands on, but I do know that the total account at this time amounts to $25,000 and some and there is $30,000 in the account. Now, the reason that it is somewhat less than was perhaps shown before is that at least one account of about $4,000, where there was a title question, has been taken care of and paid.

Q. But you are paying interest on the money and you have accounted for that since you've put the money in

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there.

A. We've what?

Q. You have, now that you've put the money in escrow, which was fairly recently --

A. Yes.

Q. -- you have enough money in that account to cover all the interest that should have been --

A. To cover all the interests that have accrued up till now, yes.

Q. I wanted to clarify one thing. Part of your Exhibit Sixteen, you filed a revised C-111 for the month of June, 1977, and you reported 2,866 Mcf. This is a revision of the 2,350 Mcf that Mr. Taylor has been talking about, is that correct?

A. Yes, ma'am. The initial figure was filed before we had an accurate measurement and was an estimate. This is an accurate figure. We have Transwestern's statements. Transwestern did measure the gas. We have their statements for the exact volumes and we can present those to you, if you like.

Q. That's fine. Just one other point of clarification which I think is probably a typographical error on somebody's part.

For the month of April of '78 Transwestern reported that they purchased 40,548 Mcf and you've reported

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40,456 Mcf. I think somebody transposed numbers. I'm not sure whether it was you or Transwestern but could you figure that out and file --

A. Let me make a note of that, would you, please?

Q. Okay.

A. That is which month?

Q. April of '78.

A. April of '78, and this is -- let's see, that's Transwestern's form --

Q. C-111.

A. -- C-111, and their number is --

Q. 40,548.

A. All right.

Q. And your 115 was 40,456.

A. All right.

Q. I'm sure someone just transposed numbers and I don't know whether it was you or Transwestern, but if you could find out and --

A. All right, we'll find out and ask Transwestern to correct theirs or we'll correct ours.

CROSS EXAMINATION

BY MR. RAMEY:

Q. Now, Mr. Tompson, you assumed that your agreement that you had with Mr. Taylor, that Mr. Taylor was

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going to either join you in the drilling of this well or be happy with the 120 percent penalty.

A. Yes, sir.

Q. Now, after -- after the thirty days had transpired since this agreement and he had not paid any money, did you still think this was the case?

A. Well, of course I can't say that we had any tickler in the file that said thirty days are up, and Mr. Taylor still hasn't paid his money. I can't testify to a certain date at which time we decided he was not going to pay, but at some time in there I'm sure we concluded that he was not going to pay his way.

Q. And then when the Commission order came out and said he had thirty days after the date of the order, why you still felt that you had no obligation to comply with those provisions?

A. Well, we really felt like -- and you know, this was partly his idea, as I understand it, that we -- that this separate agreement was really what -- what governed as far as this time was concerned, and that he had agreed to this and had signed his name to it. Maybe we were mistaken in that, but we even discussed not force pooling, but then I think that it was decided that there could be other interests that we weren't even aware of and that we ought to go on with the hearing. I think there

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was discussion of just not having the hearing, just asking it be forgotten about.

Q. Now you did testify that an operating agreement would be binding.

A. Well, an operating agreement would be binding on someone who was joining in drilling the well, yes.

Q. And this was not an operating agreement?

A. No, it's not an operating agreement.

Q. So in effect, you have no binding agreement with Mr. Taylor.

A. Well, I think -- I would think that an agreement signed by Mr. Taylor and by our Mr. Cooper, that was drawn by an attorney for this purpose is binding to the extent of what it covers. It certainly is not as all-inclusive as an operating agreement, no. It doesn't cover everything that's going to be covered by an operating agreement and it doesn't cover everything that is covered in the force pooling order.

MR. STAMETS: Thank you, Mr. Tompson. Any other questions of the witness? He may be excused.

MR. TAYLOR: Mr. Ramey, may I ask him one question?

MR. RAMEY: Yes, sir.

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RECROSS EXAMINATION

BY MR. TAYLOR:

Q. I do not have all of them for all of you, but I would submit for Mr. Tompson's consideration what I have designated as 21-5 and Mr. Tompson, here is an operating agreement that C&K Petroleum sent to Bill Taylor, is it not, sir?

A. Yes, it is.

Q. All right, sir, and what's the date of that?

A. April 21st, 1977.

Q. So this is the customary type of operating agreement that you would have requested Bill Taylor to sign?

A. Yes, sir.

Q. All right, sir.

A. Now, let me explain this, that this operating agreement was sent out after the well was down and was sent out with -- recognizing that your interest would revert and that this would govern at such a time as your interest reverted to a working interest; at such time as your working interest became effective.

Q. I think, sir, that if you would look at it, you'll find that it entails more than that period of time.

A. Well, it's the same operating agreement we asked everybody else to sign but it doesn't become effective

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on anybody until they are a working interest owner.

That was the purpose for sending it out. I don't mean to suggest that it doesn't -- may not be dated earlier, as far as that's concerned, but the point is that it was -- it was written as the general operating agreement for this property.

Q. Was it written immediately and sent to Taylor immediately upon your learning, and Taylor contacting you, that you were not allowing him to participate?

A. No,sir.

Q. And he was going to be held under this?

MR. KELLAHIN: Are you offering that as an exhibit?

MR. TAYLOR: Yes, sir, would you like to look at it?

MR. KELLAHIN: No, it's fine with me.

MR. TAYLOR: Well, then pass it on. I do have some others --

A. As a matter of fact, Mr. Taylor, I would like to make it clear that it was not until the last few months when this correspondence and telephone conversations concerning the well began, that I was even remotely aware that you had -- were making such a contention. I had no idea from your correspondence or anything else that this was your contention. You read things into your letters

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I simply don't find there.

Q. All right, sir. Then you really have no personal knowledge of this agreement except as it exists to you. You do not know whether there was an agreement between Taylor and Mr. Hooper or not, sir, personally?

A. I know nothing of it. I know nothing but hearsay of any conversations which may have occurred between Hooper and Taylor.

Q. All right, sir. So you do not know whether there was additional verbal interpretation of this or not, sir?

A. Not from my own personal being there, no.

MR. TAYLOR: Thank you.

MR. RAMEY: Any other questions of the witness?

MR. KELLAHIN: Could I have just a minute?

MR. RAMEY: Do you want to offer your Exhibit 21-5, Mr. Taylor?

MR. TAYLOR: Yes, sir, I would like to offer it into evidence if there's no objections to it.

MR. RAMEY: It will be admitted. I think that's what you had it labeled, 21-5.

MR. TAYLOR: All right, sir, thank you.

REDIRECT EXAMINATION

BY MR. KELLAHIN:

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Q. Mr. Tompson, I'll hand you what's been marked as C&K's Exhibit Number Nineteen. Do you recognize that exhibit?

A. Yes, sir.

Q. What is it?

A. This is a division order from the Carlsbad 13 as it was circulated to the various working interest and royalty interest owners.

Q. Do you have copies of two of the signature pages attached to it?

A. Yes, sir.

Q. And whose are those?

A. These are division orders signed by Clarence W. Wells and Bobby Don Burnett.

Q. And those are the two gentlemen who appeared here this morning?

A. Yes, sir.

MR. KELLAHIN: That's all the questions I have.

RECROSS EXAMINATION

BY MR. TAYLOR:

Q. One question, sir. I noticed on these division orders, Mr. Tompson, that Mrs. Wells, wife, signature is not required -- Mr. Wells' wife, beg your pardon, wife's

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signature was not required on that division order.

Is that correct, sir?

A. The interest shows to be just Clarence W. Wells. I'm sure that's the way the attorney set it up and I cannot speak for why that is.

Q. All right, sir.

MR. RAMEY: Any other questions of the witness?

MR. KELLAHIN: At this time I would offer Exhibit Nineteen.

MR. RAMEY: Exhibit Nineteen will be admitted.

MR. KELLAHIN: And that's all the questions I have.

MR. RAMEY: The witness may be excused.

MR. KELLAHIN: I would like to recall Ms. Brown to the stand, please.

DOROTHY BROWN

being recalled as a witness and having been duly sworn previously upon her oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. Ms. Brown, in your experience as an auditor do you ever observe whether royalty interests are paid without a division order?

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A. The only thing I could testify to, Mr. Kellahin, is that in all of the revenue audits that I have ever done I have never seen a royalty or a working interest paid when payments were being held in suspense for any reason, whether legal or FPC ruling, or any of that sort of thing we've been discussing here earlier today.

Without division orders being signed or bonds being posted, I've never seen a case where it was done for any other reason.

Q. Now, can you testify from your experience in auditing these accounts at what stage the division order is issued?

A. We audit a lot of wells, as Mr. Brown testified to this morning, approximately six months after they have been drilled. I would say in fifty to sixty percent of those cases the non-operators still havenot received their monies because the division orders have not been signed and completed and back to the operator. This is not uncommon. Almost all division orders take between four and six months to be completed before payments are being made after the well went on production.

MR. KELLAHIN: That's all the questions I have, of this witness.

MR. RAMEY: Any questions of the witness, Mr. Taylor?

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CROSS EXAMINATION

BY MR. TAYLOR:

Q. We made reference earlier to the five million and four thousand cubic foot -- since I have not had the opportunity to fully examine your records, is this reflected as part of the total income of C&K Petroleum? Is it -- does it also -- is the sale of that gas reflected in the interest allowed the working interests?

A. Yes, sir, Mr. Taylor. Let me go back and explain this a little bit more fully to you so that you completely understand what it is.

The 2866, which was reported in June, the 2988, which was reported in July, add up to the 5854 figure which was reported to the Tax Commission in August. The 4055 which was sold in August of '77 and the 949 which was sold in September of '77 make up the figure of the 5,004. Both of those have been included in my schedule and do reflect the income to C&K.

Q. Thank you.

MR. RAMEY: Any other questions of the witness? She may be excused.

MR. KELLAHIN: That's all we have to present, if the Commission please.

MR. TAYLOR: If the Commission please, I do

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need to call three more witnesses, sir, and they are within the building.

I'll call Mr. Dale Beeman, Wanda Taylor, and Jack Taylor.

MR. RAMEY: These witnesses have not been sworn, have they?

MR. TAYLOR: No, sir, they have not.

MR. RAMEY: I'd ask that they stand and be sworn, please.

(Witnesses sworn.)

MR. TAYLOR: I would call Jack -- no, I would call Mr. Dale Beeman to the stand first.

MR. KELLAHIN: If the Commission please, I feel a little strange about objecting. Mr. Taylor is not an attorney. He is here representing himself. Now, if these people he has called have an interest in this and have a statement to make, I have no objection at all. I do object to Mr. Taylor questioning these witnesses, since he is not qualified as an attorney in this case.

MR. TAYLOR: Their testimony is pertinent and will support documentation. I do not know -- you know more about the legal technicalities as to whether we can do it in the interest of justice or not, sir.

MR. RAMEY: Well, Mr. Taylor, I think this is an Attorney General's opinion that an attorney has to be

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present to question the witnesses. If these people have an interest and are appearing for themselves as an interest owner, then I think they can so testify.

MR. TAYLOR: Then, Mr. Beeman, I cannot call you that way.

I can call Mrs. Taylor as an interest owner.

Dale, we'll have to ask you to step down. I cannot get your testimony entered here. We'll have to do it some other way.

Wanda, would you take the stand, please?

STATEMENT OF WANDA TAYLOR:

MR. TAYLOR: Mrs. Taylor, you were present here in this hearing room on the 8th and 9th of 1978 when that we had a hearing in progress. You were here afterwards.

MR. RAMEY: Mr. Taylor, I don't think you can question the witness. Now, if she has a statement --

MR. TAYLOR: All right.

MR. RAMEY: You are not an attorney and you have to be an attorney --

MR. TAYLOR: I thought I could question only if they had a working interest, such as I did Mr. Burnett and Mr. Wells.

MR. RAMEY: Now, we're quoting an Attorney

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General's opinion.

MR. TAYLOR: All right, after they make a statement --

MR. RAMEY: The Attorney General of the State of New Mexico has ruled that you have to be an attorney to question the witness or to --

MR. TAYLOR: Well, Mrs. Taylor, do you have a statement to make concerning any of the evidence presented today and prior?

MS. TAYLOR: Well, I can make a statement concerning the evidence of the agreement that you spoke to Mr. Tompson and Mr. Kellahin about after the hearing.

I was standing by and whereby the conversation included a discussion of an agreement, verbal agreement, between Mr. Taylor and Mr. Hooper on working out payment for the well. And Mr. Kellahin said that he knew of this agreement but that he didn't want to administer it.

MR. RAMEY: Do you have anything further, Mrs. Taylor?

MS. TAYLOR: No.

MR. TAYLOR: Am I allowed to ask a question now?

MR. KELLAHIN: I have no objection.

MR. RAMEY: All right.

MR. TAYLOR: Did --

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MR. KELLAHIN: With cross examination.

MR. TAYLOR: That's adequate. That's enough. Thank you.

MR. RAMEY: Any questions of the witness, Mr. Kellahin?

MR. KELLAHIN: No questions.

MR. RAMEY: She may be excused.

Mr. Taylor?

MR. TAYLOR: Mr. Kellahin has raised an important situation. I am not even allowed to call him as a -- the one who drew up this agreement. He has presented the agreement in evidence. He is the one who drew it up. Taylor has stated that it does not represent the true agreement, and I have stated so many times what we consider the true agreement to be.

Now, can Mr. Kellahin be placed on the stand as to this and some statements he made here in this room? On the 8th and 9th?

MR. RAMEY: The only thing I would say is that Mr. Kellahin could not cross examine himself.

MR. TAYLOR: Well --

MR. RAMEY: And that puts him at a disadvantage.

MR. TAYLOR: I grant you this, and that's why that I have left him until the very last as --

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MR. KELLAHIN: If the Commission please, it goes farther than that. I'm an attorney in this case and as a normal thing an attorney cannot be called in litigation, and this is similar to litigation, unless his testimony is material to an issue in the case and cannot be proven by any other means.

And that's the general rule. What, apparently, Mr. Taylor wants me to testify to is a purported conversation and what I may have said in connection with this agreement.

Mr. Hooper was one of this conversation, and had he wanted to put on testimony in this regard, he could have been subpoenaed under the rules of this Commission.

He didn't see fit to do that and I don't think it's proper for him now to attempt to call me to remedy the deficiencies in his case.

I would also observe as a legal matter, when an agreement has been introduced in writing, the writing prevails over any oral agreement, and the fact that he claims a subsequent oral agreement, I don't think would be material, because the written agreement signed by him is in evidence.

MR. TAYLOR: I think if the Commission will consider it, there is the fact that a contemporaneous oral agreement that is located 17A CJS, Section 550, p 1073,

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states that any time that the writing fails to reflect the true agreement between the parties and the writing is not complete, that verbal interpretation of it is allowed, and I would like to present this portion of it, since I could not do it through Mr. Kellahin, I would like to make some statements, and it will not take us too long, and we can finish up as far as my part is concerned.

MR. RAMEY: You can make any statements you so desire, Mr. Taylor. We won't call Mr. Kellahin.

MR. TAYLOR: All right, sir.

I would like to state that this agreement is one that was a rough draft with this language. I objected to it on the date of its fabrication. It is not in accordance with the one that was agreed to between C&K Petroleum and Bill Taylor, or the one that was confirmed between Mr. Kellahin and Bill Taylor's attorney, and Bill Taylor and Mr. Kellahin.

The one that Mr. Hooper and Kellahin and Taylor discussed, we had a verbal agreement, as I said, concerning our participation by paying as billed and drilling progressed. During the conversation we discussed the problem of wasted monies if this amount was paid to C&K Petroleum in one lump sum and the drilling was not undertaken as would have been the case with Tom Brown, if Tom Brown had drilled the acreage in the prior forced pooling. This can amount to a

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time period of the working interest money being held by an operator from 250 to 315 days with no interest being paid on it, and so forth. This is using the terms of the agreement. You have thirty days to begin drilling, the operator does. I beg your pardon, ninety days. They place a drilling rig on at the end of that ninety days, a cable tool rig, drill one day, then they do not have to furnish reasons to the Commission for not doing so for another 120 days, so we've got 210 days used up. At that time then they have forty-five days to furnish the cost of the well to the Commission, and I'm still talking about even if they had not drilled any except just put a cable tool on for one day at a cost of, say, $200.

And then they have --

MR. RAMEY: This did not occur, Mr. Taylor.

MR. TAYLOR: No, sir, but I'm stating what can occur and why the need of the thirty day provision and et cetera on it. This is the only protection that the working interest has paying as he sees the drilling progress; otherwise, he loses the control of his money.

This was discussed, and this is what I'm stating, this was discussed with Mr. Hooper and in Mr. Kellahin's presence in his office. We discussed the vagueness of the Commission agreement or order and the transfer of the money to the operator and the trouble -- problems

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thereby, whereupon Mr. Hooper agreed then to follow the industry practice in drilling, and so forth, and furnish Taylor and Page a time within thirty days of drilling whereby Taylor was to commit himself and Page to participate within this thirty days, and then C&K was to commit themselves to drill and Taylor and Page were to commit themselves to participate and made these provisions that would comply with the Commission order, and the Commission forced pooling agreement. We had agreed to inform the Commission wherein that we did commit ourselves and of this AFE.

Now, this would be placed in this agreement. Mr. Kellahin and Mr. Hooper had other poolings to discuss that day. Now, this was the rough draft that's under discussion here now and this other provisions will be placed in the agreement. They desired that I return later. My only leverage was that I was going to be able to ask possibly their continuance of the hearing, as had been evidenced possible through a conversation from Mr. Paul White to Mr. Stamets, and Mr. Stamets had requested we get in touch with C&K and see if we couldn't work out something, knowing that there was a possibility we would be allowed a possible postponement of the hearing. This was the only leverage we had. We did not have much time to prepare this and this was relayed to Mr. Stamets over the telephone

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by Mr. White.

Now, as of that evening when I came back for this, my time, as far as I was concerned, had expired as to when I could ask for a postponement. Mr. Kellahin had been unable to obtain a postponement of the Tom Brown hearing, which has been introduced, from the date on April the 19th of 1973, when I requested it of him, until the hearing date of April the 25th, 1973, so it seemed to indicate that it took quite a bit of time to get this type of a postponement.

So, consequently, when I came back for this agreement, Mr. Hooper was gone, and it contained this type of language in it. It contained the old rough draft. So I balked at signing it. I asked Mr. Kellahin if we could not get Mr. Hooper back there to correct this draft to what we had agreed upon in that room.

Now, the thirty day provision was not part of our original agreement as confirmed by my attorney to Mr. Kellahin and in our discussion with Mr. Kellahin and Mr. Hooper, but it was placed in this one, but we agreed that the thirty day provision here would be allowed if it would be as we discussed, that they'd allow us a time within the thirty day period, in other words, definitely state to us when they were going to drill within thirty days, we'd commit ourselves within that thirty days and then come

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up with our money, and pay them as the drilling progressed.

Now, I discussed this again with Mr. Kellahin in his office at that time. I said, Mr. Kellahin, this is not as it should be, and I asked him to get Mr. Hooper back. He told me that Mr. Hooper was not contactable and I asked him if he in discussing it, he said that he had forgotten to ask his secretary and he had not made any corrections further on it, or something of that nature. I'm not really positive as to why it was not done. It was either he had forgotten it, he'd been busy and forgot it, or he had not asked his secretary. It had slipped his mind.

Whereupon I discussed this with him and he said that he would give his personal assurance that it would be -- the verbal interpretation would also be allowed. And he agreed that we would confirm it with Mr. Hooper the next morning.

Whereupon we did confirm it with Mr. Hooper. I even discussed this with Mr. Stamets standing right over there prior to the hearing. I showed him the agreement. I told him what the interpretation was and what we were going to do on the thirty days. Mr. Stamets told me, he says, I don't think maybe I ought to -- after he'd read it and so forth -- said, maybe I shouldn't be listening to this prior to the hearing, or something of that nature.

But the next morning Mr. Kellahin and I did

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approach Mr. Hooper right out here and Mr. Hooper and Mr. Kellahin agreed on the payout as billed, and et cetera.

Mr. Hooper at that time requested Mr. Kellahin to set up the procedure whereby Taylor would make the payments. Mr. Kellahin did not desire to do so. He said that this was C&K Petroleum's responsibility and he declined to do it.

Whereupon Mr. Hooper then said that he would have his attorney and legal departments establish this method and bill Taylor. Now, it was to be -- we were to check out whatever they desired with an attorney ourselves; they were giving us this right.

We were very happy the day of the hearing. Now, whenever that Mr. Hooper was to go back and have his accounting department do this, and this is why we made the telephone call to him on the 11th and 12th, I believe it was, to see how they were coming along with it.

Now, as we've stated, we had people that were willing to participate. Now, the -- in the hearing itself Mr. Kellahin asked Mr. Hooper -- and let's go to that page eleven of that hearing, sir, or page ten and page eleven.

Beginning with line twenty-two, Mr. Hooper, Mr. Kellahin continuing his question, Mr. Hooper, did you have a meeting yesterday with Mr. Taylor and reach a tentative agreement on this well?

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Yes, we did. But it hasn't been completed yet. No, sir. Then the -- Mr. Kellahin asked Hooper if it was agreeable for Taylor and Page to participate as per the terms -- or usual terms of the forced pooling agreement, which was in compliance. I'm saying that the correct interpretation of this agreement is in compliance with the forced pooling provision.

And so on page eight, line nineteen through twenty-five, I would quote for you what is stated there: In the event the Commission enters its forced pooling order, this is Mr. Kellahin's question, you have no objection to these people paying their proportionate share in accordance with the usual terms of the agreement, do you?

Mr. Hooper's answer, answer was, none whatsoever.

Mr. Kellahin's question, participating in the well, right.

So it would seem that C&K Petroleum is trying to place a different interpretation on this. If Mr. Kellahin had desired that this had the interpretation, any other interpretation except under the Commission pooling order, it would have been here, and it is stated in this record that it is not a complete agreement, or it is not complete as it exists.

So these are the things we have brought to

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the attention of the Oil Conservation Division. As I said, I do object to Mr. Kellahin's interpretation of this thirty day provision of it because it is not as we agreed.

It does require the proper interpretation and Mr. Hooper, Mr. Kellahin and C&K has known that I have made this presentation. I've made these statements concerning this. If they had wanted to repudiate my testimony along this line, they could have had Mr. Hooper here. I have a witness that was present whenever that this was confirmed between Mr. Hooper and Mr. Kellahin and Taylor outside the door, but since you have not allowed me to call him because I'm not an attorney, I cannot present him. But if you would desire to question him, why, I'm certain you'd have that opportunity.

That's my presentation and thank you all very much.

MR. RAMEY: Thank you, Mr. Taylor.

Do you have anything, Mr. Kellahin?

MR. KELLAHIN: Yes. In connection with Mr. Taylor's comments about the agreement and the fact it was not a complete agreement, obviously, we, as Mr. Tompson's testified, we need an operating agreement, and an operating agreement was sent to Mr. Taylor and he declined to sign it.

Now, certainly nobody has prevented him from

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participating in this well. He knew how to do it, as was shown by his participation in the No. 7 Well. He tendered his money and he was a partner in that well, and he had the opportunity to do that in this well and he had the AFE, the same AFE he would have received had it gone out after the date of the order. There'd have been no difference, and he can't profess ignorance nor surprise, or that he was unfairly discriminated against because it wasn't mailed on that precise date. He had three AFEs and they were all the same AFE. And for him to now say he had no opportunity to participate is just utterly ridiculous.

Now, it's very difficult to always understand just exactly what Mr. Taylor's thinking or what he is saying, and I have, with all due respect, I think he is giving his interpretation of what occurred. It just doesn't happen to be my interpretation of what occurred and I don't believe it's necessary for me to get on the witness stand right at this point to refute it; however, I think the main thrust of this case C&K Petroleum has taken care of, and that is a comprehensive audit of well cost, the income from the well, its payouts status, and admittedly some of the forms required by the Commission were not timely filed and some of them were erroneously entered, but they have been corrected. Now, this is not a matter which has affected Mr. Taylor because since he

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won't sign the division order, he wasn't paid on the basis of those reports, anyway.

Now, it's a matter for the Commission, and the Commission contacted C&K and C&K remedied the situation each time there was a contact made, and Mr. Taylor did bring up some other items and those, too, have been now corrected.

We feel that C&K actually is a competent operator and it's shown to be as testified to by Ms. Brown and Mr. Brown. Their accounting is as good as they would normally find, or better than they normally find on most of their audits, and we submit that C&K should continue as the operator on this well, and as soon as Mr. Taylor will sign his division order we'll be happy to pay him his money.

MR. RAMEY: Thank you, Mr. Kellahin.

MR. TAYLOR: May I make another statement or so? I don't know your procedure.

If I would sign a division order with C&K Petroleum with the minimum amount of necessary legal requirements on it, as I stated, I do not desire to do so with the problems that exist, the way that they have been taking care of accounting. We do find that there has been corrections of their accounting. They have failed on so many things or so many points. They've failed to pay people,

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and using this we contend it's illegal, and et cetera, but I am leary of signing one with them for this reason.

Now, if we can come up with one without -- with just the interest portrayed on it, or something like this, or an agreement that in the event that they overpay us, and so forth, we would sign this because we believe that what is right, if they do overpay us, why, then we would need to turn it back, what we should not have received.

As far as the C&K 7 Mr. Kellahin has pointed out that they do not believe that I was force pooled under that, and so of course, we're talking about an entirely different situation. They claim that I have an operating agreement, which has never been signed, et cetera, with them, and he states that these things have not affected Taylor, and et cetera; I state they have affected me because this is the main reason why we have not signed the division order with them. I do not feel comfortable with them if they couldn't live up to these type obligations.

MR. RAMEY: Thank you, Mr. Taylor.

The Commission will take the case under advisement.

(Hearing concluded.)

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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 Commission was reported by me; that said transcript is a full, true, and complete 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 W. Boyd CSR
Sally W. Boyd, C.S.R.

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NEW MEXICO OIL CONSERVATION COMMISSION

COMMISSION HEARING

SANTA FE, NEW MEXICO

Hearing Date SEPTEMBER 11, 1978 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
JC Thompson	C & K Petroleum Inc	Midland
Earl E. Gaertner	C & K Petr. Inc	Midland
Mrs. Danie Lebow	C+K Petroleum, Inc.	Midland
W. Gene Brown	C & K Petroleum Inc.	Houston
Dorothy M Brown	C & K Petroleum, Inc.	Houston
Jack Lemon	Maralo, Inc	Midland
Bill Taylor	Self	Carlsbad, N.M.
Bob D. Burnett	Self	Carlsbad, N.M.
Clarence W Walker	Self	Carlsbad N.M.
Jason Kellahin	Kellahin & Fox	Santa Fe
Bill Seltzer	Maralo Inc.	Midland
Arnold Gilbreath	Little law firm for Maralo Inc	Midland
Charles J. Love	MARALO INC	MIDLAND
Jack Taylor	Self	Farmington, N.M.
Mrs Wanda Taylor	self	Carlsbad, N.M.

NEW MEXICO OIL CONSERVATION COMMISSION

COMMISSION HEARING

SANTA FE, NEW MEXICO

Hearing Date SEPTEMBER 11, 1978 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION
State Land Office Bldg.
Santa Fe, New Mexico
9 August 1978

COMMISSION HEARING

IN THE MATTER OF:

Application of Bill Taylor for enforcement and amendment of Order No. R-5332, Eddy County, New Mexico.

CASE 6289

BEFORE: Commissioner Phil Lucero, Chairman
Commissioner Emery C. Arnold
Commissioner Joe D. Ramey, Secretary

A P P E A R A N C E S

For the Commission: Lynn Teschendorf, Esq.
Legal Counsel for the Commission
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant: Bill Taylor appearing pro se

For C&K Petroleum: Jason Kellahin, Esq.
KELLAHIN & FOX
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COMMISSIONER RAMEY: Case 6289.

MS. TESCHENDORF: Case 6289. Application of Bill Taylor for enforcement and amendment of Order No. R-5332, Eddy County, New Mexico.

COMMISSIONER RAMEY: Ask for appearances at this time.

MR. TAYLOR: I'm Bill Taylor, sir, owner of property in the area.

MR. KELLAHIN: Jason Kellahin, Kellahin and Fox, Santa Fe, representing C&K Petroleum Company.

MR. TOMPSON: I'm Gil Tompson with C&K Petroleum, Midland, Texas.

COMMISSIONER RAMEY: Mr. Taylor, are you your only witness or do you have other witnesses you're going to call?

MR. TAYLOR: Right now, sir, I would state I'm my only witness unless C&K Petroleum should desire to get into some claims area.

COMMISSIONER RAMEY: Mr. Taylor, did you ask for some information from the Oil and Gas Accounting Commission? Do you have it?

MR. TAYLOR: I asked for it, that it might be used as evidence later in the presentation.

COMMISSIONER RAMEY: All right. We have that information here.

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MR. TAYLOR: All right, sir.

COMMISSIONER RAMEY: Plus some reports from TransWestern Pipeline and the Operator's C-115.

MR. TAYLOR: You do have some reports from Transwestern Pipeline?

COMMISSIONER RAMEY: Yes.

MR. TAYLOR: I did not see those. I did request them.

Is that the C-111's or is that --

COMMISSIONER RAMEY: Yes, it's the Form C-111 from June of '77 through May of '78.

MR. TAYLOR: I did request some other information I did not receive.

But we will be making reference to those with Mr. Kellahin's allowance.

COMMISSIONER RAMEY: And then we issued a subpoena for Fred Larsen, but we never got a copy back that that had been served.

MR. TAYLOR: Right, sir. I discussed this with Ms. Teschendorf, that other interested persons had the decision to not appear and consequently we did not need Mr. Larsen's appearance.

COMMISSIONER RAMEY: Okay, Mr. Taylor, you may proceed.

MR. TAYLOR: All right, sir.

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COMMISSIONER RAMEY: All those that will testify need to stand and be sworn.

(Witnesses sworn by Ms. Teschendorf.)

STATEMENT BY MR. TAYLOR:

MR. TAYLOR: You're Mr. Lucero?

MR. LUCERO: That's right, sir.

MR. TAYLOR: And you're Mr. Arnold?

COMMISSIONER RAMEY: I'm Mr. Ramey.

MR. TAYLOR: Ramey?

COMMISSIONER RAMEY: Right.

MR. TAYLOR: And you're Mr. Arnold, then?

MR. ARNOLD: Right.

MR. TAYLOR: I raised a question with Ms. Teschendorf concerning a possible legal problem of C&K representing C&K H 1973 Development Venture and the Desana Corporation, and also consequently, Frost and a Greathouse, and Garner and Hood, and I would appreciate determining at this time that Mr. Kellahin represents these individuals as well.

MR. KELLAHIN: I represent C&K Petroleum.

MR. TOMPSON: And we have no authority to speak for anybody else.

COMMISSIONER LUCERO: Could I ask a question, sir?

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MR. TAYLOR: Yes, sir.

COMMISSIONER LUCERO: What is the basis of your raising this legal point?

MR. TAYLOR: The ownership of the well lies in C&K H 1973 Development Venture and the Desana Corporation.

COMMISSIONER LUCERO: Well, to you have any other, is it based on ownership? We'd like to get why you're raising this point.

MR. TAYLOR: Yes, sir. It actually is based upon this and I just want to be certain that they're represented. I'm willing to go ahead but I did want to know if we did have the point proven or not that C&K Petroleum had the right to represent these others.

Is C&K H 1973 Development Venture a subsidiary of C&K Petroleum or what is their relationship, sir?

MR. KELLAHIN: If the Commission please, we're representing C&K Petroleum, Incorporated, who is the designated operator. Now, as operator they have a right to appear in connection with any accounting problems that may come -- arise out of the operation of this well.

I don't really understand why any question is being raised about the owners. It never has been at issue before this Division before and as I see it, it is of no consequence here now.

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MR. TAYLOR: I would ---

COMMISSIONER LUCERO: Mr. Taylor, are you disputing the fact that C&K Petroleum is not entitled to appear herein as the designated operator to defend their interests?

MR. TAYLOR: No, sir, we'll save that for the District Court, if they desire.

I do not desire to continue the hearing. I was wondering if they could state at this time that they did have the authorization to represent these ownerships of the well.

COMMISSIONER LUCERO: Mr. Kellahin has told you that they are representing C&K Petroleum Company, and ---

MR. TAYLOR: All right, sir.

COMMISSIONER LUCERO: -- that's as far as they've committed themselves.

MR. TAYLOR: Well, fine.

COMMISSIONER LUCERO: If you'd made your point more clear, maybe we could --

MR. TAYLOR: All right, let me do it later in the presentation, and we do have this one point, I will state that there is a definite legal question as to whether they have the right to even have force-pooled us, much less to represent these other companies at this hearing.

But I do have what -- a large amount of evidence

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to present. Most of it is already in your files and your folders, et cetera.

I did intend to try to prove that in connection with replacing C&K Petroleum as operator of this well that they have mislead, that they have falsified, that they perjured; and that they've been negligent in order to gain unearned benefits, with almost a total disregard for the rights of others, and that includes the State of New Mexico, the Oil Conservation Division, and rules, regulations and orders, et cetera, and statutes concerning it, and especially to the rights of Taylor and Page in this well.

I apologize for the fact that I do not have legal representation. My attorneys at the present time, as has been discussed with Ms. Teschendorf, desire to take this on into the District Courts. They feel the jurisdiction should go there.

It's my desire to see if we cannot establish the jurisdiction of New Mexico Oil Conservation Division over some pertinent facts and give you a chance to try to straighten this problem up without the necessity of taking it to District Court.

If we do gain just, and I mean just relief, then we will possibly not have to take it to District Court, but in appearing at this hearing we are not giving up the rights to take it to the District Court hereafter.

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I would like to point, in the apology that I'm speaking of, why that I have the boldness to go ahead and appear before you.

Your Rule 1212 makes this statement, that full opportunity shall be afforded all interested parties appearing to present evidence and cross examine witnesses, and in general, the rules of evidence applicable in a trial before a court without a jury shall be applicable, provided that such rules may be relaxed whereby so doing the ends of justice will be better served.

I would also like to take the first sentence of Rule 1210, which is applicable to this, that states that the hearing before the Commission, or any Examiner, shall be conducted without rigid formality.

I do not have a legal, technical background, and so I ask for your leniance in the fact that I will try to present honest facts and truth. I will not try to color the picture except as it exists, and we'll go from there.

Now, I also have another guidebook that I rely upon in being with you this morning, and it's an older guidebook than this, and I will quote two laws from that one. I will not quote them verbally. I will make reference to them. One of them is found in Philippians 4:13, and the second is found in John 8:32.

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COMMISSIONER LUCERO: Excuse me, Mr. Taylor.

MR. TAYLOR: Yes, sir.

COMMISSIONER LUCERO: I understand in reviewing your application, that you signed as the applicant, but in the application, in the introduction phase of it, you state that "Comes now Bill Taylor and W. H. Page, Junior" as applicant.

Is Mr. W. H. Page, Junior, present here today?

MR. TAYLOR: No, sir, Mr. Page has done the same thing in this hearing that he has done previously, and C&K Petroleum has recognized the fact that Mr. Page says that whatever that pertains to Bill Taylor, that he will accept it. He's my uncle.

COMMISSIONER LUCERO: But, sir, in this case you state that you're representing -- well, in the application you say "Comes now Bill Taylor and W. H. Page, Junior".

I'm just trying to clarify for the sake of the record whether or not Mr. W. H. Page, Junior, is present here in person or with his counsel.

MR. TAYLOR: No, sir, he's not.

COMMISSIONER LUCERO: Then you are the only person present here.

MR. TAYLOR: Yes, sir.

COMMISSIONER LUCERO: Do you have any written authorization with you to show this Commission that you have

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been authorized to ---

MR. TAYLOR: No, sir, no more than ---

COMMISSIONER LUCERO: --- represent or be attorney for Mr. W. H. Page, Junior?

MR. TAYLOR: No, sir, no more than C&K Petroleum has to show the authorization of C&K H 1973 Development Venture or Desana Corporation.

COMMISSIONER LUCERO: Well, I'm sorry, sir, I'm just trying to clarify the record, because you cannot attach what you're trying to do to what you're alleging that they're doing that's not right. I mean the merit of your case stands on its own two feet.

I'm just trying to clarify whether or not -- because you stated in the application for the record, you also represent W. H. Page, Junior, and if you do, what authorization do you have in writing to indicate that to this Commission?

MR. TAYLOR: I have none, sir, except that C&K Petroleum has written -- given me information and written me, written Bill Page at my address, et cetera, so they recognize the fact that whatever Bill Page -- that Bill Taylor does is acceptable to Bill Page.

I do not have any authorization from Mr. Bill Page in writing, no, sir.

COMMISSIONER LUCERO: Well, then you are not

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representing him here today because I'm just trying to clarify the record.

MR. TAYLOR: All right, sir.

MR. KELLAHIN: May I speak to that?

COMMISSIONER LUCERO: Yes, Mr. Kellahin.

MR. KELLAHIN: Mr. Taylor has stated that he is not an attorney, and under the rules of this Commission he therefor cannot represent someone else.

COMMISSIONER LUCERO: Well, that's what I'm trying to clarify for the record.

MR. KELLAHIN: He certainly can represent himself and to that I have no objection at all, but he cannot represent Mr. Page, in my opinion.

COMMISSIONER LUCERO: See, Mr. Taylor, we're just trying to clarify this for the record, and I'm just asking, I think you can answer it just simply, are you or are you not representing W. H. Page, Junior, and you state that you are. What written authorization do you have inasmuch as you are not an attorney?

I'm just trying to clarify the record.

MR. TAYLOR: Yes, sir. Well, I really have no written authorization, sir, so whatever your determination is from that, then I must stand with it.

COMMISSIONER LUCERO: Then you state that you are not representing him here today.

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MR. TAYLOR: I have no written authorization to represent him, sir. I have verbal authorization to represent him, so it's from your determination, if you feel that the written authorization is necessary, this is fine, and in that interpretation I would not be representing him.

If verbal representation is adequate, then I have that. I will primarily be dealing with myself, except that the things that pertain to me will also pertain to Mr. Page, and I would like for his interests to be also recognized.

COMMISSIONER LUCERO: Well, the thing is if you don't represent Mr. Page, then how can you represent him? I mean you're kind of saying I don't represent him but I do represent him.

I want you to state for the record, are you representing Mr. Page here and what authorization do you have in writing. That will be sufficient.

MR. TAYLOR: I have no authorization in writing.

COMMISSIONER LUCERO: All right, sir. For the record, I'd like to state this Mr. W. H. Page, Junior present here in the conference room?

There is no reply to my question and I think we can proceed.

I just wanted to clarify the record.

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MR. TAYLOR: All right, sir.

COMMISSIONER LUCERO: Let's continue.

MR. TAYLOR: I would like to quote at this time Rule 2 of Miscellaneous Rules, that pertain to -- and this is from the State of New Mexico Oil Conservation Commission Rules and Regulations.

The statement that I would like to make and call to our attention is a twofold sentence, that the Commission, its agents, representatives and employees are charged with the duty and obligation of enforcing all rules and statutes of the State of New Mexico relating to the conservation of oil and gas.

The second sentence in there states, However, it shall be the responsibility of all the owners or operators to obtain information pertaining to the regulation of oil and gas before operations have begun.

With this I would like to make a statement that the statutes, basically 65-3-14 series, these regulations, give the New Mexico Oil Conservation Division the authority and jurisdiction to force pool or for the protection of correlative rights and the prevention of economic and production waste by the drilling of too many or too few wells, where that there are owners who will not agree to pool their interests, and I think that's a fair sum and it's basically stated there.

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In this section there is emphasis placed upon a just and reasonable conditions and terms for each to have an opportunity to recover, et cetera, their fair share of the gas without unnecessary expenses.

I would like to state, or place into -- for your consideration what I call and have listed as 2-1.

It is the application that was filed by C&K Petroleum, and if you would, go ahead and give him that.

This is on file with the Oil Conservation Division. This will be to refresh your memory as we make reference to it.

At the bottom is the 2-1 number, which I shall make reference to and other numbers comparable to it as we make our presentation this morning.

I would like to call attention to some statements that's made in this application.

The first one I would like to call attention to is the last paragraph on the first page, a portion of it.

It says, "The applicant, holder of the right to drill and develop the above described acreage, has made diligent effort to obtain voluntary participation from all interest owners, but there are interest owners in the proposed unit who have not agreed to pool their interests."

I would like to go to the second page of it and

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here we have a statement as to the nonconsenting interest owners are. "The nonconsenting interest owners and the interest which they own, to the best of Applicant's information and belief are as follows: Bill G. Taylor and Mr. and Mrs. W. H. Pate" which we recognize as Page, and this shows that their interest total is 47.75 acres.

This is the working interest owners of this well.

The third thing I'd like to call to your attention is that the correlative rights and this is stated in this area here (indicating), the correlative rights of all interest owners will be protected and approval of the application will prevent waste and is in the interest of conservation.

I would like to point out the fact that diligent, as stated by Mr. Webster in the New World Dictionary, American College Edition, states that diligent is persevering and careful in work, it's hard-working.

His second statement of it is it's done with careful, steady effort, or painstaking.

The second that I would like to emphasize that we've got here, is that there are interest owners who have not agreed to pool their interests.

The third one is that the correlative rights of all interest owners will be protected.

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I would like to hand you for your consideration, and we'll be making several references to it, the hearing itself, and I have this listed as 2-2.

And in this hearing Mr. Kellahin asked of Mr. Hooper, on page eight, line sixteen through eighteen, Mr. Kellahin asked Mr. Hooper, "Now, what effort did you make to have them join?" And the reference is to Mr. Taylor and Mr. Page.

And Mr. Hooper added, or stated, "We have tried to make a commercial oil and gas lease with the other people in the unit."

I believe that "commercial" should be interpreted to mean the market price.

The --

COMMISSIONER LUCERO: Excuse me, Mr. Taylor.

MR. TAYLOR: Yes, sir.

COMMISSIONER LUCERO: I've read your application here that you submitted to this Commission, and again to clarify the record, I would like to ask you, are you challenging the forced pooling at this time, and the reason I ask you that is because your application does not state any such allegation.

MR. TAYLOR: My application states that I'm requesting you replace C&K as operator. I intend to prove that from everything that C&K has introduced, including

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the statements in that application and in the hearing, that C&K Petroleum has falsified evidence and such in order to gain the right as operator, and consequently, by proving this, I expect the Commission to relieve C&K Petroleum, as I prove that even from this point they used falsification in order to obtain this right, and it's gained illegally and unjustly.

MR. KELLAHIN: We would have to object to this line of testimony for the reason that this is a collateral attack on the Order of the Commission pooling this acreage.

Now, Mr. Taylor, as will be shown by the record, was present at this hearing and he did not raise any objections at that time.

We have an agreement, which we will offer later, signed by Mr. Taylor, dated November the 9th, 1976, and I believe that's the basis of this hearing.

Now, for him to come back now and dispute the testimony of Mr. Hooper, who is not present, it was accepted by the Commission. It was not disputed by him at the time it was presented. This would constitute a collateral attack on the action of the Commission as to this hearing, and we object to that.

MR. TAYLOR: Ever since Mr. Kellahin has stated the agreement, Mr. Kellahin will also have to recognize that in the agreement that he mentions, that at that time

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C&K and Mr. Kellahin both recognized that Bill Taylor had the right to represent Mr. Page, and it is so stated in that agreement, if MR. Hooper -- I mean Mr. Kellahin desires to present that later.

COMMISSIONER LUCERO: I have to agree with Mr. Kellahin, Mr. Taylor, in that I think you have to confine your testimony, et cetera, to your application.

MR. TAYLOR: Well, my application --

COMMISSIONER LUCERO: Excuse me, sir.

(There followed a brief interruption.)

MR. TAYLOR: I do not seek to change or to disallow the pooling. But there is evidence, and I would like to present it, that shows that at this point C&K Petroleum was not living up to the statutes of New Mexico in their application, even. Now I did not have a copy of that application at the hearing.

COMMISSIONER RAMEY: I think that was a matter of public record.

MR. TAYLOR: Yes, sir, it was.

COMMISSIONER RAMEY: You could have come to our office and said, "I'd like a copy of their application." But I don't think you could make an attack on the order. I think you have a proper administrative procedure to go through after the order was written, did you not?

MR. TAYLOR: Oh, I'm trying to do that here,

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sir, just to tell you the truth on it. I'm trying to bring it in front of this group just for your consideration prior to taking it to the District Court.

I hope to not have to take it to District Court. I will have legal representation there, but I cannot get anybody who wants to come here in front of you, for several reasons.

But now --

COMMISSIONER RAMEY: Lynn, could you explain this here?

MR. TAYLOR: To me? All right, try it, I'd appreciate it.

MS. TESCHENDORF: Okay. You have the right at this point to attack anything that C&K has done as an operator since the unit was force pooled that would indicate that they are not behaving properly as an operator and that therefore they should be removed.

If you are challenging the basic fact that they didn't have a right to bring the forced pooling action in the first place ---

MR. TAYLOR: Uh-huh.

MS. TESCHENDORF: That you are barred from doing.

MR. TAYLOR: All right.

MS. TESCHENDORF: When the forced pooling order was issued, that was when the issue should have been raised,

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within thirty days following its issuance.

Since you did not raise it, you are barred from -- from reconsideration of it. You can only, if you want them removed as operator, you can only bring up points, accounting things that have happened since the unit was pooled and C&K has been operating it.

MR. TAYLOR: Even if the presentation at the hearing has since been learned to be false?

COMMISSIONER RAMEY: You had thirty days in which to appeal the order of the Commission. You did not avail yourself of that right and so therefor you cannot attack the order of the Commission.

MR. TAYLOR: I'm not attacking the order of the Commission as such. What I'm trying to do is to establish the fact that C&K Petroleum has throughout used falsification, has shown disregard for rules and regulations, and it would be establishing the point that they have obtained operatorship, and are continuing to have it, with false documents, et cetera.

I can appreciate what you're trying to say. I'm saying I'm not attacking the order as such. I am trying to establish the fact that there has been perjury committed in it, et cetera, and I do not think that I have a thirty day time limit on perjury, do I?

MS. TESCHENDORF: The fact that C&K was ap-

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pointed as the operator in this forced pooling order was the basic issue to that order.

MR. TAYLOR: Uh-huh.

MS. TESCHENDORF: You cannot attack it at this time.

The only thing you can present at this time, this hearing, are things that -- you complained that C&K has behaved fraudulently.

MR. TAYLOR: That's right.

MS. TESCHENDORF: If they have behaved fraudulently as an operator you can bring that out. You cannot challenge the fact that they are the operator. That you had to bring up within thirty days.

MR. TAYLOR: But can I present the facts that to gain operatorship --

MS. TESCHENDORF: No, sir.

MR. TAYLOR: -- they did these? I cannot do it?

MS. TESCHENDORF: No, sir.

MR. TAYLOR: For example, their Exhibit Number One that they presented in evidence, it is -- it was supplied as Exhibit Number One and made certain statements concerning the ownership, et cetera, and I would like to prove that their statements at that time were knowingly false, willfully presented, in order to gain unjust rights

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and there is --

COMMISSIONER RAMEY: Those things should have been challenged at the hearing or you should have asked for a de novo hearing within thirty days after the issuance of the order.

MR. TAYLOR: I'm sure you do not realize the difficulty in an individual obtaining counsel. A small individual does not have much chance, and I state that; Mr. Kellahin knows it because Mr. Kellahin was representing on this exact same acreage back in 1973, and I appreciated him; I still appreciate Mr. Kellahin, but the things that I want to -- I'm not challenging the order. I am trying to establish the precedent that C&K had established at that time and continues to undertake, and I'm sure that in a civil court, that perjury, et cetera, in order to gain illegal rights will be heard.

They are important, sirs. I'm not going to try -- I will try to present the truth, the honest truth, but I do desire, not challenging the order, but to present this because I am asking that C&K be removed as operator, and I would like to establish the fact that from even seeking to be operator, that they have used unjest means and made fraudulent statements and perjured themselves in order to gain this right, and it continues.

COMMISSIONER RAMEY: Mr. Taylor, we must operate

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under our statutes.

MR. TAYLOR: All right, sir.

COMMISSIONER RAMEY: And I think those have been quoted to you and I think you should proceed and try to confine your -- your information that you're giving to the operations of this well since the order was written.

MR. TAYLOR: All right, since the order was written. All right, sir.

COMMISSIONER RAMEY: And I trust Mr. Kellahin will object to anything that isn't appropriate.

MR. TAYLOR: At this time I would like you to consider the C-101 which was filed after the date of the order.

I would like to read Rule 1102, paragraph two, for the -- 1102, paragraph two, states that "All information required on Form C-102 shall be filled out and certified by the operator of the well except the well location on the plat."

I have to make reference back to the application and the hearing. The 336.6 acres was stated as the acreage for this unit. And on this plat you see, per rule 1102, paragraph two, as required the certification of acreage on the C-101, and you notice that Mr. Cooper, beg your pardon, has certified to 320 acres.

If the acreage is 336.6, as is stated in the

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hearing and application, then the 320. acres is false, or one or the other, and of course, the only one I can challenge, it seems, is this one.

If this is the case, Rule No. 63 -- I beg your pardon, 65-3-9, which this is certainly not the first time that C&K has used this, but it's the first one I'm able to introduce into evidence, concerning perjury, states that "If any person of whom an oath shall be required under the provisions of this act, or any rule or regulation or order of the Commission, shall willfully swear falsely in regard to any matter or thing respecting which such oath is required, or shall willfully make any false report or affidavit required or authorized by the provisions of this act, or by any rule, regulation or order of the Commission such person shall be deemed guilty of perjury and shall be punished by imprisonment in the state penitentiary for not more than five years nor less than six months."

MR. KELLAHIN: If the Commission please, I don't believe we need to have Mr. Taylor reading the statutes to us and advising us on what the law is. I believe that's superfluous.

COMMISSIONER RAMEY: It probably would save a lot of time if you would --

MR. TAYLOR: For me to make reference to it?

COMMISSIONER RAMEY: We are familiar with the --

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MR. TAYLOR: I'm certain you are; I really am. But I did not know whether that by my just making reference to the number that it might call it back to you.

If it will be agreeable to you all, I would like to make reference to specific points of it and maybe instead of reading it, the entire matter, possibly just read a sentence or two. Would that be agreeable and would you permit me that? Just in order that it might refresh your memory on it, same as my introducing these here.

You have these in evidence already and so my presenting them is actually just to refresh your memory and to present it in an easy, readable form.

The importance of this acreage is important as if there's 336.6 acres in the unit and Taylor and Page's interest as the working interest owners is 47.75 acres, then we have, and we'll introduce this into evidence later, as C&K Petroleum consistently ties us together, a .1418597 percent of the well.

If it's a 320-acre unit, then our 47.75 acres is a .1492187 percent of the well.

The importance of this is in the fact that if we use a net income month of $30616, which we will later show into evidence is the month of September of '77, then if we have a 336 acre unit, our income, net income, would be $11,444 -- beg your pardon, $11,447.51.

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If it's a 320 acre unit, then our return would be $12,041.35.

This means a difference of $593.84 a month difference to us.

COMMISSIONER LUCERO: How much difference in money did you say?

MR. TAYLOR: $593.84. But the important point in addition to that is the fact that we have a certified acreage and we have an acreage that's been sworn to, and they differ, by the same company.

I would again like to emphasize that Rule No. 2 that states it's the operator's duty to obtain information concerning the well and be acquainted with it before they begin operations.

And with that, I would like to go into more of the New Mexico Statutes and rules and regulations and I would like to call attention to the Rule 1103 B. (1), which states that within ten days of spudding that the operator will file a Form C-103.

C&K Petroleum failed to comply with this regulation as operator.

I would like to present for your consideration Form -- Dale, if you would, hand them Form C -- or 8-2, please, and you might as well go ahead and take them 8-3 down; that way it will save you a trip.

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Mr. Gresett of the New Mexico Oil Conservation Commission at Artesia requested C&K Petroleum Company to comply with this regulation by this letter of February the 14th, 1977.

COMMISSIONER RAMEY: Mr. Taylor, may I interrupt just a minute?

MR. TAYLOR: Yes, sir.

COMMISSIONER RAMEY: This first exhibit.

MR. TAYLOR: Yes, sir.

COMMISSIONER RAMEY: What did you number it?

MR. TAYLOR: It's supposed to be 7-1, sir.

COMMISSIONER RAMEY: And your letter, the copy of the letter from Mr. Gresett is --

MR. TAYLOR: 8-2, sir.

COMMISSIONER RAMEY: -- 8-2.

MR. TAYLOR: And this will be the reference I'll be making to it, sir.

MS. TESCHENDORF: Do you have copies for Mr. Kellahin?

MR. TAYLOR: No, I don't.

COMMISSIONER RAMEY: Would you like to look at these, Mr. Kellahin?

MR. KELLAHIN: Yes, sir, I would.

MR. TAYLOR: If you would like, Mr. Kellahin, we'd be glad to hand them to you as they go down to the

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Commissioners.

MR. KELLAHIN: I appreciate it.

MR. TAYLOR: All right, sir. We did not intend to exclude you. I'm just going by past precedent and I believe at the last hearing they went right straight to the Commission and they in turn let me look at them from there, and I don't believe C&K offered me any, so consequently, I have not prepared any for you.

Mr. Gresett's letter is 8-2, where he requested compliance of C&K Petroleum. They then filed their C-103 and that C-103 we designate as 8-3, and it states that they spudded on the 1st and 16th of '77.

This report is thirty days after the spudding. It's twenty days late for the Commission's orders.

Also, the casing cement and cement reports are requested to be filed within ten days of setting each string of casing on a Form C-103. This is Rule 1103-B (2) and also Rule 107-C.

I would like to point out that the importance of doing this is that in 107-C it states that this casing shall be tested after cementing and before commencing any other operation on the well, and the requirements of the test are there and in case it's not done, that there are certain things that -- there are certain things that point out the importance of the test.

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As far as filing this form concerning the cementing and casing, et cetera, C&K Petroleum failed to do it. Whereupon Mr. Gresett's letter that we just introduced, 8-2, of the 2nd--14th requested all these forms be filed.

Whereupon in the C-103 that you have there, that's 8-3, C&K Petroleum does list two groups of casing that was cemented. The surface casing they state that they placed and cemented on the 1st and 17th of '77, which means that this report is nineteen days past the deadline for it. They state their intermediate casing as being cemented on the 1st and 25th of '77, which means that this report is ten days past the deadline for it. This string of casing does state it was tested with 1500 pounds for thirty minutes and it held okay. So it was tested in compliance with the rules and regulations.

There were no further compliance with the regulations of the New Mexico Rules and Regulations by C&K Petroleum until Mr. Gresett again requested compliance with his letter of May the 5th. I have it designated 8-4A.

Whereupon C&K Petroleum submitted another C-103 on the 11th, which Mr. Gresett found to not be adequate.

Whereupon Mr. Gresett then requested fuller compliance with a letter dated May the 17th, 1977, and to

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this one C&K finally filed a C-103 -- for the record I may have forgotten to designate these -- the letter of Mr. Gresett on the May the 5th is designated 8-4A. The C-103 that was filed by C&K Petroleum on May the 11th but found not to be adequate is dated -- designated 8-5. Mr. Gresett's letter of May the 17th is designated 8-4B.

C&K did file then their C-103, designated 8-6. This does list compliance, or filing, I should say, it's not compliance, with a 5-1/2 inch production string, and we're again still considering the fact that casing cement and cementing test reports are to be filed within the ten days, and this one does list the production casing report here. It states that it was cemented on the 2nd and 22nd of '77. It does state that the top of the cement was found at 8430 foot but for your consideration I would like for you to note that there is no test of the cement that is required, as per the Rule 107 C and D, and none, 103 B.

This test is required prior to their commencing any other operations. It's possibly the most critical string, of course, in this high pressure zone, because we take extra precautions in order to protect the citizenry of the area. The well was completed before these reports were filed. As we note that it states in this one that on the 3rd and 16th of '77 the bottom statement here, that this well was flowing and waiting on the tie-in.

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I will state because of interest in other wells, that C&K Petroleum is completing other wells in the same line and the same method, but there is no test on this, as required by New Mexico Statutes and regulations.

The New Mexico state statutes and rules and regulations require a completion report to be filed within twenty days on C-105. I would emphasize one point of this. These are Rules 1105 and 117, and the importance of this is emphasized in Rule 117 by the -- let me just make reference to that one and go on.

Rule 104-D, paragraph 2, states that the placement of Christmas tree -- the date of completion for a gas well shall be the date a Christmas tree is installed, or thirty days following conclusion of active completion work.

In this case, the date the Christmas tree installed would be the first one. This states whichever date comes first.

The -- Mr. Gresett's letter of the 5th and 17th which we designate 8-4B, requests the reports on the completion. The incomplete C-103 filed immediately prior stated that flow was there and that they had perforated and that the thing was complete, so he requested the completion report in his 5th and 17th letter.

Whereupon C&K did file a C-105, and I have it

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designated 9-1.

This C-105 states the date of completion as the 3rd and 16th of '77, but it also states that the date of first production is the 3rd and 15th of '77. Now the C-103's that we've already introduced, the 8-5 and 8-6 references, state that on the 3rd and 16th that it was flowing and that it was waiting for a tie-in; however, the C-103's do state that perforation was done on the 3rd and 9th.

Consequently, if we take that as a fact, the Christmas tree was probably placed on the well approximately the 3rd and 5th of 1977, and this would then make the 3rd and 5th actually a closer completion date than the 3rd and 16th, as stated herein.

If this is the case, then this makes the filing of this C-105 over eighty days late in compliance with the regulations, et cetera.

The completion was not filed in accordance with the C-101 permit that was filed for the well. We're listing that as 9-3, which they did state they were going to drill a 9-1/2 inch hole to 8700 foot and then go on down.

The importance of this here would be the fact that Rule 1103-A and A(1) does require that for any of these changes that's made, that a C-103 be filed with the New

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Mexico Oil Conservation Division effecting change of plans from those previously approved in Form C-101 and in Form 103. So whenever that there is a change of plans, the regulations do require that a New Mexico Oil Conservation Division be notified on a C-103.

Also, I would submit for your consideration what I have designated as 9-2, which is a drill stem test, which the Rules 1105 and 117 require to be filed within the same time limitation of -- as the completion report, and consequently, it's somewhat between seventy and eighty days late as well.

New Mexico state statutes and rules and regulations require that a well production potential be filed within thirty days of the emplacement of the Christmas tree on a Form C-122, and this is again Rules 104-D(1) and Rules 401, paragraph three, and I would emphasize this one, that unless I'm mistaken, that this is not filed, there is a possibility of a reduction of acreage allotted to the well. I don't desire to see it, but this is how serious this one is.

104-D(1) sentence --- in paragraph number four, it says failure to operator to file the aforesaid test within the specified time will also subject the well to such acreage reduction.

C&K failed to comply with this regulation to

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file the C-122. Whereupon Mr. Tompson sent a letter to the Oil Conservation Commission to Mr. Gresett stating that he'd like to have a little more time. This is designated as 10-1.

And Mr. Tompson stated that in this letter, that he would file a four point -- or that he would file the C-122 upon completion of the four point potential.

I would like to point out the date of Mr. Tompson's letter as being June the 10th. This is three months after the completion of the well or even the request for an extension of time and consideration to hold off on complying with it. The -- I would introduce for your consideration 10-2, which is the C-122 that C&K did file. The test is dated as August the 3rd of '77. It was received the 8th and 9th of '77, which is one and a half months, as we will bring into consideration in a moment, after the tie-in, and it's four and a half months after the completion. And so it certainly does not comply with the thirty day requirement of the regulation.

The state statutes and New Mexico Oil Conservation Rules and Regulations require a well allowable and an authorization to transport to be filed on a C-104. This is found in Rule 1102, and I call it one and two. Beg your pardon, that's 1104, one and two.

And this designates that the allowable will be

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assigned, and in this particular case, in this particular well, it would be the date the allowable was received.

I beg your pardon. It would be the date the C-104 was received. And as has been noticed, this one was received on June the 28th of 1977.

Mr. Gresett assigned an allowable for this well, and I designate this as 11-1, and he designates June the 28th of '77 as the date of the first allowable for this well. C&K Petroleum began production from this well prior to the assignment of the allowable.

I submit for your consideration a letter from C&K Petroleum, from a Ms. Geneva Bell, dated January the 20th, 1978, which states in one sentence of it, that the first runs were had from the well on June the 15th, 1977.

Also attached to it is a Division order with statements made in it that the dates of the first runs were on the June the 15th, 1977. It states a contract between Transwestern Pipeline Company and C&K Petroleum as being dated May the 6th, 1977.

A C-104 that C&K Petroleum filed with the New Mexico Oil Conservation Division, that I list as 11-3, -- I beg your pardon. All right, sir, this is fine. This is the C-105 -- let's submit 104 as well -- 11-4. I will redo my numbers.

The C-104 is 11-4, and this in the upper right

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corner, is where the C&K Petroleum stated that they will deliver fuel to their rig on Carlsbad 12 for drilling operations.

The C-105 filed on that well that's located in Section 12, which we submit as 11-3, states that that rig spudded on the 6th and 15th of '77, harmonizing with Ms. Bell's letter, et cetera. It also states that the total depth was reached in that well on the 7th and 22nd of '77.

We would submit for your consideration the exhibit we've labeled as 11-5, which is the Notice of Gas Connection by Transwestern Pipeline to New Mexico Oil Conservation Division. That connection was made on June the 21st, 1977.

Later in evidence, you already have it in your files, you have it there before you, the fact that C&K Petroleum did produce this well for 9,791,000 cubic foot at 15.025 pounds pressure. This was purchased by Transwestern Pipeline in June of 1977.

I have reference to a rule and I shall have to make a quick look at it in order to synopsosize (sic) it, because it had been my intention. Rule 901 states that the sale of any of this gas produced in excess of the amount allowed by any statute of the state is prohibited.

Rule 65-3-13(c), sentence five, states that without the approval of the Commission or one of its duly

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authorized agents, no natural gas well or pool shall be allowed to produce natural gas in excess of the allowable assigned, et cetera.

65-3-18(a) states that the sale of any gas, et cetera, in excess of the allowable is going to be referred to as illegal gas.

65-3-13(e) states that gas produced in the allowable should be legal gas and that in excess of it shall be illegal gas.

65-3-19(b) --

COMMISSIONER RAMEY: Mr. Taylor, are you aware the Commission will grant up to six times the monthly allowable on overproduction of gas wells?

MR. TAYLOR: Yes, sir, if there's an allowable established, but anything without an allowable is illegal gas.

COMMISSIONER RAMEY: All right.

MR. TAYLOR: 65-3-19(b), sentence two, states a penalty shall be imposed for the commission of each transaction concerning illegal oil or gas.

And in the last sentence of 65-3-19 states it's a violation for which penalties will be imposed for the production of illegal gas, et cetera.

So I contend, sir, that this gas that was produced prior to an allowable being assigned to it, and ap-

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plying for an allowable prior to the filing of the C-104, is gas produced without an allowable, and consequently, it would certainly be in excess of an allowable, and certainly would be illegal gas.

There certainly was ample opportunity, we're talking about a period of time that -- from the 3rd and 16th of '77 to the 6th and 28th of '77, to request an allowable.

At this time I'd like to --

COMMISSIONER RAMEY: And how long a period did they produce the well without an allowable? Until an allowable was assigned?

MR. TAYLOR: According to the documents that I've presented to you, the letters from Ms. Bell, the spudding date of the rig, the fact that they've stated on the C-103 that they were going to use the gas for the rig, it would indicate that they used the gas from their documents, from the 6th and 15th to the 6th and 28th, without an allowable, and this will become even more important, sir, as we get into some more discussion.

COMMISSIONER RAMEY: And what's the first day of the allowable on the well?

MR. TAYLOR: It's stated as the 6th and 28th from Mr. Gresett's allowable. This was the date the C-104 was received by him. He immediately established an allowable

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on the 6th and 28th.

COMMISSIONER RAMEY: Was this gas reported from the 6th and 15th to the 6th and 28th?

MR. TAYLOR: I would like to hold my comment on that at this time, if I might.

There's a question concerning this. C&K -- beg pardon, Transwestern does, on their C-111's that you have, for the month of June they do have this figure of 9,700-and something cubic foot listed as purchased from C&K Petroleum, and C&K Petroleum on their C-115's, they do list that there.

COMMISSIONER RAMEY: Do you want us to -- perhaps the Commission should take administrative notice of the two 111's from Transwestern and the C-115's of C&K.

MR. TAYLOR: I will introduce some that are marked, et cetera, for you to make easy reference to, and I'll have it numbered as there's a need for them.

I did request that these would be here. I requested that a person of the Oil and Gas Accounting Division also be present. I do not know whether they are or not.

COMMISSIONER RAMEY: I think you would have to subpoena somebody.

MR. TAYLOR: Yes, sir. I --

COMMISSIONER RAMEY: The Commission will take

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administrative notices of all the 111's and all the 115's, of the 111's of Transwestern and all of the 115's of C&K Petroleum.

MR. TAYLOR: All right, sir. Thank you.

MR. KELLAHIN: If the Commission please, of course we have no objection to taking administrative notice of instruments from the files, but I don't quite understand what we're talking about the production prior to the assignment to the well.

Now our records show that the first gas went to Transwestern on June the 28th and the allowable was -- I mean 21st, and the allowable was assigned on the 28th, which is rather normal procedure with oil drillers and gas drillers in the state.

The gas company would not have paid for that until the allowable had been assigned. Now any gas produced prior to that, it would appear to me, would have been used for lease purposes --

MR. TAYLOR: Well, even if it's used then by the producer, it's required to be filed on a C-115.

Are you caught up? All right, sir. I would like to introduce at this time the Order R-5332 of the New Mexico Oil Conservation Division, that's dated November the 30th, 1976, as a result of Hearing 5807, heard November the 10th, 1976.

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This is designated as 12-1 from my references. General provision under "It is therefore ordered:" number (3) states that after the effective date of this order and within 30 days prior to commencing said well, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

I believe that from the C-103 that we have designated as 8-3, the C-104 that we have designated as 11-4, the C-105 we have designated as 9-1, that the spudding date has been established as the 1st and 16th of 1977. The hearing date being -- or the order date being November the 30th, 1976, this is sixty-seven days after the hearing of the 11th and 10th of '76 and forty-seven days after the Order R-5332 issuance date.

To refresh Mr. Kellahin's memory and for the information of the Oil Conservation Division, to explain why that I did not contact New Mexico Oil Conservation Division earlier on this, and possibly prevent some perjury being entered into the record, I would like to state that I had a verbal agreement with C&K through Mr. Hooper who represented C&K Petroleum at this hearing. This verbal agreement was that C&K Petroleum's accounting and legal departments were to establish the payments and Bill Taylor, as the drilling progressed, Bill Taylor was to commit him-

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self and Bill Page --

MR. TOMPSON: Bill Taylor, excuse me, Bill Taylor, bill or like to --

MR. KELLAHIN: Send a bill or --

MR. TOMPSON: Send a bill or are you talking about yourself as Bill Taylor? I'm not quite sure.

MR. TAYLOR: All right, let me just refer to it as Taylor. Taylor was to commit himself to participating within the thirty days of receipt of C&K's definite drilling date and the AFE of the Commission order as of that.

Now, C&K Petroleum would give us a definite drilling schedule and an AFE, then, that would comply with the Oil Conservation Commission's order.

It would allow compliance of the order with both Taylor and C&K Petroleum and Mr. Page. It would prevent -- and this was discussed with Mr. Hooper -- in Mr. Kellahin's presence, it would prevent economic waste by keeping investor's money busy until it was needed, and we were going to have to have some help in order to afford our portion of this well. It would also fulfill C&K Petroleum's need for financing of the well.

And I may also state it would be in compliance with industry practice, and which C&K Petroleum customarily undertakes.

C&K Petroleum did not comply with Order Number

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Three, and consequently, they did not comply with the verbal commitment, and then after it was apparent that C&K Petroleum was not going to allow Taylor and Page to participate as per the order, I made efforts to remind C&K Petroleum -- I will go into this in more detail later -- I also made some efforts to obtain legal counsel.

I finally contacted New Mexico Oil Conservation Division of the non-compliance of C&K Petroleum, that was preventing the participation of Taylor and Page, and I will submit for your consideration what I designate as 12-2, which is a letter that Bill Taylor wrote to C&K Petroleum with a copy sent to New Mexico Oil Conservation Division, stating these facts, that C&K Petroleum was not fulfilling our agreement and the New Mexico Oil Conservation Division ruling.

I called attention to paragraph two and that which is marked as A, whereby that C&K Petroleum has shown a disregard for New Mexico Oil Conservation Commission orders and verbal and written agreements with individuals in prior dealings as, one, a failure of C&K Petroleum to comply with New Mexico Oil Conservation Commission Order R-5332; provide an AFE within thirty days of drilling on the south half -- I beg your pardon, it should have read the north half of 13, 22, 26, Eddy County, which is in New Mexico, of course, to working interest owners.

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To rectify this with two of us, C&K has attempted to stretch an agreement between intended and agreed bonds --- or bounds.

I would also like to skip over and to D portion of this, whereby that I state that the failure of C&K Petroleum to fulfill verbal agreements to have their accounting and legal departments establish the methods of payment by working interest owners, although constantly told said working interest owners desire to participate and so stated to New Mexico Oil Conservation Commission, Hearing Case 5807, and failure of C&K to respond to working interest owners attempts by phone to set up such procedures, thereby getting legal grounds for 120 percent penalty established.

I would like to also submit at this time what I have listed as 12-4, 12-3 being pulled, and this is a letter to the New Mexico Oil Conservation Commission dated February the 6th, 1978, where I state that I charge C&K Petroleum, Incorporated, as being in violation of said order on several counts, and I listed them. I state that I told the Commission about them in a letter of August the 8th, and then one to C&K but I sent a copy of it to the New Mexico Oil Conservation Commission on July the 19th, 1977, and I'll make this statement: Failure of C&K Petroleum to supply an estimated well cost to the Commission and each non-consenting working interest owner within the

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thirty day period required of said owner. And there's another portion there but we'll get into that later.

In this letter of February the 6th, 1978, I requested, as C&K has disregarded said orders complying with New Mexico Oil Conservation Commission's requirements only after personal contact of New Mexico Oil Conservation ---

COMMISSIONER RAMEY: Mr. Taylor, I think you're going to have to slow down so that this can get on the record.

MR. TAYLOR: All right. As C&K has disregarded said orders, complying with other New Mexico Oil Conservation requirements only after personal prompting of New Mexico Oil Conservation Commission, Bill Gresett of Artesia, I believe a fair, reasonable ruling disallowing the 120 percent penalty, and allowing only recovery of well cost to be just.

I contend that if C&K Petroleum had complied with Order --- or the general provision of Order Number R-5332, and Mr. Hooper's commitment to us, they would not have received 120 percent penalty.

COMMISSIONER RAMEY: Mr. Taylor, did you ever get -- did you ever get an estimate of the well costs?

MR. TAYLOR: Yes, sir, I did, but not within the time provision allowed here, sir, nor within that that Mr. Hooper and I agreed upon.

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MR. STAMETS: Mr. Taylor, in the first line of your letter of July 19th, you say in reference to your letter of July 15th asking for approval of AFE 001600.

Now is that the first AFE you received on this well after the hearing?

MR. TAYLOR: Mr. Stamets, again tell me just exactly what you want.

MR. STAMETS: All right. The very first line of your letter of July 19th.

MR. TAYLOR: All right, sir.

MR. STAMETS: You say in reference to your letter of July 15, 1977, asking for approval of AFE 00160. Now, that indicates that you do have an AFE in your possession, but now it does not say that the AFE accompanied their letter of July 15th. When did you receive that AFE?

MR. TAYLOR: This AFE here was one concerning the west half of 7, 22, 27 E.

MR. STAMETS: So this has nothing to do with the case at hand?

MR. TAYLOR: That particular paragraph does not, sir, but the rest -- the other -- the other references that I made reference to do definitely have reference to this. I did not send one letter for each particular item for the New Mexico Oil Conservation Division's consideration.

MR. STAMETS: Well, have you ever received an

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AFE on this well?

MR. TAYLOR: Yes, sir.

MR. STAMETS: And when did you receive that?

MR. TAYLOR: The 11th and 9th of 1976.

MR. STAMETS: Is that the only one you have received?

MR. TAYLOR: On this well?

MR. STAMETS: Yes.

MR. TAYLOR: Yes, sir, it is.

MR. STAMETS: Okay. Thank you.

COMMISSIONER RAMEY: That's prior to the date of the order?

MR. TAYLOR: Yes, sir, prior to the date of the order.

COMMISSIONER RAMEY: You don't think that would satisfy the requirements of paragraph three of the order?

MR. TAYLOR: It states within thirty days, sir, of drilling, and we've established the date of spudding as the 1st and 16th and it's without it.

Now, if Mr. Hooper had complied with a verbal agreement to send me notice of payments, or for payments, we would still have had no problem. We would have noted it, probably, to the Commission, but that we were agreeable to it. What I'm trying to say is if he had supplied us with an AFE and a statement of drilling outside and had been --

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outside the thirty day provision, even, whereby we could have made our payments, we would probably have tried to call it to the attention of the Oil Conservation Commission at that time, Division now, and we would probably have gone ahead and participated, which was our intention, and we will try to prove this, sir.

COMMISSIONER RAMEY: You got an AFE prior to the date of the hearing, is that correct?

MR. TAYLOR: Yes, sir, Mr. Hooper handed me one and it is so stated into the hearing that I received an AFE.

COMMISSIONER RAMEY: Approximately twenty-one days after the effective date of the order.

MR. TAYLOR: Twenty-one days prior, yes, sir.

COMMISSIONER RAMEY: And was there ever any mention that, you know, you have an AFE so we're not going to furnish you another one?

MR. TAYLOR: No, sir, there was no more contacts. I tried to contact C&K Petroleum, which I will show -- introduce into evidence, but C&K Petroleum ignored me and this is why I was willing to introduce into evidence earlier the fact that the C&K Petroleum does utilize this method of ignoring people and such, in order to gain unjust benefits. I was not questioning the order R-5332 itself. I was just wanting to point out more cases of

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non-compliance with regulations as I have been trying to point out here, sir, all through it.

(Thereupon a recess was taken.)

COMMISSIONER RAMEY: Okay, the hearing will come to order.

Mr. Taylor, would you please proceed?

MR. TAYLOR: All right, sir. We were stating that in my letter of the 2nd and 6th of '78 to New Mexico Oil Conservation Commission, which we listed as 12-4, that I did request the Oil Conservation Commission at that time to disallow the 120 percent penalty as it's not validly theirs because of noncompliance to the order R-5332, provision number three.

I did contact the Oil Conservation Division because I thought it was their jurisdiction and that they had the authority to enforce that order, R-5332. I received information from Mr. Stamets on the 2nd and 13th, which I would introduce as 12-5, whereby he told me that possibly that the thing to do was for me to -- was to request a hearing, and up until that time I had no thoughts that a hearing would be necessary and really wasn't preparing for a hearing.

I would also like to introduce for your consideration a copy of Ms. Teschendorf's letter to Mr. Paul Biderman that I have listed as 12-6. It's her letter of

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April the 21st, 1978, and the second paragraph on it, in the center, she states that Mr. Taylor has complained that C&K failed to furnish an estimated well cost to him after the order was issued the 11th and 30th of '76 and thirty days prior to the spudding of the well, 1st and 16th of '77.

I have been unable to determine from our file whether or not we ever received this.

I would also like to state that Ms. Teschendorf acknowledges on the second page that my letters to the Commission are objections to the method and C&K's operations and their filings with the Commission.

I would also like to present for your consideration what I have listed as 12-7, which is a memo from Mr. Stamets' desk that states in this memo that there is no estimate of well cost in the file after the date of the hearing.

So I request the Commission to proceed as outlined in the statute, 65-3-24, for violation of Order R-5332, General Provision Number Three, and seek the penalty that is provided for and that is applicable as outlined in 65-3-27(b).

Taylor and Page interests intended to participate in accordance with General Order -- or General Provision of that order. In a telephone conversation which I

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would -- in the earlier presentation, I would make reference to, with Mr. Kennedy of C&K, we discussed Taylor's desire to participate. Mr. Kennedy was to obtain the cost of the well, an accurate cost, and an approximate drilling time and convey it to Taylor.

He stated an approximate cost of $590,000 for the well. This was far in excess of $326,000 that had been stated for the same well by Tom Brown in a prior case.

I desired to -- C&K to confirm the figures of $590,000 in order to have something to present to other individuals to participate, and I was going to need financial assistance from some of them.

In a letter of the 10th and 19th of '76 I again -- off the record.

(There followed a discussion off the record.)

MR. TAYLOR: I would state for the record that all of our communications with C&K Petroleum, verbal and written, have been for our participation and it has been our intention to do so. Even into the hearing itself we stated our intention to participate. That's page 12, line 3, of that hearing 5807.

We had financial aid possible for us for participation. We would introduce for the Commissioners' consideration, an exhibit that we have listed as 13-1. This

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is a certified copy of an affidaVit of a Mr. Blair Gaffney. Mr. Gaffney states that sworn upon oath, deposes and states, that November the 2nd, 1976, while he was president of the Commerce Bank and Trust, Carlsbad, New Mexico, Bill Taylor approached him concerning possible investors to finance an approximate 14 percent interest, roughly $85,000, in a proposed gas and/or oil well. The proposed gas and/or oil well was to be drilled by C&K Petroleum, Incorporated, in the north half of Section 13, Township 22 South, Range 26 East, New Mexico Prime Meridian, Eddy County, New Mexico.

On November the 8th, 1976, affiant informed Bill Taylor of interest in potential --

MR. KELLAHIN: We're going to object to the reading of this affidavit into the record. It's hearsay, and the exhibit itself is objectionable, reading it into the record.

MR. TAYLOR: There were contacts made to Mr. Blair Gaffney after the date of the hearing. Mr. Blair Gaffney is one who had the money available whereby Taylor was going to be allowed to participate. We intend that this -- our intention is to show that --

COMMISSIONER RAMEY: Well, Mr. Taylor, I think you could just make a statement that you had arranged for financing to pay your share, and that would cover it.

MR. TAYLOR: If you're agreeable to it, we do

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have the affidavits of individuals that did have the financing available, and as of the date of the hearing, there was a commitment of financing.

MR. KELLAHIN: We do object to the exhibit.

MR. TAYLOR: There are others; if you all desire to send it back, we'll send it back.

COMMISSIONER RAMEY: Well, I think the exhibit is irrelevant to the case --

MR. TAYLOR: All right, sir.

COMMISSIONER RAMEY: -- and so we won't admit it.

MR. TAYLOR: Okay, then we'll just -- but you will accept the statement there was financing available and the money was available at the time of the hearing and would have been available to C&K Petroleum in the event that they had fulfilled General Provision Number Three of Order R-5332.

COMMISSIONER LUCERO: That's your sworn statement as part of your testimony.

MR. TAYLOR: Yes, sir, and I have the affidavits of individuals that would provide the financing for your consideration, which you have decided that you do not desire to accept.

When C&K Petroleum began drilling operations without fulfilling the Order R-5332 General Provision Number Three, and the verbal commitments that Mr. Hooper and Mr.

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Taylor and Mr. Kellahin had discussed, I had an opportunity to discuss the meat of it with Mr. Earl Gardner; in a telephone conversation with Bill Taylor on the 11th and 8th of 1976, Mr. Hooper stated that Mr. Gardner would have been the one who would have come to the hearing of the 11th and 10th, 1976, except he was busy; that he or another individual would have. But instead, since he was busy, Mr. Hooper himself represented C&K Petroleum at that hearing.

Consequently, I felt that Mr. Gardner had the opportunity and possibly the right to convey to C&K Petroleum the facts that they were not in compliance with this order and that Taylor desired that they would become in compliance with it.

At that time we still could have complied with the order.

Then on the 2nd and 26th of 1977, which I have listed as Exhibit Number 13-4, I wrote a letter to Mr. Hooper requesting and stating the situation. I was trying to get his attention. I had made a telephone call to him on the 11th and 12th of 1976 trying to get his attention, and this letter states that when they're available I needed I'd like to have copies of the logs.

I'll dispense with the rest of that. I state that I attempted to contact you by phone November the 12th, 1976, to discuss various items. You were unavailable and

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I stated to your secretary my main reason was to follow up our discussions in Santa Fe and to ask if C&K Petroleum had a preference between 120 percent penalty and our paying our share of the well cost.

My reason for stating this was to get Mr. Hooper on the phone. He was there at first and then all at once he was not there and I thought one or the other would certainly get him to the phone.

The other items of discussion would have been legal documents concerning our rights to gas in kind, forced pooling of only the Wolfcamp through the Pennsylvanian formations, and methods and timing of drilling cost payments. These were discussed with you and Mr. Jason Kellahin and you desired your legal division to carry through on further necessary legal steps.

I have not been contacted by your legal division so I'm assuming New Mexico Oil Conservation Division Order R-5332, along with the statement into the Commission record, at the hearing November the 10th, 1976, of our right to gas in kind is adequate to C&K.

I understand your desire that we each be bound with New Mexico Oil Conservation Commission ruling was the reason you and Mr. Kellahin continued the hearing before the New Mexico Oil Conservation Commission rather than cancel it last November the 10th.

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If C&K needs further legal documents on any points we've discussed, please contact me. If no answer from C&K is received in the immediate future, I shall assume the statement into the record of our rights to gas in kind in Order R-5332 are all that are needed by each of us to legally bind us to our respective position.

And, of course, my signature.

I state that C&K's noncompliance with General Provision Number Three of Order R-5332 then did not allow Taylor to comply with the general provision Number Four of that order.

COMMISSIONER RAMEY: Okay, so you got no copy of the estimated well cost.

MR. TAYLOR: Within the thirty day period as outlined within the Order R-5332, General Provision Number Three, that's correct, sir.

COMMISSIONER RAMEY: And not getting any estimate of well costs within thirty days, you don't feel you had the -- the only well costs you got were prior to the hearing?

MR. TAYLOR: 11th and 8th, sir. Beg pardon, 11th and 9th of '76, sir.

Now, let me correct that, sir. They did send some. I did not receive them until after the hearing. They arrived at my house the date of the hearing. They

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were the exact same ones, and so consequently, I --- after the hearing I was back at home on the 11th and 10th and I received the one they'd sent through the mail then. So the same AFE was provided to me personally by Mr. Hooper in Mr. Kellahin's office on the 11th and 9th and then upon arriving home, I believe, on the 11th and 10th, I received the copy that C&K Petroleum sent through the mail. It's the same AFE and that is it, sir.

COMMISSIONER RAMEY: But you received no copy of an AFE between the dates of November 30th and approximately December 30th, 1976?

MR. TAYLOR: No, sir, and as I state from the memo and Ms. Teschendorf's looking at the files, it seems to be apparent that New Mexico Oil Conservation Division did not receive any, neither.

MS. TESCHENDORF: Did you get an AFE after --- after the date of spudding the well?

MR. TAYLOR: No. The only AFE's that I have received -- now we did receive the actual well cost, which was too late -- which they claimed to be actual well costs --- but the only AFE's that I received were the ones given --- the one given to me by Mr. Hooper, and I believe that possibly -- Mr. Kellahin, the date of the hearing I do not believe I received another one from the Commission that day. I believe that you were short and I made reference to the

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fact I had already received one and that would be adequate for me, sir. I believe that's true, but it would be the same AFE and they would have been on the 11th and 9th and 11th and 10th of 1976; no additional ones on this well.

I contend that the penalty factor listed under General Provision Number Seven of that Order R-5332 stating 120 percent is not to be applied unless Taylor and Page fail to comply with General Provision Number Four, and of course, we could not comply with General Provision Number Four until C&K Petroleum complied with General Provision Number Three.

So we seek forfeiture of C&K Petroleum to any claims to the 120 percent penalty, as they did not comply with this General Provision Number Three. Taylor and Page request that their interest of production that has already been produced be allowed as participating money with the payment of the surplus to be made immediately to Taylor and Page.

Now this amount of relief the Oil Conservation Commission is entitled and can grant, and if we are allowed this consideration, there is a strong possibility we will not have to take it into District Court.

We contend that this -- the actual cost of the well is all that C&K Petroleum would have obtained if they had complied with the order. We contend that Taylor has

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been out a considerable amount of unnecessary time and expense to gain the rights that's delegated under 65-3-14, whereby that we are to have our rights protected without unnecessary expenses, and because of C&K Petroleum's non-compliance with this order provision, Number Three, of R-5332, and because of the New Mexico Oil Conservation Division's non-enforcement of this rule and regulation upon C&K Petroleum.

It has been called to the New Mexico Oil Conservation Division's attention several times.

As the drilling commenced on the 1st and 16th of 1977 it's impossible for C&K Petroleum to comply with this provision at this time, and so therefore we would request that it be -- the penalty be disallowed. We would also recall your attention to the fact, and I have telephone billings to verify it, that on the 11th and 12th of 1976, two days after the hearing, as was stated into the letter of February the 26th, 1977, I made an attempt to contact Mr. Hooper in order to carry out participation of the well and consequently, then we made the effort through Mr. Gardner to get C&K Petroleum to comply and to go ahead and bill us as they had agreed that they would.

We contend that the billing situation that we had agreed with Mr. Hooper would allow compliance with this provision and all provisions of Order R-5332 in our commit-

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ment to pay would have been adequate to Mr. Hooper and would have been in line with industry practice, and then our payment as the billing progressed would not cause waste. It would allow the investors and our money to remain active until such time as it was needed.

General order Number Five of the R-5332 requires the operator to furnish an actual well cost within ninety days of completion of the well.

Now if we look at the C-104, which we introduced as 11-4, the C-105 that we introduced as 9-1, they state that the 3rd and 16th of 1977 is the completion date.

If we look at the Christmas tree rule that we quoted as Rule 104(d), paragraph two, then the completion date has to be about the 3rd and 5th of 1977. I personally saw a completion unit on the site the 3rd and 1st of 1977, and I saw the tubing in the well on the 3rd and 6th of 1977.

The C-103's of the 5th and 11th and 6th and 10th, which are 8-5 and 8-6 respectively, list perforations being done on the 3rd and 9th of 1977, so certainly they're not going to be making perforations without a Christmas tree on.

So we're -- we have a question as to what the actual completion date was. But even if we allow the 3rd and 16th of 1977 as the completion date, then June the 15th of 1977 would be ninety days in compliance with Order R-5332.

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Now, March and May have thirty-one days and the time delegated is ninety days, not three months, so consequently, June the 14th of 1977 would be the ninety days under the order.

I would introduce for your consideration what I have designated as 14-1, dated June the 25th of 1977, a letter from Mrs. Lebow.

COMMISSIONER RAMEY: What's that date on that, Mr. Taylor?

MR. TAYLOR: June 25th, 1977. Whereby that she files the well cost. This is dated June the 25th. You received it on June the 27th of 1977, according to your files.

Now this filing is a minimum of thirteen days late and it's probably twenty-four days late if the Christmas tree ruling is applied and the completion of the well is on about the 3rd and 5th, or so.

Now, Taylor and Page under Order R-5332 is given forty-five days from the date of the Commission's reception -- or receiving this, beg your pardon. This would allow us until August the 11th of 1977 to comply with an objection to this well cost.

We filed an objection to that well cost, which is listed back as 12-2 letter. It's dated the 7th and 19th of '77. We sent it to C&K Petroleum in compliance with

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Rule 1208. We sent a copy of it to the Oil Conservation Commission and we have already sent to Ms. Teschendorf a copy of the certification return card showing that the New Mexico Oil Conservation Commission did receive it.

COMMISSIONER RAMEY: What exhibit number is that, please?

MR. TAYLOR: It's 12-2, sir. That one right there, I believe.

Under paragraph two, and lettered (c), failure to fulfill Order R-5332 by filing an itemized schedule of actual well cost with New Mexico Oil Conservation Commission and working interest owners within the time specified, then exaggerating said cost by listing items as totalling at $33,000 when actual costs was approximately $12,000 is evidenced by the tubing bill of lading, and I saw the tubing bill of lading as it was handed to a Mr. Robinson of C&K Petroleum.

I stated further objections to the Commission by letter in the 2nd and 6th letter of '78, which was listed as 12-4. I also then made verbal statements to Mr. Stamets on the 5th and 15th of '78, whereby I made these same statements to him and I told him of the date of this letter. I again state that the reason for sending it to C&K Petroleum was a common courtesy and, of course, it is required in Rule 1208.

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MS. TESCHENDORF: Could I clarify something?

MR. TAYLOR: Yes, ma'am, sure.

MS. TESCHENDORF: Mr. Taylor, you're claiming, then, that your letter of ---

MR. TAYLOR: July the 19th, 1977.

MS. TESCHENDORF: Is an objection to well cost and that the only cost you objected to was the cost of tubing.

MR. TAYLOR: Yes, ma'am, that's correct. This is the only thing I had personal knowledge of the cost of.

MR. STAMETS: I'd like to ask at this point why that letter of objection was not addressed to the Commission?

MR. TAYLOR: That, sir, is a question that an attorney has asked me and I told him that really I thought the objection was supposed to go to C&K Petroleum and I did send it directly to -- send a copy of it directly to you.

MR. STAMETS: So you thought that you were filing a proper objection?

MR. TAYLOR: Yes, sir, I honestly did.

MR. STAMETS: Okay, thank you.

MR. TAYLOR: Now, Ms. Teschendorf recognizes my letters as being objections, as I pointed out in a prior letter of hers to Mr. Paul Biderman. I'm certain that she ---

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you've had a problem locating this one. It could be because that I do have another well listed. I did not list individual problems on individual letters. I literally got off for your --

MR. STAMETS: Well, I don't believe any further explanation is necessary.

MR. TAYLOR: All right, sir. I -- I was trying to explain -- just state that -- I was trying to get a lot of it off my chest and call it to your attention and I thought this was all that was necessary. That if you knew of it, then you would take the appropriate measures and -- and move out from there.

The -- I did request the Division to determine the actual cost of the tubing. As I state, I did see the bill of lading as it was passed from a trucker to Mr. Robinson, and Mr. Robinson is a very fine gentleman of C&K Petroleum.

COMMISSIONER RAMEY: Do you have a copy of this?

MR. TAYLOR: No, sir. I wouldn't know why I would have a copy of it. I certainly do not.

MR. KELLAHIN: I believe we can furnish you with a copy of --

MR. TAYLOR: The bill of lading?

MR. KELLAHIN: -- the invoice on the tubing.

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I don't know whether we have it here today or not, but I know we can get it.

MR. TOMPSON: I believe I have it with me. I will clarify that matter.

MR. TAYLOR: All right, sir. So we are requesting that they do check into the cost of the tubing as evidenced by the trucker's bill of lading.

MS. TESCHENDORF: Mr. Taylor?

MR. TAYLOR: Yes.

MR. TOMPSON: I'd like to point out that the trucker's bill of lading is just that. It would not normally have the cost of the tubing on it. Without seeing the piece of paper you're talking about, it might have -- it would normally show the number of joints and the number of feet of tubing --

MR. TAYLOR: Yes, sir.

MR. TOMPSON: And that's all.

I would suggest, Mr. Taylor, that since it was -- just almost exactly 12,000 feet of tubing brought out there, that maybe the 12,000 number was the number of feet of tubing.

MR. TAYLOR: No, sir, it was $12,000, I think. In looking at it I rounded it off to that.

MR. TOMPSON: But I can furnish you an invoice and that was 2-7/8 inch tubing --

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MR. TAYLOR: Yes, sir.

MR. TOMPSON: -- and it cost a great deal more than $1.00 a foot.

MR. TAYLOR: Well, now this is exactly why I objected to it in my letter that I sent to you on July the 19th of 1979, and you all had made no effort to show me that it was anything except what I stated to you.

MS. TESCHENDORF: Mr. Taylor?

MR. TAYLOR: Yes.

MS. TESCHENDORF: What, in your opinion, would have been a reasonable cost for a foot of this tubing?

MR. TAYLOR: I sent a copy of a letter to Mr. Paul Biderman whereby I quoted Mr. Paul White as my authority, who is president or some such of Summit Corporation of Artesia, New Mexico. He stated approximately $18,000.

MS. TESCHENDORF: Now, per foot of tubing.

MR. TAYLOR: No, I'm talking about the total tubing and at that time I told him precisely what was stated on the completion report.

MS. TESCHENDORF: Well, Mr. Taylor, at this point I don't know how much tubing was required. I would just like to know in your opinion what a reasonable cost per foot of --

MR. TAYLOR: Would be?

MS. TESCHENDORF: Per foot of tubing of this

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type would be.

COMMISSIONER RAMEY: Is this new or used tubing?

MR. TAYLOR: It was new tubing, sir.

MS. TESCHENDORF: New tubing.

MR. TAYLOR: It sure was.

MR. STAMETS: Do you know what size?

MR. TAYLOR: 2-7/8ths, isn't it, sir?

MR. STAMETS: We can look very --

MR. TAYLOR: Yeah, it's reported on your C-105 completion report.

I do quote him as my authority and I -- the other thing that I was looking at was the bill of lading as presented by the trucker.

MS. TESCHENDORF: You can't tell me what you think a reasonable cost for this would be?

MR. TAYLOR: Well, I would say more than likely what the trucker's bill of lading stated would be the reasonable cost.

MR. KELLAHIN: If the Commission please, I object to reference to the bill of lading of the trucker unless it can be produced. We don't know what it said.

COMMISSIONER RAMEY: That's right. I think, Mr. Taylor, you would have to furnish us a copy of the trucker's bill of lading that says this is $12,000 worth of tubing.

MR. TAYLOR: Well, sir, I objected to the well

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cost and this particular thing back at that time, so this is not something six or eight months later. There would be no way I would have of copying it.

COMMISSIONER RAMEY: Mr. Taylor, would it be possible for you to go to --- write to a tubing manufacturer and say what was the cost of 2-7/8ths --

MR. TAYLOR: This is why I contacted Mr. Paul White, because he --

COMMISSIONER RAMEY: --- tubing back in January of 1977?

MR. TAYLOR: It would be possible. I am not so vitally interested in the difference in the cost. I wish I could go into the other cost of it, but this is the one I saw and it's the one I objected to, and I'm just going by my visual portion of it. I am not making too large an issue of this except the fact that I did file an objection with the Commission at the proper time.

If you desire that I contact a tubing manufacturer and determine the cost as of January, and go beyond my -- Mr. White, well, then I can possibly do this.

COMMISSIONER RAMEY: Well, I think if you are going to use Mr. White's figure, you would have to produce Mr. White and have him say this tubing cost this much. There again, that's hearsay.

MR. TAYLOR: All right, sir.

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COMMISSIONER RAMEY: And we cannot accept that. I think you're going to have to show us something concrete that says tubing was selling cheaper than $33,000 per a string of this length, or whatever that original price was.

MR. TAYLOR: All right, sir.

MR. KELLAHIN: If the Commission please, we would say that the records on this well are located in Houston and Mr. Taylor or any representative of Mr. Taylor is welcome to audit the cost of this well.

MR. TAYLOR: Thank you.

MR. KELLAHIN: At any reasonable time. I think that would resolve the question of well costs and perhaps we can go on to something else.

MR. TAYLOR: All right, sir. I do not desire to dwell any longer on it myself. I appreciate your offer. I would request that my being allowed to write for it, you would give it to me, rather than my having to make the trip down there.

MR. KELLAHIN: I think our problem there is we have given you the figures, Mr. Taylor. You seem to have some question about them. The underlying documents are what you'd need to look at in order to make an adequate audit, and that's up to you to make.

MR. TAYLOR: They are at Houston?

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MR. KELLAHIN: Yes, sir, they are at Houston. It's a difficult situation, but that's where they are.

MS. TESCHENDORF: Then, Mr. Taylor, is it your desire that you do not want the Commission at this time to adjudicate as to whether that tubing price was reasonable or not?

MR. TAYLOR: It would seem that if I need to supply a copy of a tubing bill of lading and I don't have it, then we cannot at this time adjudicate.

MS. TESCHENDORF: Well, Mr. Taylor, I think you can agree on how much tubing was supplied. The question is as to the cost.

MR. TAYLOR: As to the cost. You state $33,463, Mr. Tompson? Would you agree to any lesser figure?

MR. TOMPSON: No, sir. That's what it cost. I can furnish the invoice. I think I have the invoice right here.

MS. TESCHENDORF: Mr. Taylor, do you agree that--- on the approximate figure of 12,000 feet of tubing?

Would you agree to that?

MR. TAYLOR: Yes, ma'am, I -- we can get the exact footage by the C-105 that was filed as a completion.

MS. TESCHENDORF: Well, this will give us a ballpark figure, I think.

MR. STAMETS: The C-105 is in evidence.

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MR. TAYLOR: Yes, sir.

MR. STAMETS: And the original in the file shows $11,217 feet of 2-7/8ths inch tubing.

MR. TAYLOR: I believe we're going to have to go to the C-103 on it, in order to --- did you find it on the C-105?

MR. STAMETS: It's on the 105.

MR. TAYLOR: All right, sir.

MR. STAMETS: That's the tubing record.

MR. TAYLOR: All right, sir.

COMMISSIONER RAMEY: Under -- I think it's under Section 30, approximately in the middle on the right-hand side.

MR. TAYLOR: Yes, sir, I see it now. Thank you for your aid.

So there we have a close figure.

MS. TESCHENDORF: So according to my figures, that's somewhat less than $2.70 per foot.

MR. TAYLOR: That could be.

MS. TESCHENDORF: And you feel that figure is unreasonable?

MR. TAYLOR: Ms. Teschendorf, I'm actually basing my facts on the bill of lading I saw. There were two trucks. It could have been possible that there were two bills of lading, even. It could have been that it cost

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$24,000. If it was $24,000, whatever the actual cost was to them is what I'm willing to accept. The only -- if they were able to show me the bills of lading that I saw and to support it as being $12,000 or $24,000, whichever one it might be, I'd be willing to accept it. If the Commission desires that -- I really hadn't thought that under the provisions you have, that you could check out what the -- the tubing bill of lading and determine the actual cost from that, which I would be satisfied with.

MR. TOMPSON: This is an invoice from Midland Pipe Corporation for 7,520 feet of 2-7/8ths OD 650 pound N-80 tubing, external upset end, with thread and coupling, range two. The unit price is $287.40 per hundred feet, or $2.87 per foot.

MR. TAYLOR: That would indicate this figure -- the other is a little less, wouldn't it?

MR. KELLAHIN: Let's mark this as C&K's Exhibit Number One and we'd like to have the original back, if we could. Could we have a copy made and use it as an exhibit, please?

MR. TOMPSON: Yes, please.

MR. TAYLOR: I would -- I would, using the figure that he has -- and what is it, Ms. Teschendorf?

MS. TESCHENDORF: It came out to -- this was multiplying the 11,217 feet of tubing shown on the C-105

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times the 2.37 cost per foot, was $32,192.79.

(There followed a discussion off the record.)

COMMISSIONER RAMEY: The figure of $33,000 would seem to be pretty close, wouldn't you agree?

MR. TAYLOR: It seems to be from the introduction of this evidence, and if Mr. Tompson, or somebody, had sent it to me after I had stated my objection to it, we possibly would not have a problem.

I do state -- I state that the tubing bill of lading, as I saw it, did state $12,000. If the Commission desires to investigate it, I'd appreciate it. If not, we would possibly need to take Mr. Tompson's figures as he seems to relate to this time period in this other string of tubing.

I would like to regress briefly and go back to the filing date of the actual well costs.

COMMISSIONER RAMEY: Okay, you said the ninety day period should have been June 14th?

MR. TAYLOR: Yes, sir.

COMMISSIONER RAMEY: That should be the latest.

MR. TAYLOR: That would be the latest if we allow -- if the 3rd and the 16th were the actual completion date.

COMMISSIONER RAMEY: Yeah.

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MR. TAYLOR: But using the Christmas tree ruling it has to be prior to that. It has to be prior to the perforations.

COMMISSIONER RAMEY: Either way it would appear that they were late in filing.

MR. TAYLOR: Yes, sir. And on this I would request the Commission's consideration of -- as stated in 65-3-27, and your enforcement of that for each day of delinquency of C&K Petroleum to the full of this general provision number five of that Order R-5332.

The major consideration for the Commission today is the continued additions that C&K Petroleum adds to the well cost unjustly. I intend to try and prove that they do this without accounting for cost; that they're adding a risk penalty factor to it unjustly; and that I do continue to make objections to them in writing concerning this.

Off the record.

(There followed a discussion off the record.)

MR. TAYLOR: Let's go back on the record.

My latest objections to C&K's continued cost additions and attempts to add the risk penalty, et cetera, illegally, is shown as my exhibit 15-6, which is a letter I wrote to Mr. Bott on July the 10th of 1978.

"Dear Mr. Bott, This is to notify C&K that I

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have again filed with the New Mexico Oil Conservation Division objections to and dispute with C&K, (1) well cost; (2) continued addition of expenses without accounting for; (3) applying the risk factor percentage to such; (4) using pay-out methods tying my interest together with other interests, one system, and (5) the tying of one well's working interest with another well's working interest in order to obtain C&K payout of both wells under the same accounting.

These are in conflict with Order R-5332 and regulations of New Mexico Oil Conservation Division. Accounting is to be honest, accurate, and each interest is to be treated as though it were an individual production unit except in the sharing of operating costs."

And this has my signature on it.

The Lebow well accounting that we listed, 14-1, which C&K Petroleum submitted as the actual well costs, acknowledges a limit to the drilling risk factor.

Down at the bottom of the page the total of $562,867, 14-1.

Have you located it, sir? It's a letter of June the 23rd, 1977, with Mrs. Lebow's signature to it.

All right, sir.

It does list a total cost of the well -- this is the well cost accounting to the Commission and to the

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working interest owners of C&K Petroleum. It does list the total cost of the well $562,867, of which she acknowledges $15,401 is after the risk of drilling, and so she lists with the Commission $547,466 that would have what C&K Petroleum claims to have the risk applied thereto.

If it were legal, the 120 percent risk, then Provision 7B of Order R-5332 would limit the risk to the drilling of the well, and also Provision Number 9 allows C&K Petroleum to withhold the actual expenditures from the production. It does not allow the risk penalty to extend on past. Mrs. Lebow's letter acknowledges this and the order as outlined provides for this.

Again, for the record, I want that we are -- we contend the risk penalty is unjust and illegal. I introduce, or would like to introduce for your consideration what I list as Exhibit Number 15-3, which is another letter from C&K Petroleum, a Mr. David Bott, whereby that Mr. Bott not only adds that Mrs. Lebow acknowledge to the Oil Conservation Division was not applicable to risk penalty, but adds additional without accounting, and I would submit for your consideration the fact that here the working interest percentage for pay-out does list Bill Page and Bill Taylor together. In all documents between us C&K Petroleum and Bill Taylor, in nearly all of them they do acknowledge the fact that we do have some sort of relationship together.

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This letter I contend invalidates Mrs. Lebow's cost accounting to the Oil Conservation Division because it does do away with her accounting and adds what they acknowledge is not risk factor and then attempts to put the risk factor to it.

MS. TESCHENDORF: Mr. Taylor?

MR. TAYLOR: Yes.

MS. TESCHENDORF: May I just clarify the issue for the record?

MR. TAYLOR: Yes, ma'am.

MS. TESCHENDORF: You are objecting, saying that 120 percent risk factor has been applied to operating costs. You don't object to its application to the drilling costs. Is that what you're saying?

MR. TAYLOR: No, ma'am. I do object to its being applied to the drilling costs because they would not have obtained it.

MS. TESCHENDORF: Okay.

MR. TAYLOR: If they'd complied with Order 3 but I'm saying that even if it were legal, and they did comply with Order Number 3, they still would have no right to apply the risk factor to the operating and the additional expenditures that they must make.

MS. TESCHENDORF: So you are claiming that they're applying the 120 percent risk to the operating costs

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as well, and you're objecting to that?

MR. TAYLOR: Well, they have ---

MS. TESCHENDORF: Can you answer yes or no?

MR. TAYLOR: No, I can't, because of this. I do not know what -- that they have entailed in their expenditures. It could be that they do have the operating costs there and that's one of the things I'm discussing at this time.

They are not accounting for the additional cost of this well, the operation, et cetera, and we will get into it, that they've continued to place additions of cost to the well, applying the 120 percent risk factor to it, and without any accounting for what these costs are going for.

So I cannot state that they are not getting 120 percent risk factor, or seeking it, upon the operating expenses. I do not know because they have not supplied me with it.

MR. TOMPSON: May I clarify something here, that would be appropriate?

MR. KELLAHIN: We'll put it all in direct testimony.

COMMISSIONER RAMEY: Well, Mr. Taylor, did you just state that you cannot state that they are charging you 120 percent penalty for operating costs?

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MR. TAYLOR: Let me do it in reverse. Let me state that I cannot state they are not. May I?

COMMISSIONER RAMEY: Well, how can you complain if you don't know?

MR. TAYLOR: I'm stating that they're seeking costs without any accounting for it, sir.

I do not know what the actual -- the other costs are, and I shall supply more in detail their cost accounting to me, and this is all I'm receiving, so I am requesting of the Commission a more elaborate cost accounting.

MR. STAMETS: Mr. Taylor, do you have an exhibit that shows these expenditures and shows that 120 percent is applied to that?

MR. TAYLOR: Yes, sir, sure do.

MR. STAMETS: I think it would certainly help if you would present that.

MR. TAYLOR: Well, first, the one that he has just received designates this. There are additional expenditures designated on it over that that Mrs. Lebow stated in her cost of the well.

MS. TESCHENDORF: What's the number of that exhibit, please?

MR. TAYLOR: 15-3, and you shall have several more, Ms. Teschendorf, to keep track of. It will be the 15- series, and you'll have several more here. You see, we

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have $577,852 listed here, which is more than Mrs. Lebow's designation of $547,000, et cetera, that was applicable to what she considered the risk penalty, so we have a $30,000 addition right here, and you see, the 220 percent cost recovery there, whereby C&K Petroleum does seek to recover the risk penalty on the additional accounting.

I would like to submit, and did we submit 15-3? That is the one, isn't it?

COMMISSIONER RAMEY: No 15-3. I have no 15-3 before me.

MR. TAYLOR: All right, it's a January the 13th, 1978 letter.

COMMISSIONER RAMEY: Oh, okay, that's here.

MR. TAYLOR: That's the one. All right, sir.

I'd also like to point out for the Commissioners' consideration the fact that in this letter that Mr. Bott of C&K Petroleum did state to Taylor and Page, "Please be advised that pay-out number one occurred on September the 10th, 1977."

Now this is the first accounting to Taylor by C&K Petroleum of the production from the well, and we were real glad to hear that our pay out had occurred.

COMMISSIONER RAMEY: What is your -- Taylor's working percentage?

MR. TAYLOR: It is --

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COMMISSIONER RAMEY: Is it .14 ---

MR. TAYLOR: No, sir, that is Taylor and Page combined. Taylor's interest would be thirty-five acres of whether it is determined as 336.6 acres or 320 acres. We have Mr. Hooper's statements that I did not get to present because it was prior to the operating, that there's 336.6 acres, but you have the certification by Mr. Hooper --- I mean Mr. Cooper --- on the C-101, or filing of the C-101, which states it's 320 acres, so my interest will vary according to which one is the actual acreage of the well.

But it will be 45 --- Taylor's by itself will be 45 acres of whatever it's determined at this time, we would be using the figures 336.6, and it's less than 14 percent. This includes Mr. Page's.

As I stated, this was C&K Petroleum's first accounting to Taylor and Page of the production from the well, and upon my requesting C&K Petroleum to please send me some money, since they were four months behind in their payments, since the well had played out, Mr. Bott did send me a revised letter dated the 1st and 30th, and we have that designated as 15-4.

I'm trying not to present a one-sided issue. I'm trying to present facts as they exist and this one here does state he was in error in his letter of the 1st and 13th. But even so, this letter does continue the ad-

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ditional --- additions to the cost and operating, et cetera, of the well, and with the efforts at the risk penalty be applied to it, as well.

I would like to introduce 15-1, which is a letter from ---

COMMISSIONER RAMEY: Now, wait a minute.

MR. TAYLOR: All right, sir.

COMMISSIONER RAMEY: This letter, the other one you had $547,000 originally in the well cost.

MR. TAYLOR: That was C&K's original ---

COMMISSIONER RAMEY: And the January 13 says $577,000 and this one of January 30th is $579,000.

MR. TAYLOR: Yes, sir.

COMMISSIONER RAMEY: So your well cost continues to rise?

MR. TAYLOR: Yes, sir, and you see that the penalty provision of 220 percent cost recovery continues to be sought on the additional rise in the well cost.

I would like to submit Ms. Shackleford's letter from C&K Petroleum, dated January the 16th -- let me go off the record just a moment, please.

(There followed a discussion off the record.)

MR. TAYLOR: Ms. Shackleford's letter of 1st and 13th states this same continued addition to the well

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cost, $579,000, basically what was stated in Mr. Bott's letter of the 1st and 30th, and we find that in this letter, that C&K Petroleum begins their efforts to tie the working interests of the two wells together, a well designated as Carlsbad 13 No. 1 Well and Carlsbad 12 No. 1 Well, and then they seek to get the working interest of C&K Carlsbad 13 to help pay off the interest of Carlsbad 12.

Using the north half, as I state, of Section 13 under Order R-5332, to help pay out the cost of the south half of Section 12 under R-5451. This is consistent with the statement that Mrs. Lebow made in her accounting of well costs on -- I believe that was 13-1, whereby she states that -- in that letter, this 13-1; this is again the well cost -- the total amount of drilling and completion cost that's to be recovered is $547,466.

By the terms of the subject order, we are entitled to recover these costs plus 120 percent. We contend that this is an error, really, that they're not entitled to recover all their costs. They're entitled, if the penalty provision were applicable, and if even it were not, all they're entitled to recover is that that is -- pertains to Taylor and Page interests, and by that I mean to say our accounting and our payment should just pay for our portion of the well.

I would like to submit for your consideration

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15-2, which is some more of Ms. Shackleford's -- another letter of hers, dated March the 21st, and it also continues to make efforts to tie the two wells together, and to cost Taylor and Page interests to assist in paying out C&K's portions of the well.

MR. KELLAHIN: Off the record a moment here.

(There followed a discussion off the record.)

MR. TAYLOR: For the record, I believe I did discuss 15-2, which was Ms. Shackleford's letter of March the 21st. I did state that there was additions to it and that they continued to make this effort to tie the two wells together to allow -- or require Taylor's interest in Section 13 to help pay off the interest of Section 12.

They do have two different accounting procedures listed there, but we are tied together with them.

We submit for your consideration what we list as 15-5, which is a letter from C&K Petroleum's Bill Newkirk of June the 22nd, 1976. This is still attempting to apply 120 percent penalty to costs that are not accounted for and it continues to try to tie the pay-out of the two wells together.

The New Mexico Rules and Regulations, 65-3-14(c) paragraph 2, sentence 5, makes this statement, and I'm not reading the entire ruling but just this one sentence: "The

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portion of the production allocated to the owner, or owners, of each tract or interest included in the well spacing or proration unit, can when produced be considered as if produced from a separately owned tract or interest by a well drilled thereon."

Also, the paragraph 3, the last sentence, states there that "No part of the production or proceeds accrued to any owner, or owners, of a separate interest in each unit, shall be applied toward the payment of any cost properly chargeable to any other interest in said unit."

And of course we're even talking about an entirely separate well in one situation and inappropriate application of the risk penalty in the other.

So we contend that this is illegal, that they are attempting to get our interest to help pay out C&K's interest as designated by Mrs. Lebow's letter, and that C&K's interests are not the same as ours; that Taylor and Page's interests are to be handled as though they were a separate production unit to themselves, and that the --- except that the cost of supervision and operating costs are being shared proportionately with C&K Petroleum. We claim that C&K Petroleum is attempting to have our interests to count as some that they have outlined in some of their lease agreements and assignments, and we will try to introduce those into evidence later. They were a portion of our

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evidence that we were not allowed to present earlier.

So C&K Petroleum up until today has not bothered to account for the tubing cost, even though we objected to it to them by letter by certified mail, nor is there any accounting except what you see for the additional costs, along with the fact that they are seeking an unjust and illegal risk penalty, and they're tying two working interests together and they're tying this well, R-5332, interest to the pay-out of R-5451, which is the south half of Section 12, and they are unjust and they disregard correlative rights.

So we request that you investigate and that you apply Section 65-3-27(a) to this situation, especially to Mrs. Lebow's statement, if it's applicable, and then we request that you apply 65-3-27(b) to the further individual accounting efforts, and these acts whereby that they're seeking our assistance in paying out their costs.

I again call attention that I consistently stated these actions are unjust and are not allowed and not in compliance with this order to C&K Petroleum by letters, copies of some of them being on file with the Oil Conservation Division, and I've even made a point in some of them to be certain that the Oil Conservation Division has received them.

The Order R-5332, general order number 10 and 11, designates a 1/8th royalty to the non-consenting working

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interest owners. Presently there's been no royalty payment under this order paid to Taylor and Page, and consequently, C&K Petroleum has approximately $15,000 of our royalty money in suspense. Even with this $15,000 and with the accounting as outlined in Section -- Provision Number 9 of the Order R-5332, C&K Petroleum still continues to seek the 120 percent penalty on additional cost and allowing us nothing on our monies.

This well has been producing since the 6th and 15th of 1977, using Mrs. Bell's letter and statement, along with a Division order at that time. Consequently, it's been producing for over a year and we still have received nothing.

I have made several efforts to obtain our royalty interest. Mr. Tompson is well aware of them, and I would like to submit for your consideration a letter designated 16-1, which is a letter to C&K's revenue department that I mentioned awhile ago. Upon my receiving Mr. Bott's statement that our pay-out had occurred, I sent this letter to C&K's petroleum revenue interest requesting that they continue -- or that they pay my share of the well; that if his statement is true, then they would already be four months behind on payment of my working interest.

Of course, Mr. Bott's second letter told me that the first was in error and consequently, that I had not paid

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out.

Then I would like to submit for your consideration what I have listed as 16-2, which is a letter dated January the 24th from me to Mrs. Bell. Mrs. Bell had sent me a Division order and a letter requesting my signature and stating that she needed evidence that I owned a particular piece of acreage. They did not request this ownership prior to the hearing, et cetera, back the 11th and 10th of 1976, but they did request it at this time.

We sent her, and attached to this copy are evidences of our legal ownership of this well.

Then seeking to obtain our royalty payments, et cetera, I -- since Mrs. Bell --- I did not send her the signed Division order as she requested. I had a question. I had not received Mr. Bott's letter of the 1st and 30th and so, as you see here, I state that the interest she has there must be the one --- must be pertaining to one lot and does not represent the total ownership that we had in the well, consequently, I declined to sign it.

I received no further commmunication from C&K Petroleum, so on the 3rd and 15th I sent a letter, that I have designated as 16-3, whereby I told them that withholding of the royalty rights delegated to me under Order R-5332 was working a hardship upon me, and I stated in this letter that there was no other conditions concerning payments

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other than those established by the New Mexico Oil Conservation Commission in its order should be needed by C&K.

And Mr. Stamets, I quoted a brief from Mr. Stamets' letter, whereby that he had requested C&K Petroleum get in touch with me and we'd try to resolve some of the problems that I had written to the Oil Conservation Commission about, and I state here that I would welcome such a contact with Mr. E. W. Hooper in the immediate future. Mr. Hooper was the representative of C&K Petroleum at the hearing and I thought that we would need his consideration of our verbal agreements, et cetera, in order to arrive at the proper and just consideration of this.

Then on the letter of the 2nd and 6th of '78, which we have already introduced as 12-4, I requested and stated to the Commission the fact that I was not receiving these royalties from C&K Petroleum. And then in a letter on March the 30th, 1978, designated 16-4, I asked from the Oil Conservation Commission, and I stated to them that their Order R-5332 does not state the necessity for me, Taylor, to sign further restrictions on myself in order to receive the 1/8th royalties C&K is ordered to pay.

If the Oil Conservation Commission requires further agreements, please so inform me.

I did not desire to sign the Division order as it was with C&K Petroleum. I did not feel it was necessary

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under the Order R-5332.

COMMISSIONER RAMEY: Mr. Taylor, let me interrupt at this point.

MR. TAYLOR: Yes, sir.

COMMISSIONER RAMEY: Isn't it usually necessary to sign a Division order before you start receiving any monies from a well?

MR. TAYLOR: It's according to where you are, sir. Some states do not. Here in this state --

COMMISSIONER RAMEY: What was wrong with the Division order?

MR. TAYLOR: It gives C&K Petroleum, which we shall get into later, possible legal rights to withhold from production monies that really should not be done. It is an "adhesionary" type of contract. Any of them that is signed, even though C&K Petroleum has stated to me that theirs is one that is kind of customary, it is not one that represents arm-length bargaining.

I did make some efforts to work this out with C&K Petroleum, which we shall try to get into and introduce, and so forth. We shall also make some of Mr. Tompson's -- introduce some of his letters whereby he responded, but let me, if you would, hold any more comments on that until further presentation, and then I will answer. If I do not answer completely, I will seek to answer it.

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COMMISSIONER RAMEY: All right. I've always heard that it was necessary to sign a Division order, even as a royalty interest owner; otherwise the monies are kept in escrow until this is signed.

MR. TAYLOR: It is not a legal necessity as stated by any of the rules and regulations of the Oil Conservation Commission, nor of any known --- and I'm quoting -- no, I can't quote, because it's not here.

COMMISSIONER RAMEY: No, we don't have any rules and regulations covering this.

MR. TAYLOR: Yes, sir.

COMMISSIONER RAMEY: That I'm certain of.

MR. TAYLOR: Well, let me see if I can't point out some to you a little later, sir.

However, I can't quote my authorities because they did not come on up to represent me, but it is not a legal necessity. Some states do not require them and they are not used. It is desireable that individuals agree to the interest of each, and a Division order for that purpose would be entirely agreeable and ---

COMMISSIONER RAMEY: Well, this Division order did list the proper interests.

MR. TAYLOR: Yes, sir, but there's other factors ---

COMMISSIONER RAMEY: For the record, you objected

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to their possibly being able to withhold ---

MR. TAYLOR: Yes, sir. It was a practice that C&K Petroleum has done without justification.

COMMISSIONER RAMEY: What monies could they withhold under this Division order?

MR. TAYLOR: For one thing, sir, they've been withholding, using this as their legal right, working interest -- I mean royalty, over half of the royalty they have withheld from this well until recently, which we shall introduce into evidence in a moment, using this Division order as their authority.

COMMISSIONER RAMEY: Their Division order says they can withhold royalty?

MR. TAYLOR: No, sir, it doesn't. If I had Mr. Paul Biderman, the Assistant Attorney General, here and he would have been here today except he's no longer with the Attorney General's Office, or he stated he'd be here, I could quote -- ask him to make the statement as to a quote, and he states that the Division order does not allow the withholding of payment of royalties.

MR. KELLAHIN: If the Commission please, we will not contend that it does.

MR. TAYLOR: Well, I'm sure you will, sir.

Let me go ahead with my presentation and I think it will come a little clearer as we present it. I'll try

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to make it orderly for you, sir.

The --

COMMISSIONER RAMEY: Let's recess for lunch till 1:30.

MR. TAYLOR: Till 1:30, sir.

(Thereupon the hearing was re-
cessed for the noon recess.)

MR. KELLAHIN: Before the testimony continues, if the Commission please, there's been some statements and claims that the 120 percent risk factor should be withdrawn and I submit that that is beyond the call of this hearing under the advertising and any further testimony on that should be eliminated.

MS. TESCHENDORF: You're not saying that we can't discuss his application or the ---

MR. KELLAHIN: Not at all.

MS. TESCHENDORF: All right.

MR. TAYLOR: In discussion with Ms. Teschendorf concerning this portion, I believe that her thoughts were that amendment of the order, et cetera, and since the Commission still has jurisdiction over this cause, as provided in provision number 13, I believe it is, that this was the reason for this was inserted as an amendment of Order R-5332.

MS. TESCHENDORF: That amendment of Order -- the amendment of the order is to remove the present operator.

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MR. TAYLOR: All right, but we discussed --

MS. TESCHENDORF: The rest of it is enforcement of the order.

MR. TAYLOR: All right. You did say that the 120 -- that's right, in the conversation I had with you, you did state that that would come under the enforcement of the order, the 120 percent.

MS. TESCHENDORF: Right.

MR. TAYLOR: Right.

MS. TESCHENDORF: But asking us to withdraw it entirely from the order, again is one of those matters that should have been brought up at the de novo hearing last -- whenever this order was issued.

MR. STAMETS: If I might ask a question here to clarify this. Mr. Taylor, if as a result of this hearing you were given a reasonable period of time in which to pay your appropriate share of the estimated well costs and not have to pay a penalty, would you be satisfied?

MR. TAYLOR: No, sir, for this reason.

MR. STAMETS: Thank you, that's all I asked.

MR. TAYLOR: All right, sir.

COMMISSIONER RAMEY: Is it your opinion, Lynn, that we can't consider the removal of the penalty?

MS. TESCHENDORF: No, the 120 percent penalty was established in our forced pooling order and it stands.

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We can consider what it is applied to as operating costs or whether it's being applied properly to drilling costs. But I believe that the 120 percent was established at the hearing for forced pooling. He did not appeal that and therefore, that stands.

MR. TAYLOR: The enforcement of the 120 percent penalty is also legal? As it is presently being enforced without compliance of C&K Petroleum?

MS. TESCHENDORF: Well, that's what you're here to show us, whether --

MR. TAYLOR: That's right.

MS. TESCHENDORF: -- or not they're applying it properly.

MR. TAYLOR: But I'm not talking about -- I'm saying that since they did not allow my participation, it should not be allowed on anything.

I'm saying that I did -- was not allowed to participate. If I had been allowed to participate as was stated and agreed with them, I would not have a penalty, and it's cost me far more money than any additional amounts I would have had to borrow from these individuals in the way of -- the interest I would have paid on them would have been a far less amount than what I have lost in the way of income, in what I have had to expend trying to get this consideration back with the Oil Conservation Division.

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MS. TESCHENDORF: Okay, so in reality you're not challenging the amount of the penalty. You're just saying it should not be applied at all.

MR. TAYLOR: That's correct. The amount of it is not a question.

MR. KELLAHIN: Well, of course, whether he was allowed to participate or not is a matter of proof.

MS. TESCHENDORF: Right.

MR. TAYLOR: That's correct, and that's my intention, to prove, and I have been seeking to prove, that I intended to participate, I sought to participate, the money was available for participation. If C&K Petroleum had complied with their provision of that order, then I would have been able to have complied with mine.

MS. TESCHENDORF: Okay.

MR. TAYLOR: And by the non-compliance of it, I was not allowed to participate.

We were discussing ...

MS. TESCHENDORF: Would you renew your objection, please?

MR. KELLAHIN: My objection was to any testimony directed to removing the penalty factor from the order.

Now, on the basis of Mr. Taylor's statement, I see his position. If he was in fact and can show he was not permitted to participate, but as I say, that's a matter of proof.

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COMMISSIONER LUCERO: Do you withdraw your objection, at least?

MR. KELLAHIN: No, sir.

COMMISSIONER RAMEY: Then I'm going to sustain it.

MR. TAYLOR: Well, I think that the testimony we have presented was that money was available, we intended to participate, the C&K Petroleum did not comply with provision number 3, consequently, we were not allowed to comply with provision number 4 of the Order R-5332.

COMMISSIONER RAMEY: Okay, we're going to sustain Mr. Kellahin's objection and I hope we can proceed.

MR. TAYLOR: All right, sir.

The -- we were discussing the letter to the Oil Conservation Division of the 3rd and 30th of '78, I designate as 16-4, and this one was one that I did request the Oil Conservation Commission, if it was necessary, to inform me so that we could set up a Division order. It is not stated in the Order R-5332, et cetera, and consequently, I did request this of the Oil Conservation Division, and I never did receive a direct answer from them.

I would like to also --

COMMISSIONER RAMEY: Did you put that in evidence?

MR. TOMPSON: Did we see that?

MR. TAYLOR: Yes, sir, I believe you did, 16-4 --

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I believe was the last one in evidence, sir.

MR. KELLAHIN: Okay.

MR. TAYLOR: Continuing with a statement concerning Taylor's efforts to obtain this royalty and the payments that's being held in suspense and C&K Petroleum's funds, I wrote Mr. Tompson a letter on the 4th and 19th of '78. It's designated as 16-5, and this was an effort on my part to reach a point of agreement whereby that I could obtain the royalties that were being withheld, and for the purpose of time, with your permission, I'll just allow it to stand and with your reading of it, please.

Also, I wrote Mr. Tompson a letter and Mrs. Bell a letter, which I designate as 16-6, whereby that I inclosed C&K Petroleum's Division order with the portions that I objected to most violently crossed out; the ones that I felt C&K Petroleum, if they had a legal possibility that they would withhold the payments under these provisions. This still allows the interest of each party or person to be stated. I did cross out a couple of them, which I believe to be erroneous; however, I did not find a conflict with the royalty interest as stated in this letter concerning Taylor and Page if the acreage is actually 336.6 acres for the well.

Then on the 7th and 7th of '78 I again wrote Mr. Tompson a letter, again stating my position. This is

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designated as 16-7. I again stated my position that C&K has never allowed Taylor the opportunity of participating in the well, and that the suspension of the royalty interest is in violation of the Order R-5332 of New Mexico Oil Conservation Division, and I allowed him to know that I was requesting a hearing of the Oil Conservation Division before possibilities of taking it to civil court.

I would call the Oil Conservation Commission's attention to General Order Number 12 of Order R-5332, which states that all proceeds from production from the subject well which is not dispersed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owners thereof upon demand and proof of ownership, and that the operator shall notify the Commission of the name and address of said escrow agent within ninety days from the date of this order.

The 65-3-14(c), the last paragraph, has this to state, and I shall just quote the last part of it, but it does pertain directly to the interest owners, if the interest of any owner of any unleased minerals is proved by virtue of this Act, which is 65, et cetera, which concerns the forced pooling, and so forth, that 7/8ths of the interest shall be considered as a working interest and 1/8th shall be considered a royalty interest, and he shall in all events be paid 1/8th of all production from the unit and creditable

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to his interest.

The -- Mr. Tompson sent me a letter dated the April the 14th, 1978, which is my exhibit 16-8. Mr. Tompson in this points out two things, that the signing of any Division order would be agreeing that the interest that they show beside my name is correct, and I did sign the Division order with the other portion crossed out, but I did allow the interest to be shown beside my name and signed it for him, but this was not adequate.

But in this one he does state in the last sentences down here concerning my money, that if -- he says to keep track of it in suspense. The letter of the 4th and 19th, which we designated as 16-5, my letter to Mr. Tompson, did try to work this out. Mr. Tompson sent me another letter, which is designated as 16-9 in my presentation, that also states, he says, "We do not question your ownership," at the bottom paragraph of it, but he does call attention that there could be a possible conflict later on, and again he states in the last paragraph of it that the monies are held in suspense.

I contend that this method of holding my money is in conflict with General Order R-5332 at provisions 10, 11, and in particular 12; that it's certainly in conflict with the 65-3-14(c) last paragraph, which says that I shall be paid in all events. It is not limited. So this system

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has allowed C&K to keep the monies at its disposal and control. I have consistently objected to nonpayment of royalties, and such, as being in conflict with the statutes and the order, and I request that the Commission undertake any immediate action that might be necessary to enforce upon C&K Petroleum compliance with provision 12 of Order R-5332, and whereby that they are in violation of 65-3-24, concerning this, to apply 65-3-27(b), which is the penalty for non-compliance with orders, et cetera, that are not covered otherwise.

I again state that my last letter to C&K Petroleum is the one dated 7th and 10th, which is designated as 15-6 in my presentation to you.

Mr. Tompson did send me another letter, again stating on June the 16th, which is 16-10 in my presentation, again that the money is being held in suspense. This time he does state that through April there's approximately $12,751.82 being held in suspense for payment to Taylor.

But I state that this is not in compliance with the Order R-5332, nor the statutes pertaining to the payment of the royalties to non-consenting working interest owners.

I would like to consider other accounting of C&K Petroleum as pertains to this well. I would like to again call attention to the statements of C&K Petroleum

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under the 15--1, 2, 3, 4, and 5 series, which were the accounting statements of C&K Petroleum through Mr. Bott, Mrs. Shackleford, and Mr. Newkirk.

I would also like to present for the --- your consideration the C115's filed on this well, and I have those designated as 17-2A and B. The --- I would also submit for your consideration the 17--3 of mine, which is copies of Oil and Gas Accounting Commission figures as supplied to them by C&K Petroleum.

And then I would also like to present 17-1, which is the C--111's filed on this well for a period of time by Transwestern Pipeline Company, and I would like to point out some discrepancies in this.

I would like to present a summary sheet which all it does is summarize these and can be quickly checked out, that I have designated 17-4A. And this will help you to see the discrepancies. You're welcome to look at the others which are offered in evidence to support the figures which are stated upon this 17--4A.

On the original, and you have two groups of C-115's, on the original C-115 filed by C&K Petroleum for the month of June you will find amended a report that was filed on the 7th and 29th of '77, whereby that there's 2,350,000 cubic foot of gas was sold to the Carlsbad 12 No. 1 Well. The --- remember that the C-104 that we intro-

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duced as 11-4 listed the fact that C&K --

COMMISSIONER RAMEY: Where is this well on the form?

MR. TAYLOR: On the Form C-115?

COMMISSIONER RAMEY: Yes.

MR. TAYLOR: It is Carlsbad 13 commingled well. I thought I had those marked for you.

I do not have -- well, we will have. Now, the second page there, sir, will show the 2,350,000 cubic foot was supplied to the Carlsbad 12 No. 1 Well. Do you have that sir? All right, sir.

Now, we remember that the C-104 that I introduced as 11-4 listed gas being sold to C&K rig for drilling on Section 12. This 2,350,000 cubic foot is not listed on the amended C-115 form, which you have as 17-2B.

And there's a summary sheet here that was presented in compliance with Mr. Stamets' request, and the summary lists for the month of October, 10,042,000 cubic foot, which is found on the original C-115's on the front page, but it does not make any mention of the 2,350,000 cubic foot that was sold.

And of course these figures are certified to. Neither is this 2,350,000 cubic foot listed on the October of 1977 Oil and Gas Accounting figures, which is the C-115's, which is 17-3 there.

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So basically summing it up, what we're saying is we have 2,350,000 cubic foot of gas listed as being sold on the original C-115 in amended form, in addition to the 10,042,000 cubic foot sold to Transwestern Pipeline as evidenced by the C-111's and it is not listed with the Oil and Gas Accounting Division.

The C-105 on the drilling of Section 12 that we introduced in evidence as 11-3, states that that well was drilling from the 6th and 15th of '77 to the 7th and 22nd of '77. However, there are no additional statements for the production in July for gas being sold to this rig.

Going along to the August C-115, which again is in 17-2A and 2B, then, it shows 55,578,000 cubic foot of gas produced and certified to, and then the figure that Mr. Stamets requested of C&K, they do reduce it to 54,188,000 cubic foot at 15.025 pounds of pressure. However, for the month of August the Oil and Gas Accounting Division, there is 61,432,000 cubic foot listed. So we have a discrepancy. The C-115 at 14.65 pounds of pressure, which is what has been reported, the pressure that's been reported to the Oil and Gas Accounting Division. We have a difference between, on the C-115, of 55,578,000 and that that's reported to Oil and Gas Accounting Division at 61,432,000.

So the certified C-115 or something is in error here. One report or the other is falsified on it. I really

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believe that this is possibly --- I have no proof, but it's just a thought --- that this is probably the gas that was sold to the rig drilling the south half of 12 by C&K Petroleum; however, if it is, why, it's not reported on C-115's, either --- and in the Rule 1115 requires each month's production be reported. So if there's only 2,350,000 cubic foot of it sold to the rig in June, the remainder of it would have to have been sold in July and they did not file a C-115 on it and report it to New Mexico Oil Conservation Division.

I request that the Commission consider the enforcement of 65-3-27(a) here because of the reported discrepancies and I have in my notes, but I'm not really pushing it, sir, that because of the certification of these falsified reports that 65-3-9 ought to be considered.

I would like to look at the net value and the --- or the value and the net income on these. As you will note from that summary sheet, it makes it real easy, that there's no figure that actually agrees with any other in cross checking on it. The net income figures of Mr. Bott, Mrs. Shackleford, Mr. Newkirk, which we introduced again as 15-1 through 5 series, seems to average out and be fairly close.

I would also report and ask your consideration for the fact that for June of 1977, that for the 2,350,000

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cubic foot produced, as stated on the amended C-115, that there is no tax payment made to the Oil and Gas Accounting Division on it.

I would like to submit for your consideration Exhibit 17-3, which is a letter I wrote to Transwestern Pipeline Company requesting these figures. It confirms telephone conversations with some of Transwestern Pipeline personnel of the accounting department, and it states what I requested. They told me that they furnished these to C&K Petroleum and that C&K Petroleum would then in turn give them to me.

I would like to submit that the figures on the summary sheet, 17-4A, under Transwestern Pipeline are the figures that were presented to me by Transwestern and for the month of August of '77 it shows that Transwestern Pipeline purchased$87,118.63 of gas, which includes the tax reimbursement, from C&K Petroleum; however, the value for that month for the Oil and Gas Accounting Division does show $97,974.42. The point of this is that there was extra gas that was sold that was not purchased by Transwestern Pipeline.

I would like to point out that the October '77 net income stated by Shackleford and Bott has more value there than the total value reported to the Oil and Gas Accounting Division. Mrs. Shackleford's and Mr. Bott's

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figures are net. They are more than the total purchased stated by Transwestern.

I would like to submit the -- for the Commission's consideration a petition that was being circulated by the royalty owners of this particular well. It's --- I have designated it 17-5. I would like to explain this petition. It only has six signatures on it and each of them are royalty owners of the area, husband and wife, so that makes three of them. There were other petitions, however C&K Petroleum made an effort to overcome some of the problems between the royalty owners and consequently, we have a few factors that we would like to still be considered and it was not necessary to bring you the total amount of the petitions.

But the petition does state that we, the undersigned royalty owners in the north half of Section 13, Township 22 South, Range 26 East, Eddy County, New Mexico, petition the New Mexico Oil Conservation Division to accept the introduction of figures stated to us as net income by C&K Petroleum, Incorporated, for the purpose of protection of correlative rights of royalty owners involved in the gas well known as C&K Carlsbad 13 Commingled No. 1 Well. And the figures are, and these figures are those that were stated by many of the royalty owners who received dividends from C&K Petroleum.

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For the months of June, 1977, through March of '78, a cross check of these figures will show that the income listed for March, 1977 through -- beg your pardon. June, 1977 through March, 1978 are less than half the net income stated to Taylor and Page by C&K Petroleum accountants Bott, Shackleford, and Newkirk.

The April, '78 royalty paid is closer to the facts, as I stated to Mr. Stamets in my discussion with him the 5th and 15th of 1978 concerning these figures. So for the months of June, '77 through March of 1978, royalty owners of this particular well were having less than half their royalties paid with royalties beginning to be paid in January, about the 1st of January of 1978.

I would like to submit for your consideration check stubs, copies of them, these are certified. I do have the check stubs of these owners to go with this petition. I would appreciate if you would accept this certified copy of these in evidence so that the check stubs could be returned to the owners, and this is designated as 17-6A, B, C, and D.

These figures substantiate the facts as listed on the petition.

C&K Petroleum sent a letter, which I have designated as 17-9, along with the exhibit we have listed as 17-6B, which is the check stubs from C&K Petroleum with

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the date of 7th and 28th of '78.

Taylor discussed with Mr. Paul Biderman of the Attorney General's Office the possibility that C&K Petroleum would possibly pay the royalty owners off once they became aware that Taylor was pursuing this line of -- and train of thought, and Mr. Biderman stated that if it did, the fact was that the short payments still existed and would be of record and we asked concerning the Supreme Court statement here, the ruling, if it would have anything to do with it, and Mr. Biderman stated that it did not. He viewed the Division order and it was his opinion that the Division order withholding -- right of withholding of production values --

MR. KELLAHIN: If the Commission please, I object to testimony as to what Mr. Biderman said. That's hearsay.

COMMISSIONER RAMEY: I'll sustain the objection. Confine yourself to --

MR. TAYLOR: All right, sir.

The provisions in the Division order concerning payment and possibilities of reclaiming payments exist between Transwestern Pipeline and C&K Petroleum as exists between C&K Petroleum and the royalty owners. Consequently, if it is right for Transwestern Pipeline to make the payments to C&K Petroleum, as they have, then it should be

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right for C&K Petroleum to go ahead and make their payments to royalty owners. The same situation exists for one as exists for the other. It would not be right for C&K Petroleum to withhold royalty payments if they're being paid the full amount, because this allows them to have the money in their own possession.

If C&K Petroleum had a right to withhold the royalty payments, then General Provision Number 12 of the Order R-5332 again states that they are to place this money in escrow, any monies not disbursed for any reason, the money should have been placed in escrow in Eddy County, and such money was not placed there, and this was discussed with Mr. Stamets also on the 5th and 15th of '78.

We have -- C&K Petroleum has had an opportunity to become aware of my suit of this line through many avenues. I've made numerous letters to them and the Oil Conservation Division. I've had the discussion with Mr. Stamets on it. I have sought information from Mr. Larsen of Transwestern Pipeline Company; Ms. Teschendorf,sent a copy of the subpoena that -- concerning the subpoena that I was issuing to Mr. Larsen of Transwestern Pipeline, various attorneys have had correspondence with C&K Petroleum using Taylor's information to talk to them. I discussed these facts with Ms. Teschendorf as one need of a full hearing, the fact that the royalty owners were not being paid. We even had

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a public meeting on the 7th and 20th of '78. There was radio advertising of the meeting on the 7th and 18th of '78, and then these petitions being circulated among the royalty owners. All this states that C&K Petroleum did have an opportunity to know that we were going to pursue this line of questioning and consequently, it made it easier for them to go ahead and make the payments, bring them up to date; otherwise, we would have had a delinquency in payments to the royalty owners.

So again I state that concerning each and every individual royalty owner that has been receiving this type of accounting, that General Provision Number 12 has not been being complied with for them.

C&K Petroleum has had the money available to themselves but the royalty owners have not and this is why that General Provision Number 12 asked they be placed in escrow in Eddy County if it's not dispersed for any reason. There are several royalty owners that have not received any royalties as of yet and Provision 12 is certainly not being complied with on them neither.

Going back to the check stubs, I would request that you again look at the volume of production, that on the check stubs themselves, which we have introduced as 17-6A, B, C, and D, that the 2,350,000 cubic foot that was listed as produced in the amended C-115 that we desig-

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nated as 17-2A, is not reported on the check stubs for royalty payment to owners, and there was not any royalty paid on this.

The check stub on August does not, which is Junse's last production, does not contain a payment.

Concerning August itself of 1977, on the check stub there is 5,854,000 cubic foot listed that is not on the C-115, and again I repeat that this is probably that gas that was sold to the rig drilling Section 12, but even so, again I repeat that there was no production report filed as a C-115 on this with the New Mexico Oil Conservation Division.

I would like to emphasize a 5,004,000 cubic foot sale that is listed in October of 1977 on the check stubs. This is not reported on any of the certified C-115's. I believe, and that's all it is, that is possibly the gas used in the drilling of the west half of 7, Township 22 South, Range 26 East, Eddy County, New Mexico. There is no C-104 authorizing the sale of gas from this rig and there is no taxes paid on it to the Oil and Gas Accounting Division, as is stated by the Oil and Gas Accounting figures that you have before you. So we have 5,004,000 cubic foot of gas that the check stubs show as being sold in October and that does not have taxes being paid on it.

I would like to introduce 17-7, which lists

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for the month of October of '77 the 5,004,000 cubic foot of gas as produced and this statement states that there was $550.90 taxes paid on it. Well, wherever this gas went, it was done without authorization; therefore it's illegal gas and there is no taxes paid to the Oil and Gas Accounting Division on it.

It's my contention that the royalty owners' correlative rights and the New Mexico Oil Conservation Division's protection of them is required in 65-3-14(b). It states, and in order to -- I request permission to read a lot of this, "The Commission may establish proration unit" and et cetera, "for each pool." This is concerning the forced pooling. And then it states that in so doing the Commission shall consider the economic loss caused by the drilling of unnecessary wells, the protection of correlative rights, including those of royalty owners, so I contend that royalty owners do have correlative rights that's within the jurisdiction of the New Mexico Oil Conservation Division.

65-3-10 states forth the powers of the Commission, and it is designated that you are to protect correlative rights and that you are empowered and it's your duty to protect correlative rights and prevent waste and that it states to that end that the Commission is empowered to make and enforce rules, regulations, and orders, and do

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whatever may be reasonably necessary to carry out the purposes of this act, whether or not indicated or specified in any section hereof.

So I contend that under 65-3-14(b) that you do have given to you the protection of the correlative rights of royalty owners and that you have this power whether it's so specified or not, and it's within your jurisdiction to establish regulations and such enforcement.

New Mexico Oil Conservation Division has jurisdiction over the entire well, not just the operator's share, the 7/8ths or the 3/16ths, and since you have jurisdiction over the entire well production, it's not just the operator's portion. Therefore you have the jurisdiction over royalty owners, and consequently, you have the obligation to protect the royalty owners' rights. So I request your consideration for your investigation, your dutiful, lawful action concerning the statements that these individuals have made on the petition. I request it concerning C&K's fraudulent treatment of the royalty owners. I request it concerning C&K's violation of Provision 12 of the Order R-5332, concerning each and every individual royalty owner, that they have failed to place any monies not dispersed in escrow in Eddy County, and the application of 65-3-27(b) to each and every individual owner. I request your consideration of falsification of records and certification thereof.

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I request that you consider the fact that C&K has made unauthorized gas sales that constitute illegal gas. I request your consideration of the fact that C&K has filed C-115's and failed to file them as required by Rule 115, and I request your consideration of the fact that C&K has failed to pay taxes on production as required by the rules and regulations of the State of New Mexico. I contend that this is in compliance with C&K's usual procedure and that they have allowed things to just go along and try to get by as best you can.

With --

COMMISSIONER RAMEY: Mr. Taylor, now that I've finally got Exhibit 17-7, what is that?

MR. TAYLOR: This is a synopsis that C&K Petroleum sent to one of the royalty owners and the reason for stating it and showing it, [illegible]'s not absolutely essential, is that it does show that C&K Petroleum did claim to have paid $550.90 taxes and therefore to acknowledge that they owed this much taxes on it.

COMMISSIONER RAMEY: You're stating that they didn't report this to the Oil and Gas Accounting Division?

MR. TAYLOR: That's right, sir, and did not pay any taxes on it.

COMMISSIONER RAMEY: Okay.

MR. TAYLOR: And you have this in the Oil and

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Gas Accounting portion of it.

There is no record of this production except on the check stubs and with this; however, there is evidence that C&K Petroleum did produce gas to drill their Carlsbad No. 7 Well. There were no C-115's, filed to show the production. There are no C-111's, of course, since Transwestern did not purchase it, and there is no C-104 for the authorization to be allowed to use it, that gas to drill that well. So the check stubs themselves are the substantiating factor that C&K Petroleum did produce this gas and that they sold it.

COMMISSIONER RAMEY: You don't think the 104 which you showed previously C&K transported would authorize them to use gas?

MR. TAYLOR: I do not think -- it showed it to the Carlsbad 12, though, not to the Carlsbad 7. The Carlsbad 12 well possibly was paid for -- or the gas used in drilling it was possibly paid by C&K Petroleum in August of 1977, because there's the additional 5,854,000 cubic foot of gas listed as sold in August of '77 that is not purchased by Transwestern Pipeline.

But then there's the 5,004,000 cubic foot that's listed on the check stubs as being sold in October of '77 that there is no accounting to the Oil Conservation Division, the Oil and Gas Accounting Division, or anyone

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else, except the royalty owner.

COMMISSIONER RAMEY: Okay.

MR. TAYLOR: Now, with my knowledge of what I consider C&K's efforts at fraud and withholding royalty payments, which they did from the months of June, 1977, through March of '78, they began making the payments approximately January 1st to most of the people, and they withheld over fifty percent of the production for those months. Consequently, with my knowing that, the fact that they have been trying to get around the rules, they've not been complying with the Order R-5332, that they have not complied with the regulations of the State of New Mexico, and the rules, and such, that are established for the drilling and operating of the wells, and the reports required, that they have not presented the actual reports and factual in evidence in the C-115's, et cetera, that's required of them, I have been very reluctant, and this is why I have been reluctant, to sign any division whatsoever with them. I do not want to give them any legal grounds whatsoever for withholding my monies.

I have made two compromise efforts, what I would consider arms-length bargaining with C&K Petroleum in addition to my requests.

I granted Mr. Tompson's basic desire in his letter of the 4th and 14th of '78, where he stated that the

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reason for wanting a Division order was to set forth the interest beside my name, and I made that effort with the letter to him of the 4th and 19th, which is designated 16-5.

I also, then, since he did not answer that letter, I sent him the letter designated 16-6, which I wrote on the 5th of May -- beg your pardon, May the 3rd of '78, that contained the Division order with portions of it that because of what I have stated I crossed out, but it still pertained and contained the basic desires of Mr. Tompson's letter of the 4th and 14th.

Mr. Tompson returned this with a letter dated the 5th and 19th, which was introduced in exhibit as 16-9, where he stated he did not question ownership, et cetera, but that he wanted other legal rights.

But the efforts I made, I do contend were arms-length type bargaining.

I sent the 5th and 3rd, '78 letter with the Division order as a compromise attempt. It was more than Mr. Tompson's letter of the 4th and 14th requested. It's more than I desired them to have, and I contend at this time that the New Mexico Oil Conservation Division Rules and Regulations that bind me to C&K Petroleum through Order R-5332 do not at any point declare the necessity of the Division order to be signed between C&K Petroleum and my-

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self, nor has the Oil Conservation Division answered the letter to me directly stating that it's necessary for me to sign any such Division order, even though I requested direction, and I repeat that 65-3-14 states that in all events that I will receive my 1/8th royalty, and it does not withhold any proportion there; there where when I'm force pooled with them, that 1/8th shall be considered a royalty interest and he shall in all events be paid 1/8th of all production from unit and creditable to his interest. It does not state the necessity for me to sign something that might be customary within the industry where we have a working agreement.

So I request your aid in obtaining the royalties that C&K Petroleum claims that they have in suspense. I contend that the holding them in suspense is in conflict with the Provision Number 12 of the Order R-5332, which states they will be placed in escrow if there's any problem, and they're to be placed in escrow in --

COMMISSIONER RAMEY: Mr. Taylor, you've repeated that five times.

COMMISSIONER LUCERO: You've said that so many times, I think --

MR. TAYLOR: Well, I'm sorry. All right.

As I began to point out to start with, that there is a serious legal question as to whether C&K's owner-

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ship or position allows them the rights applied for in obtaining forced pooling, and I would like to introduce into evidence C&K's ownership concerning this well, and I have these designated as 5-2A, 5-2B, I believe.

This points out that C&K Petroleum has assigned all their interest to C&K H 1973 Development Venture and the Desana Corporation. They assigned what interest they had prior to the hearing and Tom Brown still had an interest at that time.

Tom Brown at the time of the hearing itself, Tom Brown still had over a thirty percent interest. C&K Petroleum has since then obtained it. To date C&K Petroleum's intrest, to date, is approximately 75 percent of 84.4 percent, which is equal to 63.3 percent, plus they obtained an additional 1.6 percent, which I have delegated as Michael P. Grace's lease, which gives them 64.9 percent until the well pays out. After the well pays out they have 60 percent of 84 percent, plus 1.6 percent, which drops them down to 51.24 percent. At no time have they owned a 75 percent ownership of the well as was stated in the Exhibit 1 of their hearing. The fact is, at the time of their hearing they owned less than 40 percent of the well.

These documents introduced into evidence indicate that all ownership of this well is presently in the name of C&K H 1973 Development Venture and Desana Corporation

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A parent corporation is allowed to transact business through its subsidiary's name; however a serious legal question exists as to whether a subsidiary can transact business in the name of the parent corporation, and we have nothing on public record or any other place to indicate that C&K Petroleum has a right to represent C&K H 1973 Development Venture or the Desana Corporation.

The Desana Corporation is listed as a corporation of the State of New Mexico with the Corporation Commission; however, C&K H 1973 Development Venture is not.

The Rule 104M in the Rules and Regulations pertains to basically voluntary pooling, et cetera, but it does establish the precedent for 1/2 of the acreage to be pooled, or approximately thereof, to be owned by the individuals who are seeking to pool it, et cetera, and C&K Petroleum possibly do not even have that, and I present this for their consideration.

So considering the several willful disregards of New Mexico rules, statutes, regulations and orders and royalty owners' interests by C&K Petroleum, Incorporated, the New Mexico Oil Conservation Division is requested to release C&K Petroleum as the operator and I would request that you substitute an H&S Oil Company of Artesia, New Mexico, and I will introduce as 19-1 a letter from H&S Oil Company, whereby they submit a bid in consideration for

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operatorship of this well.

In the event the Oil Conservation Division does not see best to substitute an operator for C&K Petroleum irregardless of their apparent disregard for individual correlative rights, the State rules and regulations, et cetera, then we do request that you consider a surety bond to be placed by C&K Petroleum for the operation of this well that will require future compliance with all State statutes, regulations, rules, orders, and royalty and interest payments, with provisions whereby that C&K Petroleum will pay all legal expenses incurred in enforcing the provisions of the bond. This is one of the provisions of your Division order as it presently exists that I do not desire to allow them, but I think that my dealings with them and the Commission will show that I have tried to be straightforward and I do not have the reputation whereby that -- and neither do these other individuals -- whereby that it will be necessary for us to require a bond, et cetera.

But I -- I do request that there be allowed within this bond provisions whereby that in the event that they be found faulty, that they would pay the legal expenses that's been incurred necessary to gain the royalty owners and interest owners rights.

I believe a commitment, compliance in the future with all the rules and regulations of the New Mexico Oil

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Conservation Division, and the statutes, et cetera, of the State of New Mexico, should be necessary upon C&K Petroleum if they continue as operator.

I request that the New Mexico Oil Conservation Division bring suit against C&K Petroleum as outlined in 65-3-24 for the violations of -- that we have tried to bring out in this hearing concerning rules, orders, statutes, and regulations, and so forth, and enforce the penalties that we've discussed under 65-3-27(b) and that we request that you accept full jurisdiction over royalty payments to owners under the provisions as we outlined, 65--3-10 and 65-3-14(b), and any other applicable regulations that you might know of.

But we request this, that you establish methods of overseeing and enforcing royalty payments so that even a small royalty interest will have their correlative rights protected, and opportunity of New Mexico Oil Conservation Division's consideration of such without economic waste, and I say that for this reason. Presently a royalty owner that's entitled to $50.00 a month royalty, who has $27.00 a month withheld from that royalty as C&K Petroleum has done from June of 1977 to March of '78, until we entered and sought to get them to correct the situation, cannot without economic waste, hire an attorney for $60.00 to $100.00 an hour, have that attorney research the problem,

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bring it in front of the New Mexico Oil Conservation Division, and then possibly take it into District Court.

Now, to gain $27.00 a month, they cannot do it, and we're talking about approximately 45 to 50 royalty owners in this well that have this type situation, and consequently, it exists in other wells.

COMMISSIONER LUCERO: Excuse me, I have a question.

MR. TAYLOR: Yes, sir.

COMMISSIONER LUCERO: Are you saying that the Oil Conservation Commission's duty or jurisdiction is to see to it that royalty payments are made?

MR. TAYLOR: Yes, sir.

COMMISSIONER LUCERO: Timely, or if they're paid at all?

Or is that a contractual obligation between the part of the one that pays them and the one that receives them?

MR. TAYLOR: I quoted for that your obligation as is listed under 65-3-14, whereby your specifically required to protect the correlative rights even of royalty owners, and then I again back up to that, that 65-3-10 states that you are to undertake and protect the provisions of this act, which includes the protection of correlative rights as well as prevent economic waste.

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COMMISSIONER LUCERO: What was that first one that you --

MR. TAYLOR: 65-3-14, and it's within that where it states that it's your obligation to protect correlative rights. I read --

COMMISSIONER LUCERO: I understand that, but did you read any part there that specifically states with regard to royalty interest payments?

MR. TAYLOR: No, sir. The 65-3-10 states specifically that it's your duty and obligation to protect all correlative rights whether it is so designated or not. Or so specified in any of the rules and regulations, and you are to establish regulations to uphold that.

COMMISSIONER LUCERO: Well, then it's your contention that correlative rights includes the duty of the Commission to see that the royalty payments are paid or that that's an obligation between the one that has to pay them and the one that's to receive them?

MR. TAYLOR: According to the State statutes I quoted, that you are to protect the correlative rights the same as you are anybody else's correlative rights, and it states specifically of the royalty owners.

I know it's a new field for you and it's basically one of the major reasons why I am here rather than at a District Court. I believe that you have this right,

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it's been delegated to you, and it's definitely needed, because an individual that is being afforded a small amount cannot economically hire and obtain an attorney to do it. It has to be just dropped, and if you do not do it, then there is nobody that can because they cannot economically undertake it themselves, not at the price of the attorney.

The New Mexico Oil Conservation Division is also requested to consider the requirement of producers and purchasers, and this would help, to place -- pardon me -- the value of the gas and oil on the Form C-111 and the C-115. If it were placed there and the Secretary-Director has the authority under the rules 1111 -- I hope that's four ones -- and 1115 to designate the format of the Form C-111 and C-115, and if he would request the addition of the current value of production to be placed on these C-111's and C-115's, then there would be a fair, easy, quick, accessible current evaluation of production, and of course, the value of it continues to increase at the present time, the Federal Energy Regulatory Commission allows it to increase, I believe, basically one cent each three months.

But not only would this allow it that but it would also allow a cost check to see that the common gas purchaser is not discriminating between operators, and it would certainly place a fast, easy, accessible method to the royalty owners to ascertain as to whether they have the

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royalties and are receiving the total amount.

MR. KELLAHIN: May I interrupt here, Mr. Taylor?

MR. TAYLOR: Yes, sir.

MR. KELLAHIN: In response to your question, Mr. Lucero, I feel that Mr. Taylor is right in one sense, that it is the duty of this Commission to protect correlative rights, but I don't believe this Commission has any jurisdiction to determine to whom those royalty payments are to be made. That's a matter for the company to determine, to its own satisfaction. If there's a dispute over it, that would be a matter for the court and not for this Commission.

COMMISSIONER LUCERO: I was seeing if he was going to state it to that effect.

MR. KELLAHIN: That would be my particular opinion.

MR. TAYLOR: So what we're doing, we're using a technicality to state to whom it is to be paid. If there are any royalty rights being paid whatsoever, then that would be stating that we recognize that royalty owner as an interest holder and he has the full rights for full payment.

MR. KELLAHIN: If he's being paid, yes.

MR. TAYLOR: That's -- that's my contention, sir. My contention is that they should be paid the full amount and if they're not being paid it, there needs to

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be some protection allowable whereby they can get some relief without having to obtain an attorney that is unfeasible, when -- if their interests are not such that they can do it.

The Oil Conservation Division is also requested to provide a method of payment of estimated well costs of non-consenting working interest owners that's more in line with this common practice within the industry as we have been discussing, pay as the drilling progresses. This would prevent economic waste by the money possibly having to lay and wait, et cetera.

A second possibility might be the operator posting a bond that's equal to the working interest owners' money and that would be forfeited at the end of the AFE period of drilling was not undertaken. If drilling was undertaken during the AFE period and continued to completion, then they would be allowed to redeem this bond and the monies they placed for it. This would allow protection of the working interest owners' rights as well as the operator's. Presently it is possible for -- under the orders as they exist -- for an operator to place a cable tool rig on a hole, drill a very minor amount and have the use of the working interest money for 250 days before he has to account for it, and this can be figured out from your general orders that you issue.

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We are requesting the disallowance, however it might be done, of the payment of the 120 percent penalty concerning the drilling, concerning operating cost, and additional expenditures by C&K Petroleum. We state that we've been out far more money and time in seeking to gain this compliance than what we would have had to pay in interest for the additional monies we'd have had to borrow. We believe that the time of compliance of C&K with the general provision Number 3 has expired, and consequently, they have automatically forfeited their claim to the 120 percent penalty provision.

The New Mexico Oil Conservation Division is requested to allow Taylor and Page's working interest share of past production to be paid directly toward our cost of the well and the additional amounts to be paid thereafter immediately to Taylor and Page.

If I did not state it, I'm talking about past production be applied in conjunction with Taylor and Page's actual well cost.

100 percent pay-out of the well occurred approximately the end of January, 1978. If the Oil Conservation Division would allow it, we would be glad to be designated the operator of our share of the well, but we still believe that C&K Petroleum should be considered to be replaced, and we would prefer this method.

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The New Mexico Oil Conservation Division is requested to require an accounting of all well expenditures since the well cost filed by Ms. Lebow on June the 24th and then with corrections, and et cetera, and then require individualistic accounting for anything that they do want additional monies for.

We're requesting that the Oil Conservation Division consider any laxness on its own part in enforcing existing and future pooling orders, and this is not the only one, to the ends of maintaining stricter enforcement of orders to prevent waste, protect correlative rights, and fulfill its duties as required of the New Mexico Oil Conservation -- beg your pardon, New Mexico statutes and regulations.

COMMISSIONER RAMEY: What other ones do you have in mind?

MR. TAYLOR: C&K Carlsbad 12 is one; C&K Carlsbad 7 is another. That's two of them right there, sir, and so from firsthand information I can state those. The others would be conjecture on my part but --

COMMISSIONER RAMEY: We have -- the Commission has not received any complaints on these.

MR. TAYLOR: No, sir, not yet; however, C&K Petroleum has not complied with the order.

COMMISSIONER LUCERO: Sir, do you feel that

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you're sticking to the bounds of your application or are you attempting to give the Commission some advice as to how to run the State business in compliance to the statutes and rules and regulations?

MR. TAYLOR: Mr. Lucero, what I'm -- all right, sir. What I'm trying to do, sir, is present the little man's side of the situation.

COMMISSIONER LUCERO: That's why we're hearing you out.

MR. TAYLOR: And I appreciate it, sir, and I realize we're taking a full day of your time.

COMMISSIONER LUCERO: Sir, we'll take all the time that's necessary to hear you out completely.

MR. TAYLOR: I appreciate it. But we have the small individual that needs some protection as well, and I hope that what I've tried to present is the areas where those needs are. I do not intend to run your business, sir. I have all I can do to take care of mine, and as you can see, sometimes I can't take care of it effectively.

COMMISSIONER LUCERO: But you see, sir, that you have a specific application concerning what we have seen now as specific allegations. If you wish to meet with the Commission at the regular meeting, or anything like that, to present any counsel or advice or suggestions, we'd be glad to hear it. But we are hearing a formal hearing in-

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volving you as a party complaining about another party, and if you intend to take it to court or the other party does, we would like to have a good record as it clearly defines the issues with respect to your own application.

MR. TAYLOR: Well, I agree, sir. Now --

COMMISSIONER LUCERO: That's why I asked if you were representing Mr. Page or not. Is Mr. Page a partner of yours?

MR. TAYLOR: He is my uncle. The land that is force pooled used to belong to myself.

COMMISSIONER LUCERO: Yes, but you see, on your written application you have stated -- it appears to mean that you represent him or that he is a party here, and that's why I asked you at the beginning if you have authorization to represent him or he was present here or if he had an attorney to represent him.

MR. TAYLOR: I think, Mr. Lucero, that I answered that I had not.

COMMISSIONER LUCERO: That's why I asked you, sir.

MR. TAYLOR: Yes, sir.

COMMISSIONER LUCERO: Please try to stick to your allegations on this hearing.

MR. TAYLOR: I believe that I --

COMMISSIONER LUCERO: We'll be glad to meet with

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you at any time, I'm sure.

MR. TAYLOR: All right. I believe I deviated on this as per Mr. Ramey's question.

He requested any other knowledge I had of any other wells, and I stated my personal knowledge of two others.

Now, I have deviated and I appreciate your consideration of it, but this particular point --

COMMISSIONER RAMEY: Well, I was curious on that because we had never --

MR. TAYLOR: Had any complaints, sir?

COMMISSIONER RAMEY: -- had any complaints on a forced pooling position.

MR. TAYLOR: Yes, sir.

COMMISSIONER LUCERO: At least do not feel by what I have stated that we were trying to restrict you in the presentation of your case or the length of time that we're willing to take to hear it out. That's what we're here for.

MR. TAYLOR: Well, I hope that we do not have to take up much more of your time. I'll try to make one more statement.

I do hope that what I am saying that does not stick particularly to the case is just allowing you to see the other -- the small person's side of the situation, and

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the need for regulations that are fair and equitable to both sides, and will protect all correlative rights.

I do not feel that the size of a company should jeopardize its rights.

COMMISSIONER LUCERO: Again you're repeating yourself.

MR. TAYLOR: All right, sir.

COMMISSIONER LUCERO: For about the third or fourth time. We have heard all of that and we're taking it into consideration, I'm sure. My remarks were not trying to restrict you as to time. Please don't misunderstand that.

MR. TAYLOR: All right, sir.

I request the New Mexico Oil Conservation Division to request and require C&K Petroleum to become current and remain current with royalty owed to the royalty owners and in compliance with general provision number 12 of the Order R-5332, where that there's an impossibility of direct payment exists, and in my petition that was given to me by them, and instigated by persons of the area, would indicate that they request that I do make this request of the Commission.

The provision 65-3-27(b) is requested to be enforced, again, I state for failure of C&K Petroleum to comply with General Provision Number 12 of Order R-5332.

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That, sirs, is my basic presentation, and we shall stop there for a moment.

COMMISSIONER RAMEY: Let's take a fifteen minute break.

(Thereupon a recess was taken.)

COMMISSIONER RAMEY: I think it's proper at this time for the Commission to take administrative notice of the Oil and Gas Accounting Division records.

MR. KELLAHIN: That's as to this particular well.

COMMISSIONER RAMEY: Yes.

MR. KELLAHIN: Not as to all the records.

COMMISSIONER RAMEY: And also to take administrative notice of Form C-111's filed by C&K Petroleum for June of 1977.

MR. TAYLOR: Was it a 111 or 115? I believe --

MR. STAMETS: 111.

COMMISSIONER RAMEY: 111. Any questions of the witness?

MR. KELLAHIN: If the Commission please, I could cross examine Mr. Taylor at this point, but I would observe he has not yet offered his exhibits, and until I've had an opportunity to examine these exhibits, I can't intelligently agree or disagree with them. I know there's a couple that I would object to, but I would like an oppor-

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tunity to examine the exhibits, and in order to respond to the voluminous material that has been presented, Mr. Tompson, who is our only witness here, is not prepared on those particular items. For example, we have those checks purporting to be payments of royalties. We don't know whose checks they are or what their percentage interest might be, and until we can have some one in C&K's office examine these things, it would be impossible for us to present any evidence that would be meaningful to the Commission.

In addition, a discrepancy as between reports to the Oil and Gas Accounting Commission and reports on the C-111 form, of course, of Transwestern, have been discussed, and I am sure that these can be reconciled, but until we've had an opportunity to look at the figures, and we do this, why we can't adequately protect the interests of C&K Petroleum.

For example, the reports to the Oil and Gas Accounting Commission are reported on pressure base of 15.025 and gas sales are based on 14.65. Some of these adjustments are just automatically going to reconcile the figures. In other instances I think we'll be able to show that because of the penalties assessed by the Oil and Gas Accounting Commission, taxes are -- reports are filed and taxes paid on estimated volumes, which are then corrected in subsequent months, and I know -- I'm satisfied we can present evidence

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to show, not only is C&K doing this, but practically every other producer in the state is doing the same thing, because of the short time permitted for filing these reports.

The Oil and Gas Accounting Commission would support this.

So for that reason I would ask that this case be continued until we can have copies made of the various exhibits and examine them against the records of C&K Petroleum.

COMMISSIONER RAMEY: How much time do you think you'd need, Mr. Kellahin?

(There followed discussion off the record.)

COMMISSIONER RAMEY: Could C&K go on a crash program and do it in two weeks?

MR. TOMPSON: Well, if we have to answer all of the questions that have been raised by Mr. Taylor's testimony, it's going to take us some time to do it. You know, we've gotten into things that I just have no information about at all.

We'll work just as fast as we can, but to tell you we can do it in two weeks, we'll try, but I'm just not at all sure we can make it.

We'll try whatever you say, but --

COMMISSIONER RAMEY: Well, the Commission meets

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again in two weeks is what I'm thinking about. We've continued the previous case this morning to a Commission hearing in two weeks.

MR. KELLAHIN: Couldn't we continue it for two weeks and if I'm unable to meet that deadline, could I then advise you and get another continuance?

COMMISSIONER RAMEY: Yes. Why don't we do that and if you see that you're not going to be able to make the deadline, why, I'd appreciate it if you would notify me and Mr. Taylor in time that he doesn't make a trip up here?

MR. KELLAHIN: I'll do that.

COMMISSIONER RAMEY: So we will continue the hearing until the 23rd of August.

MR. TAYLOR: Mr. Ramey, I thought as I presented them I was presenting these exhibits into evidence. If it were not so, then whatever's necessary for me to move them into evidence, I would like to do so, but I did have every intention when I made these statements that they were presented into evidence.

COMMISSIONER RAMEY: Did you want to object to any of them, Mr. Kellahin?

MR. KELLAHIN: Yes, I do want to. I want to object to several, but as I stated, until I can examine them I will not be sure whether I have a legitimate objection

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or not.

COMMISSIONER RAMEY: All right, we'll reserve ruling until we resume the hearing.

MR. KELLAHIN: And at that time I think we can cross examine Mr. Taylor in a very short time rather than dragging it out, and our testimony would be more concise, too.

MR. TAYLOR: I would point out to you, Mr. Kellahin, that the pressure's that reported to the Oil and Gas Accounting Commission by C&K Petroleum is 14.65 pounds rather than what's it is supposed to be at 15.025, as you will note as you cross check it against the C-115's.

MR. KELLAHIN: Thank you, sir.

COMMISSIONER RAMEY: Let's go off the record for a minute.

(There followed a discussion off the record.

(Hearing concluded.)

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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.

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~~C & K Ex 1 8-9-78~~
~~Ex 1-A 8-9-78~~

9/11	C & K Ex 2	List of Chgs	7p
	Ex 3	Well Costs	1p
	4	Sec Op Exp	1p
	5	Comp of Ex 3 & 4	1p
	6	~~Sched of Income~~	1p
	7	Income Sched	1p
	8	Comparison of Income	1p
	9	Invoice Schedule	5p
	10	Op Exp Schedule	3p
	11	Pay out Sched	1p
	12	Tubular Goods	1p
	13	Agreement	1p
	14	withdrawn	
	15	Letter ~~9-7-78~~	1p
	16	Letter w/attach	9p
	17	C 115's	4p
	18	Amended Rpt	2p
	19	Division Order	
9/11	Wells Ex 1	Check Stubs	5p
	" Ex 2	Notice to Owners	1p
9/11	Burnett Ex 1	Letter & Chkstubs	5p

Taylor

Ex. No.	Description	
2-1	C&K's application	3p
2-2	Tr, Case 5807	15p
7-1	C-102	1p
8-2	2-14-77 letter BG	1p
8-3	C-102	1p
8-4A	5-5-77 letter BG	1p
8-4B	5-17-77 letter BG	1p
8-5	unapproved C-103	1p
8-6	approved C-103	1p
9-1	C-105	1p
9-2	DST	1p
9-3	C-101	1p
10-1	6-10-77 letter C&K	1p
10-2	C-122	1p
11-1	Allowable	1p
11-2	1-20-78 letter C&K w/attach.	7p
11-3	C-105	1p
11-4	C-104	1p
11-5	Notice of connection TWP	1p
12-1	R-5332	5p
12-2	7-19-77 letter BT	2p
12-4	2-6-78 letter BT	1p
12-5	2-14-78 letter RLS	1p
12-6	4-21-78 letter LT	1p
12-7	Memo RLS	1p
13-4	2-26-77 letter BT	1p
14-1	6-24-77 letter C&K w/attach.	1p
C&K-1	invoice for tubing	
15-6	7-10-78 letter BT	1p
15-3	1-13-78 letter C&K	3p
15-4	1-30-78 letter C&K w/attach.	3p
15-1	1-13-78 letter C&K	2p
15-2	3-21-78 letter C&K w/attach.	11p

Aug 9, 1978

Taylor - Cont

Ex. No.	Description	
15-5	6-22-78 letter C&K 2p	
16-1	1-24-78 letter BT 1p	
16-2	1-24-78 letter BT w/ attach 4p	
16-3	3-15-78 letter BT 1p	
16-4	3-30-78 letter BT 1p	
16-5	4-14-78 letter BT 1p	
16-6	5-3-78 letter BT w/ attach 1p	
16-7	7-7-78 letter BT 1p	
16-8	4-14-78 letter C&K 1p	
16-9	5-19-78 letter C&K 2p	
16-10	6-14-78 letter C&K 1p	
17-1	C-111's 15p	
17-2A	old C-115's 11p	
17-2B	new C-115's 6p	Aug 9-78
17-3	O&G Accting Comm fig. 1p	
17-4A	BT's summary 1p	
17-8	7-10-78 letter BT 1p	
17-5	Petition 1p	
17-6A-D	Check Stubs 4p	
17-9	7-19-78 letter C&K 1p	
17-7	print-out of 10-77 1p	
19-1	8-4-78 letter H&S 1p	
5-2A	ownership records	
5-2B	ownership records	
20	Cert. receipt 1p	
9B-1	8-21-78 letter 1p	Sept 11, 78
15-1	8-22-78 letter C&K 3p	
21-5	operating agreement 30p	

C&K

Ex 1	Tubing Invoice 1p	Aug 9, 78
Ex 1-A	Letter w/ Bill of lading 3p	

~~C & K Ex 1 8-9-78~~

~~Ex 1-A 8-9-78~~

9/11	C & K	Ex 2 List of Chgs	7p
		Ex 3 Well Costs	1p
		4 Use of Exp	1p
		5 Comp of Ex 3 & 4	1p
		6 Sched of Income	1p
		7 Income sched	1p
		8 Comparison of Income	1p
		9 Income Schedule	5p
		10 Op Exp Schedule	3p
		11 Payout Sched	1p
		12 Tubular Goods	1p
		13 Agreement	1p
		14 withdrawn	
		15 letter ~~Affidavit 9p~~	1p
		16 letter w/attach	9p
		17 C 1.5's	4p
		18 Amended Rpt	2p
		19 Division Order	
9/11	Wells	Ex 1 Check Stubs	5p
	"	Ex 2 Notice to Owners	1p
9/11	Burnett	Ex 1 Letter & Check Stubs	5p

C & K
Ex 2 thru 13
15 thru 19
Case 6289
9/11/78
(Ex 14 withdrawn)

(2)

CARLSBAD #13-1
IDC & LEASE & WELL EQUIPMENT CHARGES

JIB Date Voucher No.	Exceptions	Credit Due
	1. Overhead Rate Adjusted to agree with rate stipulated in Order. Schedule I Credit Due	$ 895.88
#0864 4/77	2. Grant Oil Tool Company Invoice #16356 dated 4/25/77 Miscoded invoice Credit Due	$2,068.46
#0353 8/77	3. Dowell Invoice #05072773 dated 8/02/77 Miscoded invoice Credit Due	$10,351.97
#1010 3/77	4. Gilbert C. Thompson Expense Report Telephone expense covered by Overhead Credit Due	$ 15.28
	5. Storage and Handling Charges These charges were added to various C & K material transfers in error. Schedule II Credit Due	$4,801.84
#0752 3/77	6. Union Oil of California Delay Rental Should Not Apply to Payout Credit Due	$ 2.78
	7. Various Recording Fees and Abstract Costs Should not apply to payout. Schedule III Credit Due	$1,008.75

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 2
Submitted by C & K
Hearing Date Sept 11, 1978

JIB Date Voucher No.	Exceptions	Credit Due
	8. Various Legal Fees Should not apply to payout. Schedule IV	
	Credit Due	$ 525.68
	9. Bethlehem Steel Corporation Invoice #2986-4837-88 dated 5/03/77 Additional invoice for freight on material which was originally charged directly to Warehouse	
	Credit Due	$ 623.93
	TOTAL CREDIT DUE IDC & LEASE & WELL EQUIPMENT	$20,294.57

CARLSBAD #13-1
LEASE OPERATING COSTS

JIB DATE Voucher No.	Exceptions	Credit Due
Various 6/77	1. Minimum Royalties Should Not Apply to Payout	
	Credit Due	$ 717.31
	2. Various Recording Fees & Abstract Costs Should Not Apply to Payout. Schedule III	
	Credit Due	560.27
	TOTAL CREDIT DUE LEASE OPERATING COSTS	$1,277.58

CARLSBAD #13-1
OVERHEAD - FOR PAYOUT

VOUCHER NUMBER	Days	MONTH	AS CHARGED DRILLING OVERHEAD	AS CHARGED PRODUCING OVERHEAD	AS S/B CHARGED DRILLING OVERHEAD	AS S/B CHARGED PRODUCING OVERHEAD
	16	January 1977			516.13	
JV 7606	28	February (Jan. & Feb.)	2,407.60		1,000.00	
	15	March			483.87	
		April				
		May				
JV 7602		June		190.00		150.00
07-7602		July		190.00		150.00
		August				150.00
09-7602		September		380.00		150.00
10-7602		October		190.00		150.00
11-7602		November		190.00		150.00
12-7602		December		380.00		150.00
01-7602		January 1978		380.00		150.00
02-7602		February		380.00		150.00
03-7602		March		380.00		150.00
04-7602		April		380.00		150.00
05-7605		May (April & May)		229.14		150.00
06-7605		June		209.57		150.00
06-7502		June (Correct O/H 1978)		(950.00)		150.00
07-7602		July		209.57		150.00
		Total As charged	$2,407.60	$2,738.28		
		Total As Should Be Charged			$2,000.00	$2,250.00

Over (Under) Charged
Drilling Overhead $ 407.60
Producing Overhead 488.28
Total $ 895.88

Drilling Rig - MI 1-16-77
MO 2-23-77

Completion Rig - MI 3-01-77
MO 3-15-77

Drilling Rate: $1,000/Mo. Through 4/1/78 Producing Rate: $150/Mo.

SCHEDULE I

CARLSBAD #13-1
TUBULAR PRICE RECONCILIATION

JOINT BILLING REFERENCE #	DATE	DESCRIPTION	INVOICE NUMBER	INVOICE DATE	FOOTAGE	STORAGE & HANDLING CHARGES
7527	1/77	10 3/4" 45.50 K-55 ST & C	M-0021	1-20-77	2865'	$ 123.00
7534	1/77	10 3/4" 45.50 K-55 ST & C	M-0028	1-25-77	(236')	-0-
7534	1/77	10 3/4" 45.50 K-55 ST&C Cuttoff	M-0028	1-25-77	(23')	-0-
7521	3/77	5 1/2" 17# N-80 LTC	M-0076	3-09-77	2305'	2,065.28
7521	3/77	5 1/2" 17# N-80 Butt	M-0076	3-09-77	1048'	816.18
7521	3/77	5 1/2" 20# N-80 LTC	M-0076	3-09-77	1535'	790.83
7521	3/77	5 1/2" 20# N-80 LTC Ruff Coat	M-0076	3-09-77	452'	345.55
7511	3/77	5 1/2" 17# N-80 Butt	M-0061	3-03-77	(93')	-0-
7511	3/77	5 1/2" 17# N-80 Butt	M-0061	3-03-77	(21')	-0-
7511	3/77	5 1/2" 17# N-80 LTC	M-0061	3-03-77	(234')	-0-
7510	6/77	5 1/2" 17# S-95 LTC	M-0150	6-29-77	2151'	-0-
7541	1/78	5 1/2" 17# S-95 LTC	M-0512	1-13-78	2151'	-0-
7505	3/77	2 7/8" 6.5# N-80	M-0055	3-03-77	159'	-0-
7509	3/77	2 7/8" 6.5# N-80	M-0059	3-03-77	4197'	661.03
7516	4/77	2 7/8" 6.5# N-80	M-0098	4-05-77	596'	-0-
		TOTAL				$4,801.87

SCHEDULE II

CARLSBAD #13-1
CHARGES RELATED TO LEASES - NOT CHARGEABLE TO JOINT ACCOUNT

JOINT REFERENCE NUMBER	DATE	VENDOR	VENDOR INVOICE NUMBER	VENDOR INVOICE DATE	AMOUNT	DESCRIPTION
0060	1/77	Eddy County Abstract Co.		1-14-77	$ 993.50	Abstract #34152
1119	8/77	Eddy County Abstract Co.		8-31-77	546.27*	Abstract #34307
1660	3/78	Eddy County	3066	3-31-78	5.00*	Recording Fees
0800	12/77	Eddy County	2926	12-01-77	6.00*	Recording Fees
0857	11/77	Eddy County	2913	11-11-77	3.00*	Recording Fees
0982	6/77	Eddy County	2699	6-27-77	2.50	Recording Fees
0687	3/77	Eddy County	2482	3-21-77	12.75	Recording Fees
		TOTAL			$1,569.02	

*Charges Appear on Lease Operating Expense

TOTAL LEASE OPERATING EXPENSE	$ 560.27
TOTAL IDC & LEASE & WELL EQUIPMENT	$1,008.75

SCHEDULE III

CARLSBAD #13-1
LEGAL FEES NOT CHARGEABLE TO JOINT ACCOUNT

Joint Billing Ref. #	Date	Vendor	Vendor Invoice Date	Amount	Description
0980	1/77	Lynch, Chappel, Allday & Aldridge	12/21/76	$ 200.00	Conferences Concerning Title and Release of Right-of-way
1095	4/77	Lynch, Chappel, Allday & Aldridge	3/21/77	50.00	Office Conference
0104	12/76	Kellahin and Fox	12/21/76	225.68	Case No. 5807 Application for Compulsory Pooling & Non-standard Unit
0402	7/77	Lynch, Chappel, Allday & Aldridge	6/21/77	50.00	Conference Concerning Shut-in Gas Royalties
TOTAL				$ 525.68	

Schedule IV

(3)

CARLSBAD #13-1
IDC & LEASE & WELL EQUIPMENT CHARGES
BY EXPENSE CLASSIFICATION

Code	Description	Amount Charged To Joint Account	Exceptions	Amount Should Be Charged To Joint Account
91	Location, Pits & Roads	$ 6,393.36	-0-	$ 6,393.36
95	Damages, Permits & Right-of ways	3,001.20	-0-	3,001.20
97	Rig Expenses	206,230.45	-0-	206,230.45
107	Cement & Cementing Services	21,195.89	-0-	21,195.89
103	Fluids, Mud & Chemicals	17,531.01	-0-	17,531.01
110	Formation Evaluation	22,120.94	-0-	22,120.94
117	Perforating	5,362.29	-0-	5,362.29
119	Stimulation	23,457.05	($10,351.97)	13,105.08
041	Transportation Expense	7,779.39	-0-	7,779.39
035	Tool & Equipment Rental	12,853.46	($ 2,068.46)	10,785.00
093	Water	8,091.62	-0-	8,091.62
105	Power & Fuel	8,896.69	-0-	8,896.69
073	Misc. Labor, Services & Supplies	13,787.73	-0-	13,787.73
213	Overhead	2,407.60	($ 895.88)	1,511.72
125	Supervision & Professional	5,361.47	($ 540.96)	4,820.51
490	Other	3,380.53	($ 1,008.75)	2,371.78
301	Casing	122,422.12	($ 5,425.77)	116,996.35
302	Tubing	28,372.90	-0-	28,372.90
318	Auxiliary Casing Equipment	2,604.32	-0-	2,604.32
309	Packers & Anchors	7,777.72	-0-	7,777.72
307	Wellhead Equipment	16,709.35	-0-	16,709.35
317	Production Equipment	8,538.74	-0-	8,538.74
315	Flowline & Misc. Equipment	561.72	-0-	561.72
347	Installation Costs	8,650.37	-0-	8,650.37
	Sub-Total	$563,487.92	$20,294.57	$543,193.35
	Well Control Insurance 11,701 Feet @ $ .476/Ft.			5,570.00
	TOTAL IDC & LEASE & WELL EQUIPMENT To Be Recovered			$548,763.35

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 3
Submitted by CE IV
Hearing Date August 11, 1978

(4)

CARLSBAD #13-1
LEASE OPERATING EXPENSE

MONTH	OVERHEAD 01	PUMPING 02	MISC. SERVICE 03	MINIMUM ROYALTIES 04	LEGAL EXPENSES 05	SALT WATER DISPOSAL 06	COMPANY LABOR 07
June 1977	$ 190.00			$ 719.31			
July	190.00	$ 173.37		(2.00)			
August		130.00	$2,915.27		$ 546.27		
September	380.00		88.87				
October	190.00	130.00	226.09				
November	190.00	130.00			3.00	$ 72.80	
December	380.00	130.00			6.00		
January 1978	380.00	130.00					
February	380.00	130.00				72.28	
March	380.00	130.00			5.00	72.80	
April	380.00	130.00	68.64				
May	229.14	130.00	305.97				$ 18.05
June	(740.43)	130.00					(15.23)
July	209.57	129.69				72.80	185.12
Totals	$2,738.28	$1,603.06	$3,604.84	$ 717.31	$ 560.27	$ 290.68	$187.94
TOTAL	$9,702.38						
Less Exceptions	$1,277.58						
CORRECTED TOTAL	$8,424.80						

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 4
Submitted by C & K
Hearing Date Sept 11, 1978

(5)

CARLSBAD # 13-1

TOTAL COSTS

MONTH	IDC L&W EQUIPT	LEASE OPER. EXPENSE	TOTAL
November, 1976	$ 651.73		$ 651.73
December	6,129.60		6,129.60
January, 1977	90,649.44		90,649.44
February	255,264.21		255,264.21
March	(72.93)		(72.93)
March	176,410.10		176,410.10
April	16,948.09		16,948.09
May	5,594.31		5,594.31
June	9,157.24	$ 909.31	10,066.55
July	257.74	361.37	619.11
August	11,656.59	3,591.54	15,248.13
September	564.00	468.87	1,032.87
October	342.87	361.09	703.96
November		395.80	395.80
December		516.00	516.00
January, 1978	(17,137.80)	510.00	(16,627.80)
February	7,052.73	582.28	7,635.01
March	205.00	587.80	792.80
April		578.64	578.64
May		683.16	683.16
June		(625.66)	(625.66)
July		597.18	597.18
October, 1977 (Adjustment)	(185.00)	185.00	-0-
	$563,487.92	$9,702.38	$573,190.30
WELL CONTROL INSURANCE 11,701 feet @ $.476/ft	$ 5,570.00		$ 5,570.00
LESS EXCEPTIONS	$(20,294.57)	$(1,277.58)	$(21,572.15)
TOTAL COSTS	$548,763.35	$ 8,424.80	$557,188.15

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 5
Submitted by CSK
Hearing Date Sept 11, 1978

Carlsbad #13-1 Income As Reported on New Mexico Tax Commission Reports

	1 Volume MCF	2 Value Gross	3 Taxes	4 Value Net
Date				
June, 1977 (Amended)	10042	$ 15,822.02	$ 1,205.50	$ 14,616.52
July, 1977 (Amended)	50806	80,601.18	5,658.95	74,942.23
August, 1977 (Amended)	61432	97,774.42	6,926.71	91,047.71
September, 1977	54996	86,772.03	6,074.84	80,697.19
October, 1977	56521	89,768.80	6,267.47	83,501.33
November, 1977	50213	79,659.26	5,564.50	74,094.76
December, 1977	49304	78,217.19	5,463.76	72,753.43
January, 1978	49065	77,801.63	5435.13	72,366.50
February, 1978	43330	68,840.88	4,805.63	64,035.25
March, 1978	44971	71,448.03	4,981.61	66,466.42
April, 1978	41586	66,501.87	4,628.75	61,873.12
May, 1978	44296	70,835.54	4,990.74	65,844.80
June, 1978	41552	66,442.50	4,681.58	61,765.92
July, 1978	41880	67,471.85	4,689.64	62,791.21
July, 1978 (Oct. 1977 Amended)	5004	7,843.78	557.59	7,286.19
Total	644,998	$ 1,026,005.98	71,929.40	954,076.58

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 6
Submitted by CSK
Hearing Date Sept. 11, 19

(6)

	Initials	Date
Prepared By		
Approved By		

As Reported on New Mexico Tax Commission Reports

	1 Volume MCF	2 Value Gross	3 TAXES	4 Value Net
...ded)	10042	$ 15,822.02	$ 1,205.50	14,616.52
...ded)	50806	80,601.18	5,658.95	74,942.23
...ded)	61432	97,974.42	6,926.71	91,047.71
	54996	86,772.03	6,074.84	80,697.19
	56521	89,768.80	6,267.47	83,501.33
	50213	79,659.26	5,564.50	74,094.76
	49304	78,210.19	5,463.76	72,753.43
	49065	77,801.63	5435.13	72,366.50
	43330	68,840.88	4,805.63	64,035.25
	44971	71,448.03	4,987.61	66,460.42
	41586	66,501.87	4,622.75	61,879.12
	44296	70,835.54	4,990.74	65,844.80
	41552	66,447.50	4,681.58	61,765.92
	41880	67,471.85	4,680.64	62,791.21
...7 Amended)	5004	7,843.78	557.59	7,286.19
	644,998	$ 1,026,005.98	71,929.40	954,076.58

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 6
Submitted by CSL
Hearing Date Sept. 11, 1975

(1)

Carlsbad #13-1

Correct Income as Shown on Purchaser's Statements

	Date	Actual Prod. Per State Report MCF (14.06)	MCF (15.025)	Sales From Purchaser's Statement MCF (14.06)	MCF	$ Price	Gross Value	Taxes	Net Value	MCF (14.06)	MCF	$ P
1	June, 1977	10042	9791	10042		1.567502	15,740.26*	1205.50*	14,535.36			
2	July, 1977	50806	49536	50806		1.567502	79,632.51	9658.95	73,973.56			
3	August, 1977	55578	54188	55578		1.567502	87,114.63	6190.47	80,923.16	5854		1.56
4	September, 1977	54996	53621	54996		1.567837	86,224.76	6074.84	80,149.92			
5	October, 1977	56521	55108	56521		1.577649	89,170.30	6267.47	82,902.83	5004		1.56
6	November, 1977	50213	48958	50213		1.576078	79,139.60	5564.50	73,575.10			
7	December, 1977	49304	48071	49304		1.576077	77,706.25	5463.76	72,242.49			
8	JANUARY, 1978	49065	47838	49065		1.576441	77,320.71	5435.13	71,885.58			
9	February, 1978	43330	42247	43330		1.576441	68,294.36	4805.63	63,488.73			
10	March, 1978	44971	43847	44971		1.576441	70,884.74	4987.61	65,897.13			
11	April, 1978	41586	40556	41586		1.596844	66,406.44	4667.75	61,738.69			
12	May, 1978	44296	43194	44296		1.596844	70,738.89	4994.14	65,744.75			
13	June, 1978	41552	40578	41552		1.598437	66,418.25	4681.58	61,736.67			
14	July, 1978	41880	40833	41880		1.611419	67,494.60	4680.64	62,813.96			
15												
16	Totals	634140	618196	634140			1,003,718.60*	70,635.57*	933,083.03	10858		
17												
18	Approximate overpayment of Taxes							<190.00>				
19												
20	Corrected Totals						1,003,718.60	70,445.57	933,273.03			

* Gross Value reported To Tax Commission as $9802.70

(7)

Shown on Purchaser's Statements

3	4	5	6	7	8	9	10	11	12	13
Sales From Purchaser's Statement					Rig Fuel					Total
MCF (14.06)	MCF $ Price	Gross Value	Taxes	Net Value	MCF (14.06)	MCF $ Price	Gross Value	Taxes	Net Value	Net Value
10 040	1.56 7502	15,740.26	1,205.50	14,535.36						14,535.36
5080.6	1.56 7502	79,632.51	5658.95	73,973.56						73,973.56
5555.78	1.56 7502	87,114.63	6,190.47	80,924.16	5854	1.56 7502	9,176.16	736.24	8,439.92	89,364.08
5499.6	1.56 7837	86,224.76	6074.84	80,149.92						80,149.92
56 52.1	1.56 776.49	89,170.30	6,280.17	82,890.13	5004	1.56 7502	7,843.24	553.77	7,289.47	90,189.60
5023.13	1.56 760.78	79,139.60	5,564.50	73,575.10						73,575.10
4930.4	1.56 760 78	77,706.25	5,463.76	72,243.19						72,243.19
4904.5	1.56 7641	77,830.71	5,435.13	72,404.58						72,404.58
4330	1.56 7641	68,794.36	4,805.63	63,988.73						63,988.73
4497.1	1.56 7461	71,314.74	4,987.61	66,327.13						66,327.13
4158.6	1.596 846	66,406.44	4,627.75	61,777.69						61,777.69
4429.6	1.596 846	70,733.89	4,990.74	65,743.15						65,743.15
4155.2	1.59 8437	66,418.25	4,681.58	61,736.67						61,736.67
4288.0	1.61 7615	69,194.60	4,680.64	64,813.96						64,813.96
634 140		1,003,718.60	70,635.57	933,083.03	10958		17,019.94	1,293.83	15,726.11	948,809.14
			<190.00>					<47.06>		237.06
		1,003718.60	70445.57	933,273.03			17,019.94	1,246.77	15,773.17	947,946.20

2.70

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 7
Submitted by C & K
Hearing Date Sept 11, 1978

(8)

Initials | Date
Prepared By
Approved By

Carlsbad #13-1

Comparison of Income as Reported To Commission and Actually Received

	Date	1 Gross Value Per Tax Statements	2 Gross Value Per Transactions	3 Gross Value Gas Used for Rig Fuel	4 Difference
1	June, 1977	$ 15,822.03	15,740.86		81.16
2	July, 1977	80,601.18	79,638.51		962.67
3	August, 1977	97,974.42	87,118.63	9,802.70	1,053.09
4	September, 1977	86,722.03	86,224.76		547.27
5	October, 1977	97,612.58	89,123.30	7,843.78	598.50
6	November, 1977	79,659.26	79,139.60		519.66
7	December, 1977	78,217.19	77,706.95		510.24
8	January, 1978	77,801.63	77,839.71		(38.08)
9	February, 1978	68,840.88	68,741.36		99.52
10	March, 1978	71,448.03	71,344.74		103.29
11	April, 1978	66,501.97	66,406.44		95.53
12	May, 1978	70,835.54	70,733.79		101.65
13	June, 1978	66,447.50	66,418.25		29.25
14	July, 1978	67,471.85	67,494.60		(22.75)
15					
16	Total	$ 1,026,005.98	$ 1,003,718.60	$ 17,646.48	$ 4,640.90

Taxes overpaid on $ 4640.90 approx. $ 190.00

Value of Rig Fuel
reported in August as $ 9802.70
Should have been $ 9176.16
Value overstated $ 626.54

Total Gross Value Overstated
To Commission $ 5276.44

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 8
Submitted by C & K
Hearing Date Sept 11, 1978

	C1K Billing Mo	Vendor	Vendor Inv #	Vendor Inv Date	C1K Rec'd	Expense Classification	Inv. Amount			Description
1	11-76	John Lewis Jr.		11-17-76	11-0060	91	$ 130.00	$		Well Location
2	11-76	John Lewis Jr.		10-29-76	11-0060	91	104.00			Well Location
3	11-76	I.V.F. Robinson		11-9-23-76	11-7801	105	41.73			Supervise staking of Location
4	12-76	Construction Enterprises - Lov	5179	12-22-76	120088	91	3213.93			Clear & Level Location
5	12-76	John Lewis Jr.		12-14-76	11-0060	91	130.00			Well Location
6	12-76	Mr. & Mrs. E.W. Douglas	C1K C.V. 9345	12-17-76	12-0902	76	2500.00			Release of damages and easement
7	12-76	Kellahin and Fox		12-21-76	122104	105	68.58			Legal Fees case #5807
8	1-77	OD Rentals	1-01140	1-24-77	CV-1005	35	78.00			16" 600 Companion Flg 16" 8-rd
9	1-77	B&E Inc Part I	1-11480	1-19-77	CV-0385	41	20.85			Transfer water leaking Grant tank
10	1-77	B&F Walker Denver	5-141444	1-20-77	CV-0679	41	372.61			262 Jts 2 7/8" 4.70# Tubing - Trucking
11	1-77	Atlas Trucking Inc	77197	1-05-77	CV-0833	41	1641.81			40 Jts 10 3/4" 45.50# 5 Jts 8 5/8" 24# 1 Jt 7.06 Trucking
12	1-77	Atlas Trucking Inc.	77154	1-20-77	CV-0864	41	1230.36			45 Jts 10 3/4" 45.50# K-55 Stc - Trucking
13	1-77	Atlas Trucking Inc.	77106	1-14-77	CV-0825	41	311.50			8 Forklift
14	1-77	Atlas Trucking Inc.	65216	1-13-77	CV-0805	41	596.91	808.44		3 Jts 16" H 40 Casing
15	1-77	Construction Enterprise	10910	1-20-77	CV-0574	91	704.60			Labor & Equipment Cut crossing & dig out for water
16	1-77	Man Welding Services	6477	1-17-77	CV-0631	73	187.20			
17	1-77	Man Welding Services	6503	1-18-77	CV-0631	73	93.60	280.80		Track Shoes w/ case - weld
18	1-77	H&R Testers Inc	77-1009	1-5-77	CV-0938	73	603.20			Hydrostatic Pressure Test
19	1-77	M&W Welding Serv.	1241	1-30-77	CV-0983	73	94.00			Rig up M&W Separator
20	1-77	Construction Enterprise	1265 B	1-4-77	CV-0691	73	99.84			Cut for cellar
21	1-77	Construction Enterprise	1283.0	1-17-77	CV-0041	73	1,334.784			Install plastic pit liner
22	1-77	B&E Part I	1-11514	1-20-77	CV-0385	93	722.45			Haul Water
23	1-77	B&E Part I	1-11516	1-18-77	CV-0385	93	151.91	1,954.04		Haul Water
24	1-77	B&E Part I	1-11475	1-18-77	CV-0385	93	906.45			Haul Water
25	1-77	B&E Part I	1-11473	1-18-77	CV-0385	93	173.38			Haul Water
26	1-77	B&E Part I	1-11474	1-18-77	CV-0384	93	699.48	705.02		Haul Water
27	1-77	B&E Part I	1-11508	1-18-77	CV-0386	93	519.00			Haul Water
28	1-77	B&E Part I	1-11541	1-24-77	CV-0557	93	154.81			Haul Water
29	1-77	Stevenson Roach Tank Co.	3032	1-25-77	CV-0666	93	430.30			Staing water line
30	1-77	ARMCO National Supply	55919	1-20-77	CV-0554	103	153.17			Calgon x10 50# PWI-330 405#
31	1-77	ARMCO National Supply	56060	2-8-77	CV-0833	103	345.04			Chemical Corrosion Inhibitor
32	1-77	Drilling Mud Inc	11209	1-20-77	CV-0554	103	1102.50			Various Chemicals
33	1-77	BJ Hughes	30-12099	1-21-77	CV-0941	107	7456.29	9,860.73		Bulk Material 11408 cu.ft. Cement
34	1-77	BJ Hughes	30-11580	1-31-77	CV-0948	107	2404.44			Bulk Material 604 cu.ft
35	1-77	Eddins-Walcher Company	0528220	1-17-77	CV-0345	105	501.91			Petroleum Gas
36	1-77	Eddins-Walcher Company	0528613	1-14-77	CV-0345	105	421.91			Petroleum Gas
37	1-77	Eddins-Walcher Company	0528700	1-17-77	CV-0345	105	304.77	1,784.73		Petroleum Gas
38	1-77	Eddins-Walcher Company	0528575	1-14-77	CV-0345	105	129.00			Petroleum Gas
39	1-77	Eddins-Walcher Company	0528617	1-17-77	CV-0345	105	432.81			Petroleum Gas
40	1-77	Eddins-Walcher Company	0528573	1-14-77	CV-0344	105	721.34			Petroleum Gas
41	1-77	Eddins-Walcher Company	0529006	1-19-77	CV-0588	105	694.39			Petroleum Gas
42	1-77	Eddins-Walcher Company	0529864	1-21-77	CV-0529	105	430.90	9,112.94		Petroleum Gas
43	1-77	Eddins-Walcher Company	0529860	1-20-77	CV-0528	105	631.44			Petroleum Gas
44	1-77	Eddins-Walcher Company	0529826	1-20-77	CV-0529	105	703.31			Petroleum Gas
45	1-77	Stevenson-Roach Tank Co.	3032	1-25-77	CV-0666	73	933.95			Laying Steel lines
46	1-77	C1K	MT0035	1-25-77	MT 0035	73	6541.99			Tubing for L.P. 2 3/8" H.70 EUE
47	1-77	BJ Hughes	30-12098	1-21-77	CV-0948	107	768.47			Cement csg.
48	1-77	BJ Hughes	30-11579	1-21-77	CV-950	107	819.32			Pump Truck
49	1-77	OPI Inc	29473	1-12-77	CV-1006	118	1,700.00			Float Collar - Centralizers - 16"
50	1-77	Rose Gravel Company	4704	2-3-77	CV-1055	107	34.52	138.52		(ORLA Gravel
	1-77	Rose Gravel Company	4705	2-3-77	CV-1055	107	143.00			(Ready Mix Concrete

44702.23

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 9
Submitted by C1K
Hearing Date August 11, 1978

(9)

Carlsbad #13-1
IDC 1 L&W Equipt
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Vendor Inv #	Vendor Inv Date	C&K Ref #	Expense Classification	Inv. Amount		Description
T	11-17-76	11-0006	91	130.00		Well Location
T	10-29-76	11-0006	91	104.00		Well Location
T	11-23-76	11-7801	105	41.73		Supervise Staking of Location
5179	12-23-76	1200089	91	33,213.93		Clear & Level Location
T	10-14-76	11-0006	91	130.00		Well Location
C&K C.V. 9345	12-17-76	12-0903	95	2,500.00		Release of damages and easement
T	12-21-76	12-0104	105	995.58		Legal Fees case #5807
I-21140	1-27-77	CV-1005	315	78.00		16" 600 Conversion Flg 16" 8-rd
I-21430	1-19-77	CV-0385	411	20.85		Transfer water leaking from tank
5-1414	1-20-77	CV-0678	411	372.61		262 Jts 2⅜" 4.70# Tubing - Trucking
77197	1-25-77	CV-0893	411	1164.81		44 Jts 10¾" HS 50# 51 Jts 24" 4.70# TOG - Trucking
77154	1-20-77	CV-0884	411	11,330.36		442 Jts 16" H 40 Casing - Trucking
77106	1-14-77	CV-0895	411	2,111.50	808.44	Forklift
658716	1-13-77	CV-0895	411	696.94		9 Jts 16" H 40 Casing
12910	1-20-77	CV-0574	911	704.60		Loboard Equipment Co. crossing & dig out for water
6477	1-17-77	CV-0631	73	1,817.20		
6503	1-18-77	CV-0631	73	93.60	390.80	Track Shoes cut csg - weld
27-1009	1-31-77	CV-0937	73	603.20		Hydrostatic Pressure Test
Hall	1-30-77	CV-0930	73	941.00		Rig up mtl. Separator
1265.0	1-6-77	CV-0041	73	99.84		Cut off on cellar
1283.0	1-11-77	CV-0041	73	1,347.84		Install plastic pit liner
I-11514	1-20-77	CV-0385	93	732.45		Haul Water
I-11516	1-18-77	CV-0385	93	1,551.81	1,954.06	Haul Water
I-11476	1-18-77	CV-0385	93	206.48		Haul Water
I-11473	1-18-77	CV-0385	93	810.38		Haul Water
I-11474	1-18-77	CV-0386	93	1,293.43	965.00	Haul Water
I-11508	1-19-77	CV-0386	93	810.00		Haul Water
I-11511	1-26-77	CV-0557	93	1,551.81		Haul Water
6032	1-25-77	CV-0666	93	430.30		String water line
559019	1-17-77	CV-0514	103	1,533.17		Calgon x10 50# Pkg 330 405#
560140	2-8-77	CV-0833	105	34.509		Chemical Corrosion Inhibitor
11324	1-28-77	CV-0903	105	4,102.56		Various Chemicals
[illegible]	[illegible]	[illegible]	911	17,500.00	11,666.73	Dirt Material 1400 cu. yd. Cement
80-11530	1-31-77	CV-0949	107	2,404.44		Bulk Material 604 cu. ft.
0528220	1-17-77	CV-0345	105	504.81		Petroleum Gas
0529613	1-14-77	CV-0345	105	431.91		Petroleum Gas
0529700	1-19-77	CV-0345	105	304.77	724.73	Petroleum Gas
0528575	1-14-77	CV-0345	105	190.00		Petroleum Gas
0529617	1-12-77	CV-0345	105	452.81		Petroleum Gas
0528573	1-14-77	CV-0344	105	721.34		Petroleum Gas
0528026	1-19-77	CV-0588	105	694.39		Petroleum Gas
0528368	1-21-77	CV-0529	105	480.90	1,112.94	Petroleum Gas
0528960	1-22-77	CV-0588	105	931.44		Petroleum Gas
0528826	1-20-77	CV-0535	105	703.31		Petroleum Gas
9032	1-25-77	CV-0666	73	933.95		Laying Steel lines
MT0035	1-25-77	MT 0035	73	654.99		Tubing Sub L.P. 3⅜" H.70 EUE
80-10098	1-31-77	CV-0949	107	768.47		Cement csg.
80-11579	1-31-77	CV-950	107	819.32		Pump Truck
99473	1-12-77	CV-1006	318	1,700.00		Float Collar - Centralizers - 16"
41041	2-3-77	CV-1055	107	39.52	182.52	CRLA Gravel
41051	2-3-77	CV-1055	107	143.00		Ready Mix Concrete

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 9
Submitted by C & K
Hearing Date August 11, 1978

Carlsbad #13-1
IDC 1 L'W Equipt
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	C&K Billing No.	Vendor	Vendor Inv. #	Vendor Inv. Date	C&K Ref. #	Expense Classification	Inv. Amount		Description
1	1-77	Advance Consultants Corp	7715	12-1-76	CV-0190	110	3293.75		Hire of Logging Unit
2	1-77	Drillprotco Inc.	19811	1-31-77	CV-0904	107	31.01		Volume meter to determine volume behind 10¾" casing
3	1-77	Oil well Inc.	003474	1-31-77	CV-1009	73	1174.72		5 X 7 sample bag
4	1-77	A-1 Sign Engravers	1-20	1-24-77	CV-0545	73	21.00		Direction Sign For lease
5	1-77	Bethlehem Steel Corp. Part I	2926-4706	1-24-77	CV-0543	301	7563.00		93 Jts 16" 65# H-40 Stc. Rc
6	1-77	C&K		1-20-77	INT-759.7	301	3593.55		10¾" 45.50 K-55 STC casing 85 Jts
7	1-77	C&K		1-25-77	INT-753.4	301	(995.00)		10¾" 45.50 K-55 STC casing 5 Jts.
8	1-77	C&K		1-25-77	INT-753.4	301	(136.99)		10¾" 45.50 K-55 STC casing cut off
9	1-77	C&K		1-25-77	INT-753.4	308	(1943.20)		2⅜" Tubing 4.70 EUE 8 Rd Jts
10	1-77	FMC Corp	0826	1-14-77	CV-0211	307	3013.31		Head Plug Flange Etc.
11	1-77	Lynch Chappel Allday	—	12-21-76	CV-0980	95	200.00		Title Release Right of way
12	1-77	Eddy County Abstract Co Inc	—	12-10-76	CV-0660	490	893.50		Abstracts
13									
14	2-77	Sanderson Equipment Co.	15114	3-3-77	CV-0919	41	235.00		Forklift unload trucks
15	2-77	World Plastics	05-1724	2-23-77	CV-1170	35	1241.00		Separator rental
16	2-77	B&E Inc.	01061	2-24-77	CV-0630	41	70.10		Pick up choke & Hoses Delivered to Hobbs N. Mex.
17	2-77	World Plastics	04-1676	1-24-77	CV-0120	73	56.16		Weld bull shoe
18	2-77	World Plastics	04-1677	1-25-77	CV-0120	73	102.96		Cut off 16 and 10¾" Weld on Wellhead
19	2-77	Man Welding Service	[illegible]	[illegible]	[illegible]	73	[illegible]		Cut off 5" casing
20	2-77	Rose Gravel Co.	418	3-2-77	CV-1139	107	33.80		Cu yds mortar Sand
21	2-77	World Plastics	05-1729	2-23-77	CV-1170	41	391.94		Trucks and crew to rig down
22	2-77	John Lewis Jr.	3-130	2-1-77	CV-0415	91	(130.00)		Paid in Dec-check return
23	2-77	B&E Inc.	1724	3-3-77	CV-0345	93	7.30		10 BBLS water hauled
24	2-77	Eddy County Inc.	2445	2-18-77	CV-1005	95	110.00		Permit to cut Rd.
25	2-77	Sharp Drilling Co.	3008	2-24-77	CV-0558	91	15,170.80		Footage drilled 11,648'
26	2-77	B&E	1617	2-11-77	CV-0053	93	439.73	508.86	Water hauled
27	2-77	B&E	1631	2-18-77	CV-0053	93	89.13		Water hauled
28	2-77	B&E	1606	2-23-77	CV-0089	93	326.40	357.15	Water hauled
29	2-77	B&E	1649	2-23-77	CV-0089	93	89.75		Water hauled
30	2-77	B&E	1645	3-11-77	CV-0236	93	171.17		Water hauled
31	2-77	B&E	1635	3-9-77	CV-0236	93	606.11	789.39	Water hauled
32	2-77	B&E	1650	2-11-77	CV-0236	93	405.11		Water hauled
33	2-77	Armco National Supply	56130	2-14-77	CV-0436	103	365.01		Chemical 50# Drum Inhibitor
34	2-77	Drilling Mud Inc.	1397	2-16-77	CV-0417	103	13,038.74		Caustic Soda / Seamud Dris.
35	2-77	B&E Inc.	1676	3-25-77	CV-0618	93	46.20	690.71	Haul Water
36	2-77	B&E Inc.	1677	2-25-77	CV-0618	93	554.51		Haul Water
37	2-77	Drilling Mud Inc.	1456	3-28-77	CV-0736	103	(1,886.10)		Soda Ash
38	2-77	B&E Inc.	1724	3-3-77	CV-0845	93	135.31		Haul water
39	2-77	Union Supply Co Inc.	1-10847	1-31-77	CV-0953	73	215.03		Nipples, Y & B Hammer Union Etc.
40	2-77	Union Supply Co	CM-1-10847	1-31-77	CV-0953	73	(9.63)		Nipples
41	2-77	Eddins-Walcher Company	05-30003	2-23-77	CV-1059	105	(981.16)	(1,043.12)	Petroleum Gas
42	2-77	Eddins-Walcher Company	05-30003	2-23-77	CV-1059	105	(61.96)		Petroleum Gas
43	2-77	Halliburton Services	SAr 63178	1-24-77	CV-0077	313	634.45		Centralizer Floats, Guide shoe
44	2-77	Advance Consultants Corp	—	2-24-77	CV-0939	110	1492.40		2 day Hydrocarbon Well Logg
45	2-77	Welex	WL-120478	2-20-77	CV-0976	110	10,228.45		Well Logging
46	2-77	Halliburton Services	7778802	2-17-77	CV-1030	110	1,909.76		Open hole DST
47	2-77	Earl Gartner-Geol.	—	3-5-77	CV-1019	125	1401.70		Consulting Geologist
48	2-77	I.V. Robinson	—	2-14-77	CV-1081	125	494.49		Supervision Running 16" casing
49	2-77	D.L. Miller	—	2-7-77	CV-1018	125	149.48		Lay & Hook up Gas line
50	2-77	C&K		2-19-77	CV-1406	213	2907.10		Drilling Overhead
	2-77	Armco National Supply	56029	2-28-77	CV-0436	103	12.22		Calgon Sample Kit

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	C+K Billing Mo.	VENDOR	VENDOR Inv. #	VENDOR Inv. Date	C+K Rec. #	Expense Classification	Inv. Amount		DESCRIPTION
1	2-77	C+K (DEPOSIT)			JV-0338	301	(95.87)		SALE OF THREAD PROTECTORS
2	2-77	ATLAS TRUCK LINE INC.	7-7079	2-23-77	CV-0139	41	6.50		1 JT. 5½" 17# N-80 CASING
3	3-77	" "	7-7489	2-24-77	CV-0231	41	194.74		5½" CASING
4	2-77	TOMMY WHITE SUPPLY	19129	2-19-77	CV-0127	73	11.75		2 CANS KRYLON ENGINE PAINT
5	2-77	CONST. ENTERPRISES OF LOS	1359.8	2-25-77	CV-0145	91	24.75		CLEAN WELL LOCATION
6	2-77	B. J. HUGHES	30-15102	2-28-77	CV-0185	107	3199.10	955.84	GLASS A CEMENT AQUATROL (D-19) ETC.
7	2-77	B. J. HUGHES	30-15105	3-2-77	CV-0225	107	(2358.74)		CEMENT PUMP UNIT
8	2-77	BENNETT WIRE LINE SERVICE	277-84	2-28-77	CV-0139	110	345.38		TEMPERATURE SURVEY
9	2-77	I V ROBINSON	-	3-01-77	CV-0201	125	81.46		SURVEYING RUNNING 5½" CASING
10	2-77	SUNSHINE IRON WORK			CV-0128	93	20.00		* UNABLE TO LOCATE VENDOR
11	2-77	MIDLAND PIPE	00645	2-28-77	CV-0151	302	2278.42		2⅞" OD 6.50# N-80 TUBING 2441 JTS
12	2-77	HALLIBURTON SERVICES	04-537490	2-21-77	CV-0180	318	314.16		FLOAT COLLAR - CEMENT FT SHOE
13	2-77	(Misc. Equipment Sold) L(W) Eq.			JV-0008	301	(179.13)		FT Sale of Thr. Protectors
14	3-77	Cameron Iron	146910	3-15-77	CV-0472	35	41.23		Rental on Remote Drilling Control Sys.
15	3-77	Continental Emsco	0300315	3-6-77	CV-0211	35	659.36	1,104.45	Rental on Pit Level Rec. #1 & #2 Counter Sys
16	3-77	Continental Emsco	0302119	1-28-77	CV-0211	35	445.09		Rental on Mud Proc. Recvrs
17	3-77	Stevenson Roach Tank Co	01583	3-7-77	CV-0240	73	1446.43		Labor & Equipment Transfer to Location
18	3-77	Sharp Drilling Co. Inc.	3035	3-4-77	CV-0150	91	2384.72		Abbott Bros. Rat Hole Service - Third Party Charge
19	3-77	Sharp Drilling Co. Inc.	3035	3-4-77	CV-0150	93	256.85		Less Sharp portion (water)
20	3-77	B & E Inc	3-1780	3-14-77	CV-0187	93	141.19		0/13% KCl
21	3-77	B & E Inc.	3-1771	3-14-77	CV-0187	93	199.18		Water Hauled
22	3-77	Sharp Drilling	3030	3-3-77	CV-0441	91	11,961.05		Footage Drilling Well
23	3-77	B & E Inc.	3-1755	3-11-77	CV-0133	93	459.38	679.77	Haul Water
24	3-77	B & E Inc.	3-1746	3-11-77	CV-0133	93	220.39		Haul Water
25	3-77	Arenco National Supply	CM-054407	3-17-77	CV-0441	103	(603.89)		50# Drum Calgon Chemical 1105# Drum PW 330
26	3-77	Drilling Mud Inc.	CM-1592	3-25-77	CV-0135	103	(1548.77)		Sea Mud
27	3-77	Eddy County Clerk	2418	3-9-77	CV-0487	190	12.75		Recording Fees
28	3-77	Sharp Drilling	3030	3-4-77	CV-0150	91	1900.90		Abbott Bros. Rat Hole Serv.
29	3-77	Halliburton Services	CM-RO-101315	3-16-77	CV-0256	318	(486.92)		Trans. Cmtg. Equip. 2½ Sx
30	3-77	Land & Marine Services	3-2869	3-31-77	CV-1235	35	398.00	5,446.00	Rental 2" Shaffer 2M Dbl BOP #19854 Studs
31	3-77	Land & Marine Services	3-3002	3-31-77	CV-1285	35	2,048.00		Hanger, Power Swivel & Drilling Spool 6" 900 X 6"
32	3-77	C & K Stock	—	3-29-77	JV-1510	35	60.00		Pipe Rack Rental mt mod 60
33	3-77	National Trucking Inc.	05776	3-9-77	CV-0159	41	92.40		Haul X-mas Tree
34	3-77	Atlas Truck Line	77008	3-8-77	CV-0451	41	607.86		374 Jts 2⅜" 6.50# N-80 EUE Tubing
35	3-77	Atlas Truck Line	775913	3-29-77	CV-0458	41	153.20	223.25	5½" 17# N-80 Buttress 5½" 17# N-80 Loc Nos
36	3-77	Atlas Truck Line	775113	3-29-77	CV-0158	41	69.05		Storage in Transit 2411 Jts 2⅜" TBG
37	3-77	Atlas Truck Line	77117	3-25-77	CV-0804	41	200.95		Haul Heater
38	3-77	Grant Oil Country Tubular	03-321	3-29-77	CV-1282	41	740.00		Freight Harvey, La. to Midland, Tx.
39	3-77	Cameron Iron	961417	3-14-77	CV-0439	73	65.85		Steel Gasket Ring Seal
40	3-77	Atlas Trucking	776441-19	3-11-77	CV-0450	41	35.00		Unload Tubing
41	3-77	Stevenson-Roach Tank Co.	2184	3-17-77	CV-0555	73	805.90		Labor to connect well to test unit
42	3-77	Union Supply	112078	3-18-77	CV-0569	41	96.32		Sesame Padlock ⅜" Steel Chain
43	3-77	B & E	13807	3-25-77	CV-0707	93	46.10		Haul Water
44	3-77	Construction Enterprises	14190	3-21-77	CV-0435	91	1099.83		Dozer Work
45	3-77	Rowland Trucking Co.	C-3771270	3-25-77	CV-0155	93	49.19		Haul Water
46	3-77	C.W. Douglas		4-6-77	CV-0993	490	1,500.00		N/2 Section 13 T-22-S R-26-E Eddy County
47	3-77	Clark Oil Well Serv.	—	3-30-77	CV-1043	91	9,385.48		Service Well During Completion
48	3-77	Vann Tool Co	3306	3-15-77	CV-1169	35	2,790.53		Customer Instrument Service, Cement Dump Bailer
49	3-77	Welex	44-123312	3-17-77	CV-1176	110	1,273.00		Depth & Operation Charge
50	3-77	Western Co.	00128	3-13-77	CV-0155	117	2,504.08		Completion
	3-77	Welex	44-123313	3-7-77	CV-1176	117	2,838.21		Grease Head, Sidekick Thur Tubing

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3-77	Nitrogen Oil Well Service Co.			CV-0933	119	15,276				
3-77	" "	10744	3-18-77	CV-0931	119	1,541	48	Test N2 Line to 2,000 PSI		
3-77	Dowell			CV-1013	119	1,021	75			
3-77	Dowell	DC-13744-8	3-12-77	CV-1038	119	3,231	80	Completion Cost		
3-77	Dowell			CV-1019	119	477	39			
3-77	Gil Thompson		4-04-77	CV-1010	125	15	28	Expenses		
3-77	Bethlehem Steel Corp.	2425-65113-01	3-29-77	CV-0461	301	134,721	24	223 Jts. 5½" Casing		
3-77	C+K Material Transfer	M-0041	3-31-77	JV-2511	301	(10,357		5½" Pkrs. N-80		
3-77	" " "	M-0041	3-31-77	JV-2511	301	(310,407		5½" 80 LTC N-80		
3-77	" " "	M-0041	3-31-77	JV-2511	301	(		5½" Pup Jts. N-80		
3-77	" " "	M-0074	3-31-77	JV-2521	301	764	77	5½" Pup Jts. N-80		
3-77	" " "	M-0074	3-31-77	JV-2521	301	19,973	28	5½" 17# N-80 LTC		
3-77	" " "	M-0074	3-31-77	JV-2521	301	12,088	45	5½" 20 N-80 LTC		
3-77	" " "	M-0074	3-31-77	JV-2521	301	5282	03	5½" 20 N-80 LTC		
3-77	" " "	M-0055	3-31-77	JV-2505	302	516	16	2⅞" 6.5 N-80		
3-77	" " "	M-0059	3-31-77	JV-2509	302	13,881	58	2⅞" 6.5 N-80		
3-77	FMC	7030/817	3-16-77	CV-0842	307	18,241	29	Christmas Tree Assembly		
3-77	Jarrel Services	524	3-05-77	CV-0049	302	484	64	Seating Nipples		
3-77	Union Supply Co.	11991	3-19-77	CV-0234	302	148	28	7" x Casing		
3-77	Hages Anchor & Road Boring	2211	3-02-77	CV-0245	301	281	54	4 Wing Tiebco Anchors		
3-77	Baker Packers	35416	3-12-77	CV-0592	309	812	25	Sealing Connector W/ Box		
3-77	" "	35416	3-12-77	CV-0592	309	1764	00	Baker A-2 OSC Packer		
3-77	" "	34841	3-14-77	CV-0592	309	1329	00	Retainer Production Packer		
3-77	" "	34841	3-14-77	CV-0592	301	472	00			
3-77	" "	35416	3-12-77	CV-0592	309	152	97	ALL Other Charges on Baker Inv.		
3-77	Welex	112312	3-04-77	CV-1174	309	1314	96	5½" Packer		
3-77	C+K Material Transfer	M-0055	3-31-77	JV-2505	315	554	80	2⅞ Y.T. Cut		
3-77	" " "	M-0079	3-31-77	JV-2524	317	3380	71	Wire Heater 750 Watt		
3-77	" " "	M-0080	3-31-77	JV-2525	317	324	77	Choke Oct 2		
3-77	" " "	M-0080	3-31-77	JV-2525	317	34	76	Cap Assembly		
3-77	Union Oil Of California		3-31-77	CV-0952	490	3	78	Lease Rental		
4-77	Grant Oil	16354	4-25-77	CV-0864	35	2068	46	Rental Rotating Drilling		
4-77	C+K Material Transfer	M-0089	4-30-77	JV-2507	35	431	00	Equipment Rental Supply Fuel & Mt.		
4-77	Sharp Drilling Co.	5098	4-11-77	CV-0879	95	191	20	Third Party Charges City of Carlsbad, New Mexico		
4-77	" " "			JV-2020	105	(123	93)	Gas Line for Rig Fuel		
4-77	C+K Material Transfer	M-0089	4-30-77	JV-2507	302	(3,742	10)	2⅜" Y.T. 4.7# EUE T&C		
4-77	C+K T.V.	M-0035	4-30-77	JV-2530	73	44	01	Correction On M-0035		
4-77	Grant Oil Tubular Courtesy			CV-0912	301	859	42	16" OD 65# H-40 Casing Stc		
4-77	C+K Material Transfer	M-0099	4-30-77	JV-2511	35	50	00	Rental Of Pipe Racks		
4-77	S+R Industries	359	4-12-77	CV-0333	347	237	32	Sandblast used Pipe in Lines		
4-77	T+C Tank Rental	472	4-13-77	CV-0331	347	105	20	Drilling and Road time for Anchor Hole		
4-77	E.L. Farmer	3888	4-20-77	CV-0446	41	27	44	Loading Casing String		
4-77	A+ Sign	3-44	3-30-77	CV-0129	73	27	85	Well Sign + Frame		
4-77	Dowell	05-12-1077	3-10-77	CV-0153	119	803	50	Tree Saver Service for Acid-Rail-CO_2 Protection		
4-77	Lynch Chappel	-	3-24-77	CV-1045	490	50	00	Legal Services		
4-77	I.V.F Robinson	-	4-20-77	JV-0081	125	1,139	64	Supervise Well Completing		
4-77	C+K Material Transfer	M-0098	4-30-77	JV-2516	302	(1,274	45)	Tubing String Excess		
4-77	Atlas Truck Line	18090	4-09-77	CV-576	41	219	95	Freight On Tubing		
4-77	Stevenson Roach Tank Co.	2258	4-07-77	CV-217	317	1,824	16	210 Bbl. Tank		

139,142.72

Carlsbad #13-1
IDC & L & W Equipt
Page 4

Mo.	VENDOR	VENDOR INV. #	VENDOR INV. DATE	CK REF. #	EXPENSE CLASSIFICAT.	INV. AMOUNT			
4-77	Stevenson Roach Tank Co.	2358	4-08-77	CV-0212	317	91.74			Rent:
4-77	" "	2358	4-08-77	CV-0212	317	2875.00			Scrapper 14 x 10
4-77	Union Supply	A-12767	4-24-77	CV-0381	347	135.77			Surface Work Up
4-77	Union Supply	A-12767	4-29-77	CV-0381	347	1614.34			Surface Work Up
4-77	Union Supply	A-13295	4-29-77	CV-1001	347	1955.72			Surface Work Up
4-77	Rose Gravel	2119	4-04-77	CV-0203	101	1482.00			Ready Mix Concrete CY 200
4-77	Stevenson Roach	2358	4-08-77	CV-0212	347	2209.00			Labor
4-77	Rowland Trucking	54691	3-31-77	CV-0111	93	55.25			Haul Water
5-77	Sharp Drilling	3139	4-11-77	CV-0233	35	1243.73			Misc. - Third Party Charges
5-77	Bethlehem Steel	TX 118	5-16-77	CV-1005	301	1543.33			Underground Disc. Taken
5-77	" "	9783-9837-88	5-05-77	CV-0020	301	423.93			Freight
5-77	Union Supply	13359	5-27-77	CV-0954	315	1192			2" Sch 80 LR 90 Ell Weld FV
5-77	Construction Enterprises	1534-B	4-29-77	CV-0140	91	3432.20			Reset Cleanup
5-77	" "	5520	5-10-77	CV-0411	91	3120.00			Finish Cleanup
5-77	Dowell	05-13-7969	3-14-77	CV-0031	119	3457.43			Completion
5-77	C + K	4-0120	5-18-77	JV-7510	301	(54.25)			Returned 3000# Choke
6-77	Transwestern Pipeline	80674-43-900	6-19-77	CV-0438	347	350.00			Rental of Gas Meter
6-77	C + K Material Transfer		6-30-77	JV-9201	301	(8590.48)			Credit to 056
6-77	Production Services	77972	6-30-77	CV-1155	347	1508.80			Rental Back Pressure Valve-Controller
6-77	Thurmond McClothlin	4811	6-28-77	CV-1051	347	360			Chart Rec FPV
6-77	Stevenson Roach Tank			CV-9204	173	1079.90			Assist Welder On Wellhead Equip
6-77	Eddy County Clerk	2499	6-22-77	CV-0982	490	2.50			Recording Fees
6-77	C + K Material Transfer	4-0151	6-30-77	JV-7510	301	19137.80			S/L VPI S-95 Lse
7-77	Stevenson Roach	2406	7-05-77	CV-0069	347	1887.76			To Remove Hi-Low Valves & Install Down Stream
7-77	Rose Gravel	2145	7-05-77	CV-0131	101	1898			CY 3/8" Gravel
7-77	Lynch Chappel		6-21-77	CV-0490	490	50.00			Legal Fee - Short In Gas Royalties
8-77	C. Allen Dorsey	R-148	8-09-77	CV-0552	347	1304.62			Run Bottom Hole Pressure Test
8-77	Dowell	05-07-7975	4-14-77	CV-0363	119	1252.02			Completion Acid Job
8-77	Dowell	05-19-7100R	8-19-77	CV-0553	119	(803.50)			
8-77	Dowell	05-12-7104	8-14-77	CV-0363	119	803.50			Treesaver 2 3/8
9-77	General Liab. Ins. Premiums		9-30-77	JV-7907	490	564.00			Premiums
10-77	Stevenson Roach	2631	9-28-77	CV-0070	91	1518.89		(3)	Clean Up Location
1-78	C + K Material Transfer			JV-7541	301	(19137.80)			Returned
2-78	Transwestern Pipeline Co		12-29-77	JV-8409	105	1052.73			Rig Fuel For Drilling Well
3-78	General Liab. Ins.		3-31-78	JV-7903	490	205.00			Premiums
	TOTAL	$43,482.92							

36,991.12

Carlsbad #13-1
IDC & L & W Equipt
Page 5

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Carlsbad #13-1

Lease Operating Expense Page 1

	C&K Billing Date	Vendor	Vendor Inv. #	Vendor Inv. Date	C&K Check #	Expense Classification	Invoice Amount	Expense Distribution	Description
1	6-77	Administrative Overhead			SV-76.02		190.00	01	
2	6-77	Minimum Royalties			Various		117.31	04	
3									
4	7-77	Gray Pumping	[illegible]	7-77	CV-0054		43.37	03	
5	7-77	Gray Pumping	7-156	7-77	CV-0101		130.00	02	
6	7-77	Administrative Overhead			UV-7602		190.00	01	
7	7-77	Minimum Royalties			77-0020		20.00	04	
8									
9	8-77	Doral Fence Co.		8-1-77	78-0059		69.15	03	Fence Post - Gates etc
10	8-77	Eddy County Abstract		8-31-77	78-1119		44.27	05	Abstract #34307
11	8-77	Gray Pumping		8-31-77	01-0989		130.00	00	
12									
13	9-77	Union Supply	140977	9-9-77	CV-0071		18.87	03	Flow Bean & Bean Wrench
14	9-77	Administrative Overhead		9-77	CV-7609		190.00	01	
15	9-77	Administrative Overhead		8-77	CV-7605		190.00	01	
16									
17	10-77	Gray Pumping Service		10-31-77	CV-1057		130.00	02	
18	10-77	Union Supply Co.	171811	9-30-77	CV-2417		36.29	03	Sesame Hacks
19	10-77	Thurmond McGlothlin	4-5360	9-30-77	CV-0096		4.80	03	Chart Vol. FPV
20	10-77	Administrative Overhead		10-31-77	UV-7605		190.00	01	
21	10-77	Kendal Company	11-27-1000	9-22-77	CV-1193		120.00	03	Weed Control Around Well
22									
23	11-77	Gray Pumping			CV-0400		130.00	02	
24	11-77	Rowland Trucking Co.	C 1081-534	11-3-77	CV-0564		76.80	06	Disposal
25	11-77	Administrative Overhead			UV-7603		190.00	01	
26	11-77	Eddy County			UV-0857		3.00	05	
27									
28	12-77	Gray Pumping			CV-0515		130.00	02	
29	12-77	Administrative Overhead		12-31-77	CV-7603		190.00	01	
30	12-77	Administrative Overhead		12-31-77	CV-7605		190.00	01	
31	12-77	Eddy County		12-77	CV-0800		6.00	05	Recording Fee
32									
33									
34	1-78	Gray Pumping			CV-0021		130.00	02	
35	1-78	Administrative Overhead			CV-7602		190.00	01	
36	1-78	Administrative Overhead			CV-7605		190.00	01	
37									
38	2-78	Gray Pumping			CV-0523		130.00	02	
39	2-78	Rowland Trucking	C-178-251	11-30-77	CV-0031		72.96	06	Dispose of Water
40	2-78	Administrative Overhead		2-28-78	CV-7603		190.00	01	
41	2-78	Administrative Overhead		2-28-78	CV-7605		190.00	01	
42									
43	3-78	Gray Pumping		3-78	CV-0084		130.00	02	
44	3-78	Rowland Trucking Co.		3-4-78	CV-1541		72.80	06	Water Disposal
45	3-78	Administrative Overhead		3-78	UV-7603		190.00	01	
46	3-78	Administrative Overhead		3-78	UV-7605		190.00	01	
47	3-78	Eddy County Clerk		3-78	UV-1660		5.00	05	Recording Fees
48									
49									

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 10
Submitted by C & K
Hearing Date Sept. 11, 1978

Lease Operating Expenses layed

Carlsbad #13-1

Lease Operating Expenses Page 2

	C/K Billing Mo	Vendor	Vendor Inv #	Vendor Inv Date	C/K Reg #	Expense Classification	Inv. Amount		Description
1	4-78	Gray Pumping			CV-0142		$ 130 00	03	
2	4-78	Stevenson-Roach Tank	31136	4-6-78	CV-0405		69 61	03	Clean up Location weeds & trash
3	4-78	Administrative Overhead			CV-7405		190 00	01	
4	4-78	Administrative Overhead			CV-7405		190 00	01	
5									
6									
7	5-78	Gray Pumping			CV-0518		130 00	03	
8	5-78	Lubrication Service	9866	4-25-78	CV-0650		63 65	03	Valve Lubrication
9	5-78	Stevenson Roach		4-25-78	CV-1139		242 39	03	
10	5-78	Administrative Overhead		5-78	UV-7405		209 57	01	
11	5-78	Administrative Overhead		4-78	UV-7407		19 57	01	
12	5-78	Field Supervisors Midland		5-78	UV-7301		60 18	07	
13	5-78	Field Supervisors Robinson		5-78	7401		<1 13>	07	
14	5-78	Field Supervisors Miller		5-78	7401		<27 99>	07	
15	5-78	Field Supervisors Hurst		5-78	7401		<20 15>	07	
16	5-78	ADJ Prior Supervision Collins		5-78	UV-9202		38	07	
17	5-78	ADJ Prior Supervision Sanger		5-78	UV-9202		<1 61>	07	
18	5-78	ADJ Prior Supervision Allied		5-78			08	07	
19	5-78	Stock Purchase Plan-Field Sup Midland		5-78	UV-7301		90	07	
20	5-78	ADJ Prior Supery Collins		5-78	UV-9202		09	07	
21	5-78	ADJ Prior Supery Sanger		5-78	UV-9202		13	07	
22	5-78	ADJ Prior Supery Allied		5-78	UV-9202		00	07	
23	5-78	Payroll Taxes Field Supv Midland		5-78	UV-7301		3 69	07	
24	5-78	Payroll Taxes Prior Supv-Allied		5-78	UV-9202		14	07	
25	5-78	Payroll Taxes Prior Supv-Sanger		5-78	UV-9202		45	07	
26	5-78	Payroll Taxes Prior Supv-Collins		5-78	UV-9202		24	07	
27	5-78	Payroll Taxes Prior Supv-Allied		5-78	UV-9202		07	07	
28	5-78	Payroll Taxes Prior Supv-Collins		5-78	UV-9202		12	07	
29	5-78	Payroll Taxes Prior Supv-Sanger		5-78	UV-9202		17	07	
30	5-78	Travel Expenses Collins		5-78	UV-9202		<1 03>	07	
31	5-78	Auto & Truck Exp Allied		5-78	UV-9202		03	07	
32	5-78	Auto & Truck Exp Sanger		5-78	UV-9202		11	07	
33	5-78	Auto & Truck Exp Collins		5-78	UV-9202		00	07	
34	5-78	Payroll Insurance Midland		5-78	205-7301		1 10	07	
35	6-78	Gray Pumping Service		6-78	CV-0385		130 00	02	
36	6-78	O.H. Charged 78		6-78	CV-7502		<950 00>	01	Correction
37	6-78	Administrative Overhead		6-78	CV-7405		209 57	01	
38	6-78	Field Supv Salaries-Midland		6-78	UV-7301		60 18	07	
39	6-78	Field Supv Salaries-Hurst		6-78	UV-7401		<31 35>	07	
40	6-78	Field Supv-Robinson		6-78	UV-7401		<22 37>	07	
41	6-78	Field Supv-Miller		6-78	UV-7401		<31 35>	07	
42	6-78	Stock Plan-Field Supv Midland		6-78	UV-7301		90	07	
43	6-78	Payroll Taxes		6-78	UV-1301		3 65	07	
44	6-78	Payroll Ins.		6-78	UV-7301		1 10	07	
45	6-78	Auto & Truck Exp-Sears Roebuck		6-78	UV-9201		3 11	07	
46	6-78	Auto & Truck Exp-McKraig Chev. Co.		6-78	UV-9201		24	07	
47									

	Initials	Date
Prepared by		
Approved by		

Lease Operating Expenses — Page 3
Carlsbad #13-1

	C&K Billing No.	Vendor	Vendor Inv. #	Vendor Inv. Date	C&K Ref.	Expense Classification	Inv. Amount		Description
1	7-78	Gray Pumping			CV-04555		189 69	02	
2	7-78	Rowland & Trucking Co.	5719/4436	6-2-78	CV-01231		79 80	06	Water Disposal
3	7-78	Administrative Overhead			CV-7602		209 57	01	
4	7-78	Field Supervision Salaries Midland		7-78	JV-7301		1001 10	07	
5	7-78	Field Supervision Salaries W. Texas			JV-7301		(941 19)	07	
6	7-78	Direct Supervision Clrg. 1978			JV-7305		119 43	07	
7	7-78	Field Supv. 3/78			JV-9309		60 18	07	
8	7-78	Field Supv. 3/78			JV-9309		(45 93)	07	
9	7-78	Stock Purchase Plan Midland			JV-7301		90	07	
10	7-78	Payroll Taxes Midland			JV-7301		345	07	
11	7-78	Payroll Ins. Midland			JV-7301		1101	07	
12							9700 36		

(11)

CARLSBAD #13-1

PAYOUT

	IDC L & W Equipment	Lease Operator Expense Thru 7/78	Total
Total Costs	$ 548,763.35	$ 8,424.80	$ 557,188.15
Adjusted Material Costs	3,140.52	-0-	
Total Adjusted Costs	551,903.87	8,424.80	
WI Applicable to Payout	.1418597	.1418597	
WI Costs	$ 78,292.92	$ 1,195.14	
120% Cost Recovery	2.2	1	
Total to be Recovered	$ 172,244.42	$ 1,195.14	$ 173,439.56
Income (Net of Taxes and Royalties thru 7/78)	$949,046.20		
NMI Applicable to Payout	.1241272		
Total Income Applicable to Payout	$117,802.45		$ 117,802.45
Balance to be Recovered at July 31, 1978			$ 55,637.11

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 11
Submitted by C & K
Hearing Date Sept. 11, 1979

12

(12)

Carlsbad #13-1 Tubular Price Reconciliation

Joint Billing Ref#	Date	Description	1 M.T. #	2 M.T. Date	3 Condition	4 Footage	5 Unit Price	6 Amt. Charged	7 Storage & Handling Chg.	8 Amt. Chgd By C-K after deducting Handling Chg.	9 Lone Star Steel Price + Tax
7527	1/77	10¾" 45.50 K-55 stc	M-00021	1-20-77	"A"	2865'	$ 12.54	$ 35,935.50	$ 123.00	$ 35,812.50	$ 12.37
7534	1/77	10¾" 45.50 K-55 stc	M-00028	1-25-77	"A"	<236'>	12.50	<2,950.00>	-0-	<2,950.00>	12.37
7534	1/77	10¾" 45.50 K-55 stc cut-off	↓	✓	B+C (45%)	<23'>	12.50	<186.99>	-0-	<186.99>	12.37
7521	3/77	5½" 17# N-80 Ltc	M-00716	3-9-77	"A"	2305'	6.50	14,973.28	2065.28	12,908.00	6.67
7521	3/77	5½" 17# N-80 Butt	✓	✓	"A"	1044'	7.27	7,617.70	816.18	6,801.52	6.66
7521	3/77	5½" 20# N-80 Ltc	✓	✓	"A"	1433'	7.88	12,088.43	790.83	11,297.60	7.22
7521	3/77	5½" 20# N-80 Ltc. Ruff Coat	✓	✓	"A"	452'	11.69	5,282.00	345.55	4,936.45	9.26
7511	3/77	5½" 17# N-80 Butt	M-00611	3-3-77	"A"	<93'>	6.49	<603.57>	-0-	<603.57>	6.49
7511	3/77	5½" 17# N-80 Butt	✓	✓	"D"	<21'>	13.40	<70.35>	-0-	<70.35>	6.40
7511	3/77	5½" 17# N-80 Ltc.	✓	✓	"A"	<2034'>	5.60	<13,104.40>	-0-	<13,104.40>	6.47
7510	4/77	5½" 17# S-95 Ltc.	M-01502	6-29-77	"A"	2151'	7.97	17,137.80	-0-	17,137.80	
7541	1/78	5½" 17# S-95 Ltc.	M-05112	1-13-78	"A"	2151'	7.97	<17,137.80>	-0-	<17,137.80>	
7505	3/77	2⅞" 6.5# N-80	M-00555	3-3-77	"A"	159'	3.24	515.16	-0-	515.16	2.9
7509	3/77	2⅞" 6.5# N-80	M-00599	3-3-77	"A"	4197'	3.31	13,888.58	667.03	13,220.55	2.7
7516	4/77	2⅞" 6.5# N-80	M-00988	4-5-77	"A"	596'	3.15	<1,877.40>	-0-	<1,877.40>	2.7
								$ 83,294.94	$ 4,801.87	$ 78,493.07	

$34,978.84

Tubing cost

(12)

2	3	4	5	6	7	8	9	10	11	12	13
T. Date	Condition	Footage	Unit Price	Amt. Charged	Storage & Handling Chg.	Amt Chgd By C&K after deducting Handling Chg	Lone Star Steel Price + Tax	Amt. S/B chg. Per Lone Star Steel	Freight Lone Star to Odessa	Total Amt S/B charged	Amt. over-<under> charged
20-77	"A"	2865'	$ 12.54	$ 35935.50	$ 123.00	$ 35812.50	$ 12.3740	$ 35452.08	$ 1994.47	$ 37446.55	$ <1634.05>
25-77	"A"	<236'>	12.50	<2950.00>	-0-	<2950.00>	12.3742	<2920.31>	<164.29>	<3084.60>	134.60
/	B-C (65%)	<231'>	12.50	<186.99>	-0-	<186.99>	12.3742	<184.99>	<10.41>	<195.40>	8.41
9-77	"A"	2305'	6.50	14973.28	2065.28	12908.00	6.1771	14239.83	599.53	14839.36	<1931.36>
/	"A"	1048'	12.27	7611.70	816.18	6801.52	6.6041	6921.10	272.59	7193.69	<392.17>
/	"A"	1535'	11.28	12088.43	790.83	11297.60	7.2179	11154.23	469.71	11625.94	<328.34>
/	"A"	452'	11.69	5282.00	345.55	4936.45	9.3679	4234.29	138.31	4372.60	563.85
3-77	"A"	<93'>	6.49	<603.57>	-0-	<603.57>	6.6041	<614.18>	<24.19>	<638.37>	34.80
/	"D"	<21'>	13.40	<70.35>	-0-	<70.35>	6.6041	<34.67>	<1.37>	<36.04>	<34.36>
/	"A"	<534'>	5.60	<1310.40>	-0-	<1310.40>	6.1778	1445.61	<60.86>	<1506.47>	196.07
29-77	"A"	2151'	7.97	17137.80	-0-	17137.80					-0-
13-78	"A"	2151'	7.97	<17137.80>	-0-	<17137.80>					-0-
3-77	"A"	159'	3.24	515.16	-0-	515.16	2.99	475.41	15.81	491.22	23.94
3-77	"A"	4197'	3.31	13881.58	661.03	13220.55	2.99	12549.03	417.39	12966.42	254.13
5-77	"A"	596'	3.15	<1877.40>	-0-	<1877.40>	2.99	<1782.04>	<59.27>	<1841.31>	<36.09>
				$ 83294.94	$ 4801.87	$ 78493.07				$ 81633.59	$ <3140.52>

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6267 Exhibit No. 12
Submitted by C & K
Hearing Date Sept. 11, 1978

South Carlsbad
Eddy Co., New Mexico

AGREEMENT

C & K Petroleum, Inc., is the applicant for compulsory pooling and a non-standard gas proration unit in Case No. 5807 before the New Mexico Oil Conservation Commission, Wednesday, November 10, 1976. Bill Taylor and William A. Page are owners of interests in the minerals underlying the proposed non-standard unit that would be affected by a pooling order.

Bill Taylor represents that he has the right to bind William A. Page, and E. W. Hooper, Exploration Manager for C & K Petroleum, Inc., represents that he has the right to enter into this agreement on behalf of C & K Petroleum, Inc.

C & K Petroleum, Inc., agrees that at the presentation of this case it will not seek a risk factor in excess of 120%, that is it will seek the right to recover its reasonable costs of drilling, completing and equipping the subject well, plus 120% of that amount as a risk factor for drilling the well, as provided by New Mexico statutes, and the rules and regulations of the Commission.

Bill Taylor acknowledges receipt of estimated well costs in the form of an A.F.E., given to him this date, and C & K Petroleum Inc., agrees that Bill Taylor shall have thirty days from this date in which to pay his share of estimated well costs in lieu of paying such share out of production, and thereby avoid payment of the 120% risk factor.

Bill Taylor shall have the right to take his gas in kind, after payout of the well, provided that he shall make connection at his own expense.

It is agreed that C & K Petroleum, Inc., does not seek compulsory pooling in this case of any formations other than Wolfcamp and Pennsylvanian formations, and does not seek pooling of any formations above the Wolfcamp.

Bill Taylor
BILL TAYLOR, for himself, and for William A. Page

E. W. Hooper
E. W. HOOPER, for C & K Petroleum, Inc.

Dated: November 9, 1976

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 13
Submitted by C & K
Hearing Date Sept 11, 1978

RECD
AUG 2 1977
C & K Petroleum, Inc.

512 Welshire
Carlsbad, NM 88220
August 1, 1977

C & K Petroleum, Inc.
G. C. Tompson
Manager of Products
P.O. Drawer 3546
Midland, TX 79702

Dear Mr. Tompson:

I have received New Mexico Oil Conservation Commission order #R-5451 designating C & K Petroleum, Inc. as operator of a proposed well on the W ½ of Sec. 7, Township 22 South, Range 27 East, NMPM, Eddy County (which you designate as Carlsbad "7" # 1 well).

Enclosed is a check for $408.23, the amount your AFE #00160 establishes as my share of estimated well costs. This complies with the forced pooling provision of the N.M.O.C.C. order #R-5451.

As the N.M.O.C.C. order is interpreted to me, I am obligated for payment upon your presentation of an AFE to myself and the N.M.O.C.C. within 30 days of your beginning drilling operations. Your AFE #00160 for which the check is payment is dated July 14, 1977. My payment of your AFE obligates you to begin drilling operations by August 14, 1977.

Sincerely,

Bill Taylor

Bill Taylor

Enclosure

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 15
Submitted by C & K
Hearing Date Sept. 11, 1978

C & K Petroleum, Inc.

600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915) 683-3311

September 8, 1978

Mr. W. A. Gressett, Supervisor
District II
Oil & Gas Division
Drawer DD
Artesia, New Mexico 88210

Re: C & K Petroleum, Inc.
Carlsbad "13" No. 1 Well
Eddy County, New Mexico

Dear Mr. Gressett:

It has been brought to our attention that there have been some errors and omissions made in forms filed with the Commission concerning the above subject well. In an effort to correct your files we are filing the following amended reports:

Form	Correction
1. Form C-102	On the original report filed 11/23/76 the dedicated acreage was shown as 320 acres. The corrected form shows the dedicated acreage to be 336.60 acres.
2. Form C-103	The original C-103 showed that a 7-7/8" hole was drilled from the 10-3/4" casing point to total depth. Actually, a 9-5/8" hole was drilled to 8747' at which point the hole was reduced to 7-7/8". This conforms with the well plan that was filed.
3. Form C-104	This is filed to show that gas was delivered from the lease to provide drilling fuel for the Carlsbad "7" No. 1. At the time this sale was made this form was apparently not filed.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 16
Submitted by C & K
Hearing Date Sept 11, 1978

4. Form C-111	For August and September, 1977. Not only was the authorization form omitted, but apparently no gas purchaser's report was filed. The enclosed forms put the gas used on the Carlsbad "7" of record.
5. Form C-111	For June and July, 1977. These forms show gas used from the Carlsbad "13" to drill the Carlsbad "12" No. 1 well. A form was filed for the month of June using an estimated volume. The amended form for June corrects the volume to actual. We find no record of a form being filed for July. This filing will put the July volume of record.

Corrected Form 115's were filed earlier this week to reflect gas delivered for drilling purposes that was omitted on previous reports. We are submitting these forms through the normal channels. If you have any questions please let us know.

Yours very truly,

C & K PETROLEUM, INC.

GC Tompson

G. C. Tompson,
Manager of Production

GCT/meb

cc: District I
Oil Conservation Division
P. O. Box 1980
Hobbs, New Mexico 88240
Attn: Mr. Jerry Sexton

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

Though copies are shown to Hobbs and to Santa Fe, we have followed the distribution procedure outlined in the District Rules and Regulations. Santa Fe and Hobbs will find only copies of the form C-111 attached to their letter. We presume the District office will make distribution of the other forms in a normal fashion.

REC'D

NEW MEXICO OIL CONSERVATION COMMISSION

WELL LOCATION AND ACREAGE DEDICATION PLAT NOV 1 8 1976

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

Operator	Lease	Well No.
C & K PETROLEUM, INC.	Carlsbad "13" Com C & K Petroleum, Inc.	1

Unit Letter	Section	Township	Range	County
G	13	22 S	26 E	Eddy

Actual Footage Location of Well:
1650 feet from the North line and 2040 feet from the East line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
3145	Morrow	South Carlsbad (Morrow)	320 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

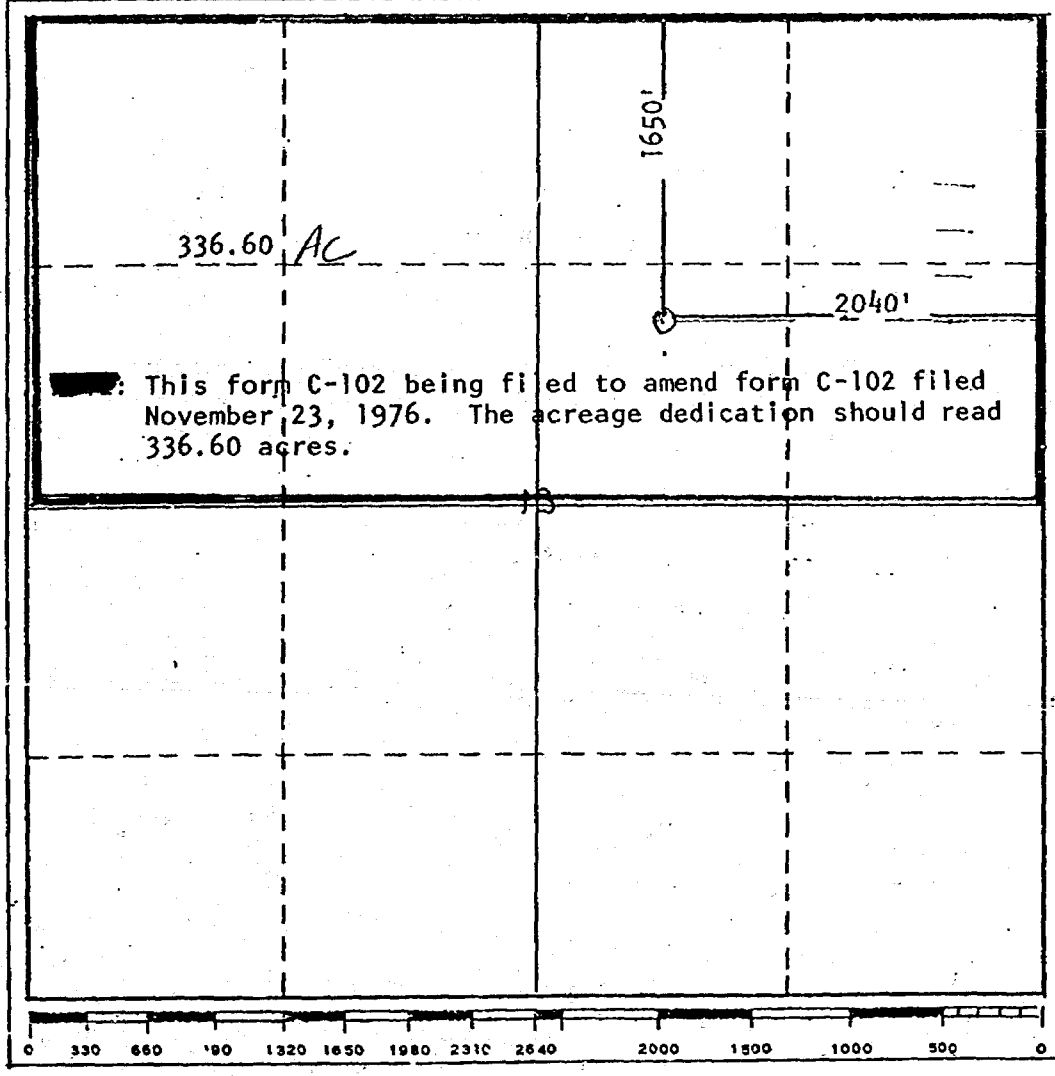
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling. etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



[redacted]: This form C-102 being filed to amend form C-102 filed November 23, 1976. The acreage dedication should read 336.60 acres.

CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name: W. C. Cooper

Position: Administrative Supervisor

Company: C & K Petroleum, Inc.

Date: August 21, 1978

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Nov. 17, 1976

Date Surveyed

Registered Professional Engineer and/or Land Surveyor

N. M. 220

Certificate No.

NO. OF COPIES RECEIVED		
DISTRIBUTION		
SANTA FE		
FILE		
U.S.G.S.		
LAND OFFICE		
OPERATOR		

NEW MEXICO OIL CONSERVATION COMMISSION

[redacted]

Form C-103
Supersedes Old C-102 and C-103
Effective 1-1-65

5a. Indicate Type of Lease: State [ ] Fee [X]

5. State Oil & Gas Lease No.

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT —" (FORM C-101) FOR SUCH PROPOSALS.)

1. OIL WELL [ ] GAS WELL [X] OTHER-

7. Unit Agreement Name

2. Name of Operator: C & K Petroleum, Inc.

8. Farm or Lease Name: Carlsbad "13" Com.

3. Address of Operator: P.O. Drawer 3546 Midland, Texas 79701

9. Well No.: 1

4. Location of Well: UNIT LETTER G, 2040 FEET FROM THE East LINE AND 1650 FEET FROM THE North LINE, SECTION 13 TOWNSHIP 22-S RANGE 26-E NMPM.

10. Field and Pool, or Wildcat: South Carlsbad (Morrow)

15. Elevation (*Show whether DF, RT, GR, etc.*): 3144 GR.

12. County: Eddy

16. Check Appropriate Box To Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK [ ]	PLUG AND ABANDON [ ]	REMEDIAL WORK [ ]	ALTERING CASING [ ]
TEMPORARILY ABANDON [ ]		COMMENCE DRILLING OPNS. [ ]	PLUG AND ABANDONMENT [ ]
PULL OR ALTER CASING [ ]	CHANGE PLANS [ ]	CASING TEST AND CEMENT JOB [X]	
OTHER [ ]		OTHER [ ]	

17. Describe Proposed or Completed Operations *(Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work)* SEE RULE 1103.

Production Casing: Drilled 9-1/2" hole from 2603' to 8747'. Reduced hole size to 7-7/8" @ 8747'. Drilled 7-7/8" hole from 8747' to 11,700' TD. Set 5-1/2" csg. (1975'-20# N-80, 9711'-17# N-80) @ 11,700'. Cemented iwth 350 sx. Cl-H, 2% Lo-Dense, 1% D-19 followed by 500 sx. Cl-H, 1% D-19. Plug down @ 5:20 PM CST, 2-22-77. Ran temp survey. Found top of cement behind 5-1/2" csg. @ 8430'. WOC in excess of 72 hrs.

Completion: 3-9-77 perf. 9-0.38" holes 11,541; 11,552; 11,556; 11,563; 11,570; 11,580; 11,591 11,640; 11,642'. 3-11-77 acidized with 2000 gals. Swabbed 6 hrs. No continuous flow. Set DR plug in packer with one bailer cement on top to plug off bottom perforations. 3-15-77 perf. 15-0.40" holes 11,298; 11,300; 11,302; 11,348; 11,352 11,356; 11, 360; 11,404; 11,406; 11,408; 11,410; 11,435; 11,437; 11,439'; 11,449. Acidized with 2500 gals.,7-1/2% acid. Flowed well on 1/2" ck. 2-1/2 hrs. Gas volume 1600 MCFGPD (Calculated). FTP 300-350#. Shut in over night. 3-16-77 flow tested 4-1/2 hrs. 11/64" ck., FTP 2350#, gas volume 1200 MCFGPD. Shut in well. Waiting on Transwestern Gas Co. gas sales connection.

[redacted] This amended C-103 being filed to reflect the fact that a 9-5/8" hole size was reduced to a 7-7/8" hole @ 8747".

18. *I hereby certify that the information above is true and complete to the best of my knowledge and belief.*

SIGNED [signature] TITLE Administrative Supervisor DATE August 21, 1978

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

NO. OF COPIES RECEIVED		
DISTRIBUTION		
SANTA FE		
FILE		
U.S.G.S.		
LAND OFFICE		
TRANSPORTER OIL		
TRANSPORTER GAS		
OPERATOR		
PRORATION OFFICE		

NEW MEXICO OIL CONSERVATION COMMISSION

REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS

Form C-104
Supersedes Old C-104 and C-11
Effective 1-1-65

Operator
C & K PETROLEUM, INC.

Address
P.O. Drawer 3546, Midland, Texas 79701

Reason(s) for filing (Check proper box)
New Well ☐
Recompletion ☐
Change in Ownership ☐
Change in Transporter of:
Oil ☐ Dry Gas ☐
Casinghead Gas ☐ Condensate ☐

Other (Please explain) To cover delivery of fuel to C&K's Carlsbad 7 #1 for drilling operation for period Aug.3, 1977 thru Sept.9. 1977.

If change of ownership give name and address of previous owner _____

DESCRIPTION OF WELL AND LEASE

Lease Name	Well No.	Pool Name, Including Formation	Kind of Lease	Lease No.
Carlsbad "13" COM.	1	South Carlsbad (Morrow)	State, Federal or Fee FEE	

Location
Unit Letter G : 2040 Feet From The East Line and 1650 Feet From The North

Line of Section 13 Township 22-S Range 26-E , NMPM, Eddy County

DESIGNATION OF TRANSPORTER OF OIL AND NATURAL GAS

Name of Authorized Transporter of Oil ☐ or Condensate ☐	Address (Give address to which approved copy of this form is to be sent)
Name of Authorized Transporter of Casinghead Gas ☐ or Dry Gas ☐	Address (Give address to which approved copy of this form is to be sent)

If well produces oil or liquids, give location of tanks.	Unit	Sec.	Twp.	Rge.	Is gas actually connected?	When

If this production is commingled with that from any other lease or pool, give commingling order number: _____

COMPLETION DATA

Designate Type of Completion – (X)	Oil Well	Gas Well	New Well	Workover	Deepen	Plug Back	Same Resv.	Diff. Resv.

Date Spudded	Date Compl. Ready to Prod.	Total Depth	P.B.T.D.
Elevations (DF, RKB, RT, GR, etc.)	Name of Producing Formation	Top Oil/Gas Pay	Tubing Depth
Perforations			Depth Casing Shoe

TUBING, CASING, AND CEMENTING RECORD

HOLE SIZE	CASING & TUBING SIZE	DEPTH SET	SACKS CEMENT

TEST DATA AND REQUEST FOR ALLOWABLE

(Test must be after recovery of total volume of load oil and must be equal to or exceed top allowable for this depth or be for full 24 hours)

OIL WELL

Date First New Oil Run To Tanks	Date of Test	Producing Method (Flow, pump, gas lift, etc.)	
Length of Test	Tubing Pressure	Casing Pressure	Choke Size
Actual Prod. During Test	Oil-Bbls.	Water-Bbls.	Gas-MCF

GAS WELL

Actual Prod. Test-MCF/D	Length of Test	Bbls. Condensate/MMCF	Gravity of Condensate
Testing Method (pitot, back pr.)	Tubing Pressure (Shut-in)	Casing Pressure (Shut-in)	Choke Size

CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Commission have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

(Signature)

Administrative Supervisor
(Title)

August 10, 1978
(Date)

OIL CONSERVATION COMMISSION

APPROVED _____, 19 _____

BY _____

TITLE _____

This form is to be filed in compliance with RULE 1104.

If this is a request for allowable for a newly drilled or deepened well, this form must be accompanied by a tabulation of the deviation tests taken on the well in accordance with RULE 111.

All sections of this form must be filled out completely for allowable on new and recompleted wells.

Fill out only Sections I, II, III, and VI for changes of owner, well name or number, or transporter, or other such change of condition

NEW MEXICO OIL CONSERVATION COMMISSION
GAS PURCHASERS MONTHLY REPORT

Form C-111 Sheet No. 1
Supersedes old Form C-111 & C-114
Effective 1-1-65

Operator and Address	Plant	Month
C&K Petroleum, Inc.-P.O. Box 3546-Midland, Tx. 79701	See Remarks	August-1977

REPORT ALL VOLUMES OF GAS IN MCF AT 15.025 PSIA AND 60°F

SECTION I — Volume of Gas Taken	VOLUME — MCF
Total Gas From Oil Wells (Detail on Sheet 2)	
Total Gas From Gas Wells (Detail on Sheet 2)	4055
Total Gas From Other Sources (Detail on Sheet 2)	
TOTAL TAKES	
Gasoline or Other Extraction Plant Only:	
Deduct Volume That By-Passed Plant and Was Not Processed	
TOTAL PLANT INPUT	

SECTION II — Disposition		ITEM	UNPROCESSED GAS VOLUME MCF	ITEM	PLANT RESIDUE VOLUME MCF
Lease Use	Detail Below	a.		h.	
Gas Drilling Operation	" "	b.		i.	
Gas Lift	" "	c.		j.	
Fuel System	" "	d.		k.	
Returned to Lease For Fuel	" "	e.		l.	
Returned to Earth	" "	f.		m.	
Sold or Other Disposition	" "	g.		n.	
Plant Fuel					
Vented					
Shrinkage					
Totals					
GRAND TOTAL — ALL DISPOSITION					

SECTION III — Detail of Disposition *(Show each individual disposition of items above.) (Attach additional sheets if necessary)*

ITEM	NAME AND ADDRESS OF PURCHASER OR USER	USED FOR	VOLUME — MCF
	C & K Petroleum, Inc.	Drill operation	4055
	P.O. Box 3546	C&K Petroleum, Inc.	
	Midland, Tx. 79701	Carlsbad 7	

SECTION IV — Plant Production, Receipts, Deliveries, and Stock in Barrels of 42 U.S. Gallons.

PRODUCT	OPENING STOCK	RECEIPTS	PRODUCTION	DELIVERIES	CLOSING STOCK
Oil					
Condensate					
Gasoline					
Butane					
Propane					
Kerosene					
Other					
TOTAL					

Remarks: This C-111 being filed to report sale of gas from Carlsbad 13 #1 to our Carlsbad 7, initial sale 8-3-77. The volume recorded above represents intergrated chart volume.

Signature [signature] Title Administrative Supervisor Date August 10, 1978

NEW MEXICO OIL CONSERVATION COMMISSION
GAS PURCHASERS MONTHLY REPORT

Form C-111 Sheet No. 1
Supersedes old Form C-111 & C-114
Effective 1-1-65

Operator and Address	Plant	Month
C&K Petroleum, Inc.-P.O. Box 3546-Midland, Tx. 79701	See Remarks	Sept.1977

REPORT ALL VOLUMES OF GAS IN MCF AT 15.025 PSIA AND 60°F

SECTION I – Volume of Gas Taken	VOLUME – MCF
Total Gas From Oil Wells (Detail on Sheet 2)	949
Total Gas From Gas Wells (Detail on Sheet 2)	
Total Gas From Other Sources (Detail on Sheet 2)	
TOTAL TAKES	
Gasoline or Other Extraction Plant Only:	
Deduct Volume That By-Passed Plant and Was Not Processed	
TOTAL PLANT INPUT	

SECTION II – Disposition		ITEM	UNPROCESSED GAS VOLUME MCF	ITEM	PLANT RESIDUE VOLUME MCF
Lease Use	Detail Below	a.		h.	
Gas Drilling Operation	" "	b.		i.	
Gas Lift	" "	c.		j.	
Fuel System	" "	d.		k.	
Returned to Lease For Fuel	" "	e.		l.	
Returned to Earth	" "	f.		m.	
Sold or Other Disposition	" "	g.		n.	
Plant Fuel					
Vented					
Shrinkage					
Totals					
GRAND TOTAL – ALL DISPOSITION					

SECTION III – Detail of Disposition *(Show each individual disposition of items above.) (Attach additional sheets if necessary)*

ITEM	NAME AND ADDRESS OF PURCHASER OR USER	USED FOR	VOLUME – MCF
	C & K Petroleum, Inc.	Drill operation	949
	P.O. Box 3546	C&K Petroleum, Inc.	
	Midland, Tx. 79701	Carlsbad 7	

SECTION IV – Plant Production, Receipts, Deliveries, and Stock in Barrels of 42 U.S. Gallons.

PRODUCT	OPENING STOCK	RECEIPTS	PRODUCTION	DELIVERIES	CLOSING STOCK
Oil					
Condensate					
Gasoline					
Butane					
Propane					
Kerosene					
Other					
TOTAL					

Remarks: This C-111 being filed to report sale of gas from Carlsbad 13 #1 to our Carlsbad 7, initial gas sale 8-3-77, final sale 9-9-77. The volume recorded represents intergrated chart volume.

Signature [signature] Title Administrative Supervisor Date August 10, 1978

2

NEW MEXICO OIL CONSERVATION COMMISSION
GAS PURCHASERS MONTHLY REPORT

Form C-111 Sheet No. 1
Supersedes old Form C-111 & C-114
Effective 1-1-65

THIS IS AMENDED REPORT

Operator and Address	Plant	Month
C & K Petroleum, Inc.-P.O. Box 3546-Midland, Tx. 79701	See Remarks	June-1977

REPORT ALL VOLUMES OF GAS IN MCF AT 15.025 PSIA AND 60°F

SECTION I – Volume of Gas Taken	VOLUME – MCF
Total Gas From Oil Wells (Detail on Sheet 2)	
Total Gas From Gas Wells (Detail on Sheet 2)	2866
Total Gas From Other Sources (Detail on Sheet 2)	
TOTAL TAKES	
Gasoline or Other Extraction Plant Only:	
Deduct Volume That By-Passed Plant and Was Not Processed	
TOTAL PLANT INPUT	

SECTION II – Disposition		ITEM	UNPROCESSED GAS VOLUME MCF	ITEM	PLANT RESIDUE VOLUME MCF
Lease Use	Detail Below	a.		h.	
Gas Drilling Operation	" "	b.		i.	
Gas Lift	" "	c.		j.	
Fuel System	" "	d.		k.	
Returned to Lease For Fuel	" "	e.		l.	
Returned to Earth	" "	f.		m.	
Sold or Other Disposition	" "	g.		n.	
Plant Fuel					
Vented					
Shrinkage					
Totals					
GRAND TOTAL – ALL DISPOSITION					

SECTION III – Detail of Disposition *(Show each individual disposition of items above.)*
(Attach additional sheets if necessary)

ITEM	NAME AND ADDRESS OF PURCHASER OR USER	USED FOR	VOLUME – MCF
	C & K Petroleum, Inc.	Drilling operation	2866
	P.O. Box 3546	C & K Petroleum, Inc.	
	Midland, Texas 79701	Carlsbad "12" #1	

SECTION IV – Plant Production, Receipts, Deliveries, and Stock in Barrels of 42 U.S. Gallons.

PRODUCT	OPENING STOCK	RECEIPTS	PRODUCTION	DELIVERIES	CLOSING STOCK
Oil					
Condensate					
Gasoline					
Butane					
Propane					
Kerosene					
Other					
TOTAL					

Remarks: This C-111 being filed to amend original report dated 7-29-77. The volumes reported on original C-111 were estimated. This amended report reflects intergrated chart volumes. Initial sale 6-15-77.

Signature W. E. Campbell Title Administrative Supervisor Date August 10, 1978

2

NEW MEXICO OIL CONSERVATION COMMISSION
GAS PURCHASERS MONTHLY REPORT

Form C-111 Sheet No. 1
Supersedes old Form C-111 & C-114
Effective 1-1-65

Operator and Address	Plant	Month
C&K Petroleum, Inc.-P.O.Box 3546-Midland, Texas 79701	See Remarks	July-77

REPORT ALL VOLUMES OF GAS IN MCF AT 15.025 PSIA AND 60°F

SECTION I – Volume of Gas Taken	VOLUME – MCF
Total Gas From Oil Wells (Detail on Sheet 2)	2988
Total Gas From Gas Wells (Detail on Sheet 2)	
Total Gas From Other Sources (Detail on Sheet 2)	
TOTAL TAKES	
Gasoline or Other Extraction Plant Only:	
Deduct Volume That By-Passed Plant and Was Not Processed	
TOTAL PLANT INPUT	

SECTION II – Disposition		ITEM	UNPROCESSED GAS VOLUME MCF	ITEM	PLANT RESIDUE VOLUME MCF
Lease Use	Detail Below	a.		h.	
Gas Drilling Operation	" "	b.		i.	
Gas Lift	" "	c.		j.	
Fuel System	" "	d.		k.	
Returned to Lease For Fuel	" "	e.		l.	
Returned to Earth	" "	f.		m.	
Sold or Other Disposition		g.		n.	
Plant Fuel					
Vented					
Shrinkage					
Totals					
GRAND TOTAL – ALL DISPOSITION					

SECTION III – Detail of Disposition *(Show each individual disposition of items above.)*
(Attach additional sheets if necessary)

ITEM	NAME AND ADDRESS OF PURCHASER OR USER	USED FOR	VOLUME – MCF
	C & K Petroleum, Inc. P.O. Box 3546 Midland, Tx. 79701	Drilling operation C & K Petroleum, Inc. Carlsbad "12" #1	2983

SECTION IV – Plant Production, Receipts, Deliveries, and Stock in Barrels of 42 U.S. Gallons.

PRODUCT	OPENING STOCK	RECEIPTS	PRODUCTION	DELIVERIES	CLOSING STOCK
Oil					
Condensate					
Gasoline					
Butane					
Propane					
Kerosene					
Other					
TOTAL					

Remarks: This C-111 being filed to report sale of gas from our Carlsbad "13" #1 to our Carlsbad "12" #1; initial sale 6-15-77, final sale 7-29-77. The volume recorded above represents integrated chart volume.

Signature W. C. Wright Title Administrative Supervisor Date August 10, 1978

NEW MEXICO OIL CONSERVATION COMMISSION
P. O. Box 2088, Santa Fe 87501

OPERATOR'S MONTHLY REPORT

AMENDED REPORT

ORIGINAL TO OCC SANTA FE
ONE COPY TO OCC DIST. OFFICE
ONE COPY TO TRANSPORTER(S)

Form C-115
(Rev. 8-1-77)

(Operator) C & K Petroleum, Inc. (Address) P.O. Drawer 3546-Midland, Texas (City) 79701 For (Month, Year) June-1977 Page 1 of 1

POOL NAME (Underline) *Lease Name WELL NO UNIT SEC TWP RNG	WELL STATUS	INJECTION VOLUME	INJECTION PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS SOLD	DISPOSITION OF GAS TRANSPORTER	DISPOSITION OF GAS OTHER	DISPOSITION OF GAS CODE	DISPOSITION OF OIL OIL ON HAND AT BEG. OF MONTH	DISPOSITION OF OIL BARRELS TO TRANSPORTER	DISPOSITION OF OIL TRANSPORTER	DISPOSITION OF OIL OTHER	DISPOSITION OF OIL CODE	DISPOSITION OF OIL OIL ON HAND AT END OF MONTH
*LEASE NAME - Include State Land Lease Number or Federal Lease Number																		
South Carlsbad Carlsbad 13-1 Com 1 G 13 22 26	F						2866-Sold to Carlsbad 13-1 for drilling operations. 9791		2866 9791	TWP					--			

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 17
Submitted by C & K
Hearing Date Sept 11, 1978.

STATUS CODE
F.....FLOWING
P.....PUMPING
G.....GAS LIFT
S.....SHUT IN
T.....TEMP ABANDONED
I.....INJECTION
D.....DISCONTINUED

"OTHER" GAS DISPOSITION CODE
X.....USED OFF LEASE } DETAIL ON FORM C-111
D.....USED FOR DRILLING }
G.....GAS LIFT
L.....LOST (MCF ESTIMATED)
E.....EXPLANATION ATTACHED
R.....REPRESSURING OR PRESSURE MAINTENANCE
V.....VENTED
U.....USED ON LEASE

"OTHER" OIL DISPOSITION CODE
C.....CIRCULATING OIL
L.....LOST
S.....SEDIMENTATION (BS&W)
E.....EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE

Juanita R. Hosier (NAME)

Production Clerk (POSITION)

Juanita R. Hosier (SIGNATURE) 9-6-78 (DATE)

NEW MEXICO OIL CONSERVATION COMMISSION
P. O. Box 2088, Santa Fe 87501

OPERATOR'S MONTHLY REPORT

AMENDED REPORT

ORIGINAL TO OCC SANTA FE
ONE COPY TO OCC DIST. OFFICE
ONE COPY TO TRANSPORTER(S)

Form C-115
(Rev. 8-1-77)

Operator: C & K Petroleum, Inc. Address: P.O. Drawer 3546-Midland, Tx. Zip: 79701 For Month: July-1977 Page 1 of 1

POOL NAME (Underline) *Lease Name WELL NO UNIT SEC TWP RNG	WELL STATUS	INJECTION VOLUME	INJECTION PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS SOLD	DISPOSITION OF GAS TRANSPORTER	DISPOSITION OF GAS OTHER	DISPOSITION OF GAS CODE	DISPOSITION OF OIL OIL ON HAND AT BEG. OF MONTH	DISPOSITION OF OIL BARRELS TO TRANSPORTER	DISPOSITION OF OIL TRANSPORTER	DISPOSITION OF OIL OTHER	DISPOSITION OF OIL CODE	DISPOSITION OF OIL OIL ON HAND AT END OF MONTH
*LEASE NAME - Include State Land Lease Number or Federal Lease Number																		
South Carlsbad Carlsbad 13-1 Com 1 G 13 22 26	F						2988 49536		2988-Sold To Carlsbad 12-1 for drilling operations. 49536	TWP					--			

STATUS CODE	"OTHER" GAS DISPOSITION CODE	"OTHER" OIL DISPOSITION CODE
F.....FLOWING	X.....USED OFF LEASE } DETAIL ON FORM C-111	C.....CIRCULATING OIL
P.....PUMPING	D.....USED FOR DRILLING } DETAIL ON FORM C-111	L.....LOST
G.....GAS LIFT	G.....GAS LIFT	S.....SEDIMENTATION (BS&W)
S.....SHUT IN	L.....LOST (MCF ESTIMATED)	E.....EXPLANATION ATTACHED
T.....TEMP ABANDONED	E.....EXPLANATION ATTACHED	
I.....INJECTION	R.....REPRESSURING OR PRESSURE MAINTENANCE	
D.....DISCONTINUED	V.....VENTED	
	U.....USED ON LEASE	

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE.

Juanita R. Hosier
(NAME)

Production Clerk
(POSITION)

Juanita R Hosier
(SIGNATURE)

9-6-78
(DATE)

NEW MEXICO OIL CONSERVATION COMMISSION
P. O. Box 2088, Santa Fe 87501

OPERATOR'S MONTHLY REPORT

AMENDED REPORT

ORIGINAL TO OCC SANTA FE
ONE COPY TO OCC DIST. OFFICE
ONE COPY TO TRANSPORTER(S)

Form C-115
(Rev. 8-1-77)

(Company or Operator) C & K Petroleum, Inc. (Address) P.O. Drawer 3546-Midland, Texas (Zip) 79701 (For Month, Year) August-1977 Page 1 of 1

POOL NAME (Underline) *Lease Name / WELL NO UNIT SEC TWP RNG	WELL STATUS	INJECTION VOLUME	INJECTION PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS SOLD	DISPOSITION OF GAS TRANSPORTER	DISPOSITION OF GAS OTHER	DISPOSITION OF GAS CODE	DISPOSITION OF OIL OIL ON HAND AT BEG. OF MONTH	DISPOSITION OF OIL BARRELS TO TRANSPORTER	DISPOSITION OF OIL TRANSPORTER	DISPOSITION OF OIL OTHER	DISPOSITION OF OIL CODE	DISPOSITION OF OIL OIL ON HAND AT END OF MONTH
*LEASE NAME - Include State Land Lease Number or Federal Lease Number																		
South Carlsbad Carlsbad 13-1 Com. 1 G 13 22 26	F						4055 54188		4055-54188	Sold TWP	to Carlsbad 7-1		for drilling operations.		---			

STATUS CODE
F.....FLOWING
P.....PUMPING
G.....GAS LIFT
S.....SHUT IN
T.....TEMP ABANDONED
I.....INJECTION
D.....DISCONTINUED

"OTHER" GAS DISPOSITION CODE
X.....USED OFF LEASE } DETAIL ON FORM C-111
D.....USED FOR DRILLING }
G.....GAS LIFT
L.....LOST (MCF ESTIMATED)
E.....EXPLANATION ATTACHED
R.....REPRESSURING OR PRESSURE MAINTENANCE
V.....VENTED
U.....USED ON LEASE

"OTHER" OIL DISPOSITION CODE
C.....CIRCULATING OIL
L.....LOST
S.....SEDIMENTATION (BS&W)
E.....EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE

Juanita R. Hosier
(NAME)

Production Clerk
(POSITION)

Juanita R. Hosier (SIGNATURE) 9-6-78 (DATE)

NEW MEXICO OIL CONSERVATION COMMISSION

P. O. Box 2088, Santa Fe 87501

OPERATOR'S MONTHLY REPORT

AMENDED REPORT

ORIGINAL TO OCC SANTA FE
ONE COPY TO OCC DIST. OFFICE
ONE COPY TO TRANSPORTER(S)

Form C-115
(Rev. 8-1-77)

(Operator) C & K Petroleum, Inc. (Address) P.O. Drawer 3546-Midland, Texas (Zip) 79701 For (Month, Year) September-1977 Page 1 of 1

POOL NAME (Underline) *Lease Name WELL NO UNIT SEC TWP RNG	WELL STATUS	INJECTION VOLUME	INJECTION PRESS.	TOTAL LIQUIDS PRODUCED MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED BARRELS OF WATER PRODUCED	GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS SOLD	DISPOSITION OF GAS TRANSPORTER	DISPOSITION OF GAS OTHER	DISPOSITION OF GAS CODE	DISPOSITION OF OIL OIL ON HAND AT BEG. OF MONTH	DISPOSITION OF OIL BARRELS TO TRANSPORTER	DISPOSITION OF OIL TRANSPORTER	DISPOSITION OF OIL OTHER	DISPOSITION OF OIL CODE	DISPOSITION OF OIL OIL ON HAND AT END OF MONTH
*LEASE NAME - Include State Land Lease Number or Federal Lease Number																		
South Carlsbad Carlsbad 13-1 Com. 1 G 13 22 26	F						949 53621		949- 53621	Sold TWP	to Carlsbad 7-1 for drilling operations. ---							

STATUS CODE
F.....FLOWING
P.....PUMPING
G.....GAS LIFT
S.....SHUT IN
T.....TEMP. ABANDONED
I.....INJECTION
D.....DISCONTINUED

"OTHER" GAS DISPOSITION CODE
X.....USED OFF LEASE } DETAIL ON FORM C-111
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E.....EXPLANATION ATTACHED
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V.....VENTED
U.....USED ON LEASE

"OTHER" OIL DISPOSITION CODE
C.....CIRCULATING OIL
L.....LOST
S.....SEDIMENTATION (BSW)
E.....EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE

Juanita R. Hosier
(NAME)

Production Clerk
(POSITION)

Juanita R. Hosier
(SIGNATURE)

9-6-78
(DATE)

OIL AND GAS ACCOUNTING COMMISSION

P. O. BOX 2308 SANTA FE, NEW MEXICO

AMENDED

OPERATORS REMITTANCE REPORT
O-1

Gas used on Carlsbad ?

TAX REMITTANCE SCHEDULE

OIL AND GAS ENERGENCY SCHOOL TAX	(TOTAL OF COLUMN (N) OF O-2 REPORT)	$ 200.02
OIL AND GAS SEVERANCE TAX	(TOTAL OF COLUMN (O) OF O-2 REPORT)	250.20
OIL AND GAS CONSERVATION TAX	(TOTAL OF COLUMN (P) OF O-2 REPORT)	14.90
OIL AND GAS AD VALOREM PRODUCTION TAX	(TOTAL OF COLUMN (R) OF O-2 REPORT)	92.47
TOTAL OF ABOVE LINES		557.59
ADD INTEREST IF REMITTANCE IS PAST DUE		
ADD AMOUNT OF COMMISSION INVOICE #		
DEDUCT AMOUNT OF COMMISSION CREDIT #		( )
TOTAL TAX REMITTANCE		$ 557.59

MAKE CHECK PAYABLE TO: OIL AND GAS ACCOUNTING COMMISSION
ATTACH CHECK, INVOICES AND CREDITS TO THIS REPORT

STATE ROYALTY REMITTANCE SCHEDULE

OIL AND GAS STATE ROYALTY	(TOTAL OF COLUMN (S) OF O-2 REPORT)	$ -0-
ADD AMOUNT OF COMMISSION INVOICE #		-0-
DEDUCT AMOUNT OF COMMISSION CREDIT #		(-0-)
TOTAL ROYALTY REMITTANCE		$ -0-

MAKE CHECK PAYABLE TO: COMMISSIONER OF PUBLIC LANDS
ATTACH CHECK, INVOICES AND CREDITS TO THIS REPORT

THIS REPORT SUBMITTED BY:
COMPANY C & K PETROLEUM INC.
ADDRESS 2600 ONE HOUSTON CENTER, HOUSTON
FOR THE MONTH OF OCTOBER 1978
CONSISTING OF _____ PAGES HAS BEEN EXAMINED BY ME AND TO THE BEST OF MY KNOWLEDGE AND BELIEF IT IS TRUE, COMPLETE AND PURSUANT TO LAW AND REGULATION.
SIGNATURE Allan Rowland
TITLE CONTROLLER DATE 3-22-79

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 15
Submitted by C & K
Hearing Date Sept 11, 1979

OIL AND GAS ACCOUNTING COMMISSION
P. O. ~~BOX 2088~~, SANTA FE, NEW MEXICO AMENDED

OPERATORS UNIT REPORT
O-2

REPORT MONTH Octobers 77 PAGE

REPORTING COMPANY C & K Petroleum, Inc.

FOR REPORTERS USE	ADJUSTMENT	PRODUCTION UNIT NUMBER	SCHEDULE 2 PRODUCT SALES		SCHEDULE 3 DEDUCTIONS		SCHEDULE 4 TAXES AND ROYALTY INCLUDED WITH THIS REPORT				
			H CODE	J VOLUME SOLD-MCF	K VALUE	L TRUCKING ALLOWANCE	M ROYALTY DEDUCTION	N SCHOOL TAX	O SEVERANCE TAX	P CONSERVATION TAX	Q AD VALOREM TAX	R STATE ROYALTY
Carlsbad 13	X	16596		5004	7843.78			200.02	2502.0	14.90	92.47	
TOTAL THIS PAGE				5004	7843.78			200.02	2502.0	14.90	92.47	

USE ORIGINAL TO REPORT GAS IN THOUSANDS

(ROYALTY OWNERS)

Division Order No. 00632-01

Field: South Carlsbad (Morrow)

Unit or Farm: Carlsbad "13"

DIVISION ORDER

Date: November 16, 1977

TO: C & K PETROLEUM, INC.
P.O. Drawer 3546
Midland, Texas 79701

Each of the undersigned warrants that he is the owner of the interest credited to him below in the proceeds derived from the sale of oil and/or gas from wells on the Carlsbad "13" No. 1 farm or lease located in Eddy County, State of New Mexico more particularly described as follows:

N/2 Section 13, T-22-S, R-26-E, NMPM, as to the Wolfcamp and Pennsylvanian formations only.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6069 Exhibit No. 19
Submitted by C & K
Hearing Date

Effective date of 1st runs (6-15-77), and until further written notice, you are hereby authorized to give credit for all proceeds derived from the sale of oil and/or gas from said property subject to the conditions, covenants and directions following:

Credit to:
Owner Name and Address — Division of Interest

SEE EXHIBIT "A" ATTACHED HERETO

FIRST: It is understood that all or a portion of the gas produced from the above described lands is being sold under contract dated May 6, 1977, between C & K Petroleum, Inc. (Seller) and Transwestern Pipeline Co. (Buyer) as indicated under the provisions of said contract, reference to which is here made, and that said contract, and any amendments, extensions or renewals thereof, shall govern as to the price to be paid for said gas and the times when such payments are to be made. If it is ever determined that you are obligated to refund any portion of the money paid to the undersigned by virtue of any regulation, order or court proceeding, the undersigned agrees to reimburse you for such overpayment and in addition to such other legal remedies as you may then have you are hereby authorized to recoup such overpayment out of future production from the above described land which is attributable to the undersigned's interest. Further, if there is a question as to whether there may be refund obligations as aforesaid you are hereby authorized to withhold proceeds allocable thereto until such question has been resolved. Each of the undersigned stipulates that he or she is entitled to no greater interest than that set out beside his or her name. The undersigned hereby ratify the leases under which oil, gas and other minerals are being produced and agree that their interest in the above described land is subject to such leases.

SECOND: Payments are to be made by your checks to be delivered or mailed to the parties hereto entitled. However, it is agreed if, at any settlement date, the amount payable to any party hereunder shall be less than $10.00, you may withhold payment, without interest, and in lieu of the scheduled payment, make payment when such withheld amounts have accumulated to $10.00 or more at annual intervals, whichever shall first occur. The undersigned authorizes you to withhold from the proceeds of any and all gas referred to here in the amount of any tax placed thereon, or on the production thereof, by any governmental authority, and to pay the same in our behalf. Prior to computing any royalties or other interest hereunder, you are authorized to deduct any and all federal, state or local taxes imposed on or incident to the severance, production, gathering, processing and marketing of gas, all costs of treating such gas to make it merchantable and all costs which you have incurred in transporting such to any purchaser.

THIRD: In case of any adverse claim or title or in case title shall not be satisfactory to you at any time during the term of this division order, each of the undersigned agrees to furnish evidence of title satisfactory to you and authorizes you to withhold payment, without obligation to pay interest on the amount so withheld, until satisfactory indemnity shall be furnished to you against such adverse claims or any such defects in title, or until title shall be made satisfactory to you. Each undersigned party as to the interest of such party hereunder, respectively agrees, in the event suit is filed in any court affecting title to said gas, either before or after severance, to indemnify and save you harmless against any liability for loss, cost, damage and expense which you may suffer or incur on account of receiving and paying said party the proceeds derived from the sale of said gas. Where you, pursuant to the provision hereof, withhold payment, or any part hereof, each undersigned party from whom payment is so withheld severally agrees to indemnify and hold you harmless from all liability for any tax, together with all interest and penalties incident thereto, imposed or assessed against, or paid by you on account of the sum or sums so withheld from payment to said party, and severally agrees that you may deduct all such taxes, interest and penalties so paid by you from any sums owing by you to said party.

FOURTH: The undersigned agree to notify you of any change of ownership, and no transfer of interest shall be binding upon you until transfer order and the recorded instrument evidencing such transfer, or a certified copy thereof, shall be furnished to you. Transfer of interest shall be made effective on the first day of the calendar month in which notice is received by you. You are hereby relieved of any responsibility for determining if and when any of the interests hereinabove set forth shall or should revert to or be owned by other parties as a result of the completion or discharge of money or other payments from said interests and the signers hereof whose interests are affected by such money or other payments, if any, agree to give you notice in writing by registered letter addressed to C & K PETROLEUM, INC., Midland, Texas, when any such money or other payments have been completed or discharged or when any other division of interest than that set forth above shall, for any reason, become effective and to furnish transfer orders accordingly, and that in the event such notice shall not be received, you shall be held harmless in the event of, and are hereby released from any and all damages or loss which might arise out of any overpayment.

FIFTH: This division order shall become valid and binding on each and every owner above named as soon as signed by such owner, regardless of whether or not all of the above named owners have so signed.

IMPORTANT: TO AVOID DELAY IN PAYMENT, YOUR CORRECT ADDRESS AND YOUR SOCIAL SECURITY NUMBER OR TAX ACCOUNT NUMBER MUST BE SHOWN.

WITNESS:

_____	Clarence W Wells
_____	SS 439-09-8447
_____	818 Standpipe Rd
_____	Carlsbad nmex 88220
_____	_____
_____	_____
_____	_____

THIRD: In case of any adverse claim or title or in case title shall not be satisfactory to you at any time during the term of this division order, each of the undersigned agrees to furnish evidence of title satisfactory to you and authorizes you to withhold payment, without obligation to pay interest on the amount so withheld, until satisfactory indemnity shall be furnished to you against such adverse claims or any such defects in title, or until title shall be made satisfactory to you. Each undersigned party as to the interest of such party hereunder, respectively agrees, in the event suit is filed in any court affecting title to said gas, either before or after severance, to indemnify and save you harmless against any liability for loss, cost, damage and expense which you may suffer or incur on account of receiving and paying said party the proceeds derived from the sale of said gas. Where you, pursuant to the provision hereof, withhold payment, or any part hereof, each undersigned party from whom payment is so withheld severally agrees to indemnify and hold you harmless from all liability for any tax, together with all interest and penalties incident thereto, imposed or assessed against, or paid by you on account of the sum or sums so withheld from payment to said party, and severally agrees that you may deduct all such taxes, interest and penalties so paid by you from any sums owing by you to said party.

FOURTH: The undersigned agree to notify you of any change of ownership, and no transfer of interest shall be binding upon you until transfer order and the recorded instrument evidencing such transfer, or a certified copy thereof, shall be furnished to you. Transfer of interest shall be made effective on the first day of the calendar month in which notice is received by you. You are hereby relieved of any responsibility for determining if and when any of the interests hereinabove set forth shall or should revert to or be owned by other parties as a result of the completion or discharge of money or other payments from said interests and the signers hereof whose interests are affected by such money or other payments, if any, agree to give you notice in writing by registered letter addressed to C & K PETROLEUM, INC., Midland, Texas, when any such money or other payments have been completed or discharged or when any other division of interest than that set forth above shall, for any reason, become effective and to furnish transfer orders accordingly, and that in the event such notice shall not be received, you shall be held harmless in the event of, and are hereby released from any and all damages or loss which might arise out of any overpayment.

FIFTH: This division order shall become valid and binding on each and every owner above named as soon as signed by such owner, regardless of whether or not all of the above named owners have so signed.

IMPORTANT: TO AVOID DELAY IN PAYMENT, YOUR CORRECT ADDRESS AND YOUR SOCIAL SECURITY NUMBER OR TAX ACCOUNT NUMBER MUST BE SHOWN.

WITNESS:

Ina Faye Burnett
105 E Quay Carlsbad N M

Bobby Don Burnett
201 E. Quay, Carlsbad, N.M.

_____ _____

_____ _____

_____ _____

_____ _____

EXHIBIT "A"

Attached to and made a part of division order dated November 15, 1977, concerning C & K Petroleum, Inc.-Carlsbad "13" No. 1 well located in N/2 Section 13, T-22-S, R-26-E, NMPM, Eddy County, New Mexico.

ROYALTY

	INTEREST
Michael S. Hales 11338 West 63rd Street Shawnee, Kansas 66203	.0025423
John C. Shackleford 1004 North Edwards Carlsbad, New Mexico 88220	.0025423
Richardson Brothers, Inc. P. O. Box 447 Carlsbad, New Mexico 88220	.0050845
Robert E. Pond and William Pond, as joint tenants 506 South Lake Street Carlsbad, New Mexico 88220	.0050845
Western States Broadcasting, Inc. (Unknown)	.0039253
Mary L. Hartley and husband Earl E. Hartley P. O. 465 Albuquerque, New Mexico 87103	.0176638
Allen Seale, Mrs. Valta Sneed, Mrs. Cecil Crews and Nina Mae Ryden (Unknown)	.0111584
E. W. Douglass and wife Cleo Douglass 1113 Tracy Place Carlsbad, New Mexico 88220	.0085830
Arthur B. Gibson, Jr. and wife Anna Gibson (Unknown	.0120323
Carlsbad Irrigation District 303 West Fox Carlsbad, New Mexico 88220	.0216201
Blufford Burnett and wife Ara Faye Burnett 105 East Quay Carlsbad, New Mexico 88220	.0015302
Alma W. Lytle 742 Standpipe Road Carlsbad, New Mexico 88220	.0006034
The Standpipe Road Veteran's Club, Inc. Standpipe Road Carlsbad, New Mexico 88220	.0008045
John E. Brown, Sr. and wife Ruby W. Brown 106 East Curry Carlsbad, New Mexico 88220	.0007647

ROYALTY (Continued)

	INTEREST
Lowry Hagerman P. O. Box 941 Santa Fe, New Mexico 87501	.0046009
Geraldine A. Stevens Rural Route 2 Crawfordsville, Indiana 47933	.0011502
Phyllis M. Battiste 1202 Bryan Circle Carlsbad, New Mexico 88220	.0011502
Barbara Birdwell 2323 Pine Drive Alamogordo, New Mexico 88310	.0011502
Janet Miles 811 North Mesa Carlsbad, New Mexico 88220	.0011502
Charles Q. Phillips and wife Connie A. Phillips 6420 Alderfer Odessa, Texas 79760	.0007655
John B. Phillips and wife Essie M. Phillips 312 East Curry Carlsbad, New Mexico 88220	.0007655
Julian Fuentes and wife Arnelia G. Fuentes 501 East Quay Carlsbad, New Mexico 88220	.0005103
Brigido Saldana and wife Manuela Saldana 310 East Quay Carlsbad, New Mexico	.0001701
Yolanda V. Martinez (Unknown)	.0005103
Pete B. Parraz and wife Felicita Parraz 301 East Quay Carlsbad, New Mexico 88220	.0005103
Pablo R. Gonzales and wife Lupe M. Gonzales 503 West Pompa Carlsbad, New Mexico 88220	.0005103
Donald Howell and wife Eleanor Howell Route 1, Box 348 Farmington, New Mexico 87401	.0010206
Carlton A. Schoolcraft, Sr., and wife Pauline K. Schoolcraft 108 North 3rd Street Carlsbad, New Mexico 88220	.0006125
Bobby Don Burnett 201 East Quay or 116 North Canyon Carlsbad, New Mexico 88220	.0004081

ROYALTY (Continued)

	INTEREST
Raymon Reed and wife Edith H. Reed 206 East Curry Carlsbad, New Mexico 88220	.0013187
E. V. Elliott and wife Wanda Elliott 202 East Curry Carlsbad, New Mexico 88220	.0001415
L. M. Reed and wife Charlotte Reed 108 East Curry Carlsbad, New Mexico 88220	.0005103
Bigsky Estates, Inc. P. O. Box 248 Carlsbad, New Mexico 88220	.0005120
James L. Mason and wife Sherrill Mason 310 Radio Boulevard Carlsbad, New Mexico 88220	.0011648
Kenneth Wayne Blair and wife Glenda Blair 308 Radio Boulevard Carlsbad, New Mexico 88220	.0003715
Bill T. Emerson and wife Josephine Emerson 412 Radio Boulevard Carlsbad, New Mexico 88220	.0015363
Susano C. Garcia and Elia Garcia 410 East Radio Blvd. Carlsbad, New Mexico 88220	.0010242
William C. Strawbridge, Sr. (Unknown)	.0010242
Kenneth L. Porter and wife Ina Mae Porter 211 Curry Carlsbad, New Mexico 88220	.0010242
Kenneth Wayne Blair and wife Glenda Blair 308 Radio Boulevard Carlsbad, New Mexico 88220	.0005121
C. H. Hughes 206 Radio Boulevard Carlsbad, New Mexico 88220	.0014749
T. W. Phillips and wife Gail Phillips (Unknown)	.0000614
Agnes Mae Weldy and husband William T. Weldy 112 Radio Boulevard Carlsbad, New Mexico	.0010242
Clyde L. Brooks and wife Wanda J. Brooks 1208 Cedar Street Carlsbad, New Mexico 88220	.0005098
Clarence W. Wells 603 North 2nd Street Carlsbad, New Mexico 88220	.0007647

ROYALTY (Continued)

	INTEREST
Augustine L. Flores 605 South Alameda Carlsbad, New Mexico 88220	.0006034
Joe L. Flores and wife Matilde Flores 602 Alvarado Carlsbad, New Mexico 88220	.0006034
Juan L. Hernandez and wife Lilly N. Hernandez 108 Radio Boulevard Carlsbad, New Mexico 88220	.0007647
Antonio Bonilla and wife Eva C. Bonilla Route 8, Box 302 Silver City, New Mexico 88061	.0007647
Lillie Mae Roberts 702 North Maple Carlsbad, New Mexico 88220	.0007682
Donald H. Greetan and wife Mary F. Greetan (Unknown)	.0007682
John G. Mills and wife Joyce S. Mills 202 Radio Boulevard Carlsbad, New Mexico 88220	.0015362
W. A. Page, Jr. 10129 Monaco Drive El Paso, Texas 79925	.0010207
Bill G. Taylor and wife Wanda J. Taylor 512 Welshire Carlsbad, New Mexico 88220	.0167118
Consuelo Saldana (Unknown) 310 East Curry Carlsbad, New Mexico 88220	.0000851
Enrique Saldana (Unknown) 310 East Curry Carlsbad, New Mexico 88220	.0000851
Epifanio Saldana (Unknown) 310 East Curry Carlsbad, New Mexico 88220	.0000851
Amy Saldana (Unknown) 310 East Curry Carlsbad, New Mexico 88220	.0000851

PAYOUT (1): When there has been recouped from the proceeds of production 220% of the cost (attributable to 14.18597% W.I.) of drilling, completing, equipping and operating Carlsbad "13" No.1 well, the working interests acquired by C&K-H 1973 Development Venture and The Desana Corporation Group under the terms of the compulsory pooling order will terminate and such interest will then be owned by the owners of the fee title in the tracts covered by the compulsory pooling order.

PAYOUT (2): At such time as the working interest owners have recovered out of the net proceeds of production allocable to their interest a sum of money equal to all costs and expenses incurred in acquiring the leases pursuant to letter agreement dated November 7, 1972, as amended, as well as costs and expenses incurred in drilling, testing, completing, equipping and operating Carlsbad "13" No. 1 well and Carlsbad "12" No. 1 well located on S/2 Section 12, T-22-S, R-26-E, the working interest shall be reduced by 2/3 of 20% and the overriding royalty interest credited to Don A. Hood, Susan Hood Bergfeld and Earl E. Gaertner shall increase proportionately.

OVERRIDING ROYALTY

	BEFORE PAYOUT	(1) AFTER PAYOUT	(2) AFTER PAYOUT
Ben M. Patterson, Jr. 807 Finale Street San Antonio, Texas 78216	.0090000 ORRI	.0090000 ORRI	.0090000 ORRI
Susan Hood Bergfeld 6112 Quail Creek Road Tyler, Texas 75701	.0141445 ORRI	.0141445 ORRI	.0350181 ORRI
Don A. Hood 1455 Midland National Bank Tower Midland, Texas 79701	.0141444 ORRI	.0141444 ORRI	.0350181 ORRI
Earl E. Gaertner 305 Gihls Tower West Midland, Texas 79701	.0282889 ORRI	.0282889 ORRI	.0700363 ORRI
Claude M. McCausland (Unknown)	.0005120 ORRI	.0005120 ORRI	.0005120 ORRI

WORKING INTEREST

	BEFORE PAYOUT	(1) AFTER PAYOUT	(2) AFTER PAYOUT
C & K-H 1973 Development Venture C/O Ann Adams One Houston Center, Suite 2600 Houston, Texas 77002			
3/4 x .7971292----------	.5978472 W.I.		
3/4 of 288.85/336.6 x .7842563----------		.5047514 W.I.	
3/4 of 288.85/336.6 x .6869590----------			.4421303 W.I.

WORKING INTEREST (Continued)

	BEFORE PAYOUT	(1) AFTER PAYOUT	(2) AFTER PAYOUT
The Desana Corporation 610 Vaughn Building Midland, Texas 79701			
32% x 1/4 x .7971292	.0637702 W.I.		
32% x 1/4 x 288.85/336.6 x .7842563		.0538402 W.I.	
32% x 1/4 x 288.85/336.6 x .6869590			.0471607 W.I.
Mrs. Adele Frost Estate of Jack Frost 1802 National Bank of Commerce Building San Antonio , Texas 78205 Attn: Mr. Ben M. Patterson, Jr.			
63% x 1/4 x .7971292 less .0090000 ORRI	.1165477 W.I.		
63% x 1/4 x 288.85/336.6 x .7842563 less .0090000 ORRI		.0969977 W.I.	
63% x 1/4 x 288.85/336.6 x .6869590 less .0090000 ORRI			.0838474 W.I.
Marcella L. Greathouse 125 Hedges Street Abilene, Texas 79601			
5% x 1/4 x .7971292	.0099641 W.I.		
5% x 1/4 x 288.85/336.6 x .7842563		.0084126 W.I.	
5% x 1/4 x 288.85/336.6 x .6869590			.0073688 W.I.
W. A. Page, Jr. 10129 Monaco Drive El Paso, Texas 79925			
2.7484/336.6 x 87.5	.0071445 W.I.		
2.7484/336.6 x 87.5			.0071445 W.I.
Bill G. Taylor 512 Welshire Street Carlsbad, New Mexico 88220			
45.0016/336.6 x 87.5	.1169828 W.I.		
45.0016/336.6 x 87.5			.1169828 W.I.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 6289 Exhibit No. 1
Submitted by Wells
Hearing Date 9/11/78

LEASE NO. [illegible]
LEASE NAME Carlsbad 13

The attached check includes your initial pa[illegible]
ment on the above captioned Lease.

C & K PETROLEUM, INC

OWNER NO. 77[illegible] DATE 12/[illegible]/77

C & K PETROLEUM, INC.
1 HOUSTON CENTER, SUITE 2600
HOUSTON, TEXAS 77002
(713) 654-4466

055531

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES -DUPLICATE WILL NOT BE FURNISHED.

DATE MO.	DATE YR.	PROPERTY NUMBER	PC	IC	TOTAL FOR PROPERTY QUANTITY	TAX/DEDUCT	T/D	NET	GROSS	YOUR PORTION INTEREST	NET VALUE
0[illegible]	77	[illegible]	2	2	[illegible]	[illegible]	1	6,241.78	5.14	.[illegible]	4.[illegible]
06	77	00632-[illegible]	2	2	[illegible]	41.16	T	536.85	.42	.0007647[illegible]	.[illegible]
								TOTAL	172.95		155.4[illegible]

PC-PRODUCT CODES
1-OIL (BBLS) 3-PLANT PRODUCTS(GALS)
2-GAS (MCF) 4-CONDENSATE(BBLS)

IC-INTEREST CODES
1-WORKING 3-OVERIDE
2-ROYALTY

T/D
T-TAX

DETACH BEFORE PRESENTING FOR PAYMENT

OWNER NO. 77[illegible] DATE 12/[illegible]/77

C & K PETROLEUM, INC.
1 HOUSTON CENTER, SUITE 2600
HOUSTON, TEXAS 77002
(713) 654-4466

055531

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES -DUPLICATE WILL NOT BE FURNISHED.

DATE MO.	DATE YR.	PROPERTY NUMBER	PC	IC	TOTAL FOR PROPERTY QUANTITY	TAX/DEDUCT	T/D	NET	GROSS	YOUR PORTION INTEREST	NET VALUE
09	77	00632-[illegible]	2	2		363.51	T	4,151.35	3.[illegible]	.0007647[illegible]	3.[illegible]
11	77	00632-[illegible]	2	2	50213	3,789.48	T	29,922.17	25.78	.00076470	22.8[illegible]
09	77	00632-[illegible]	2	2	54996	4,151.35	T	32,807.77	28.26	.00076470	25.[illegible]
08	77	00632-[illegible]	2	3	5854	736.23	T	9,966.47	7.69	.00076470	6.9[illegible]
08	77	00632-[illegible]	2	2		169.41	T	4,209.[illegible]	3.35	.00076470	3.2[illegible]
07	77	00632-[illegible]	2	2	50806	3,847.69	T	30,296.93	26.11	.00076470	23.1[illegible]
07	77	00632-[illegible]	2	2		154.87	T	3,847.68	3.[illegible]	.00076470	2.9[illegible]
11	77	00632-[illegible]	2	2	56521	4,266.98	T	33,717.51	29.05	.00076470	25.7[illegible]
10	77	00632-[illegible]	2	2	5004	550.99	T	7,292.88	6.[illegible]	.00076470	5.5[illegible]
10	77	00632-[illegible]	2	2		170.19	T	4,267.02	3.39	.00076470	3.2[illegible]
11	77	00632-[illegible]	2	2		151.07	T	3,789.45	3.[illegible]	.00076470	2.9[illegible]
08	77	00632-[illegible]	2	2	55578	4,299.[illegible]	T	33,141.61	28.56	.00076470	25.[illegible]

PC-PRODUCT CODES
1-OIL (BBLS) 3-PLANT PRODUCTS(GALS)
2-GAS (MCF) 4-CONDENSATE(BBLS)

IC-INTEREST CODES
1-WORKING 3-OVERIDE
2-ROYALTY

T/D
T-TAX
OTHER CODES FOR ACCT. PURPOSES ONLY

DETACH BEFORE PRESENTING FOR PAYMENT.

OWNER NO. 77[illegible] DATE 7/[illegible]/78

C & K PETROLEUM, INC.
1 HOUSTON CENTER, SUITE 2600
HOUSTON, TEXAS 77002
(713) 654-4466

065941

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES -DUPLICATE WILL NOT BE FURNISHED.

DATE MO.	DATE YR.	PROPERTY NUMBER	PC	IC	TOTAL FOR PROPERTY QUANTITY	TAX/DEDUCT	T/D	NET	GROSS	YOUR PORTION INTEREST	NET VALUE
06	77	00632-[illegible]	2	2		48.09	2	592.21	.4[illegible]	.00076470	.4[illegible]
06	77	00632-00	2	2	10042	592.21	2	7,292.36	6.03	.00076470	5.5[illegible]
07	77	00632-00	2	2	50806	1,563.23	2	38,840.60	30.90	.00076470	29.7[illegible]
07	77	00632-00	2	2		62.92	2	1,563.33	1.24	.00076470	1.2[illegible]
08	77	00632-00	2	2		68.83	2	1,710.17	1.36	.00076470	1.3[illegible]
08	77	00632-00	2	2	55578	1,710.17	2	42,488.73	33.80	.00076470	32.4[illegible]
09	77	00632-00	2	2	54996	1,676.69	2	42,059.37	33.44	.00076470	32.1[illegible]
09	77	00632-00	2	2		66.84	2	1,676.70	1.33	.00076470	1.2[illegible]
10	77	00632-00	2	2		69.56	2	1,744.93	1.39	.00076470	1.3[illegible]
10	77	00632-00	2	2	56521	1,744.96	2	43,771.91	34.81	.00076470	33.4[illegible]
11	77	00632-00	2	2		61.74	2	1,548.64	1.23	.00076470	1.1[illegible]
11	77	00632-00	2	2	50213	1,548.67	2	38,949.04	30.89	.00076470	29.7[illegible]

PC-PRODUCT CODES
1-OIL (BBLS) 3-PLANT PRODUCTS(GALS)
2-GAS (MCF) 4-CONDENSATE(BBLS)

IC-INTEREST CODES
1-WORKING 3-OVERIDE
2-ROYALTY

T/D
T-TAX
OTHER CODES FOR ACCT. PURPOSES ONLY

DETACH BEFORE PRESENTING FOR PAYMENT.

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES. DUPLICATE WILL NOT BE FURNISHED.

DATE NO.	DATE YR.	PROPERTY NUMBER	PC	IC	TOTAL FOR PROPERTY QUANTITY	TOTAL FOR PROPERTY TAX/DEDUCT	T/D	TOTAL FOR PROPERTY NET	YOUR PORTION GROSS	YOUR PORTION INTEREST	YOUR PORTION NET VALUE
12	77	00632-00	2	2		93.62	2	1,520.61	1.21	.00076470	1.1
12	77	00632-00	2	2	49304	1,520.63	2	38,166.78	30.33	.00076470	29.1
01	78	00632-00	2	2	49065	1,461.29	2	36,656.07	29.15	.00076470	28.0
01	78	00632-00	2	2		58.25	2	1,461.29	1.16	.00076470	1.1
02	78	00632-00	2	2	43330	1,290.47	2	32,371.31	25.74	.00076470	24.7
02	78	00632-00	2	2		51.44	2	1,290.49	1.03	.00076470	.9
03	78	00632-00	2	2	44971	1,339.35	2	33,607.27	26.72	.00076470	25.6
03	78	00632-00	2	2		53.39	2	1,339.36	1.07	.00076470	1.0
06	78	00632-00	2	2	41552	4,624.96	1	61,822.54	50.91	.00076470	47.2
								TOTAL	344.13		329.0

PC-PRODUCT CODES
1-OIL (BBLS) 2-GAS (MCF) 3-PLANT PRODUCTS (GALS) 4-CONDENSATE (BBLS)

IC-INTEREST CODES
1-WORKING 2-ROYALTY 3-OVERIDE

T/D
T-TAX
OTHER CODES FOR ACCT. PURPOSES ONLY

DETACH BEFORE PRESENTING FOR PAYMENT.

1 HOUSTON CENTER, SUITE 2600
HOUSTON, TEXAS 77002
(713) 650-0111

OWNER NO. 77881 DATE 2/28/78 058088

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES -DUPLICATE WILL NOT BE FURNISHED.

DATE NO.	DATE YR.	PROPERTY NUMBER	PC	IC	TOTAL FOR PROPERTY QUANTITY	TOTAL FOR PROPERTY TAX/DEDUCT	T/D	TOTAL FOR PROPERTY NET	YOUR PORTION GROSS	YOUR PORTION INTEREST	YOUR PORTION NET VALUE
01	78	00632-00	2	2		150.36	T	3,771.80	3.00	.00076470	2.3
01	78	00632-00	2	2	49065	3,771.78	T	30,621.80	26.30	.00076470	23.4
								TOTAL	29.30		26.3

PC-PRODUCT CODES
1-OIL (BBLS) 2-GAS (MCF) 3-PLANT PRODUCTS (GALS) 4-CONDENSATE (BBLS)

IC-INTEREST CODES
1-WORKING 2-ROYALTY 3-OVERIDE

T/D
T-TAX
OTHER CODES FOR ACCT. PURPOSES ONLY

DETACH BEFORE PRESENTING FOR PAYMENT.

FROM:

C&K PETROLEUM, INC. 74-1657400
ONE HOUSTON CENTER
SUITE 2600
HOUSTON, TEXAS 77002

USE THUMB TO PUSH OPENING PERFORATION TO REMOVE CONTENTS

TO

CLARENCE W WELLS
818 STANDPIPE ROAD
CARLSBAD NEW MEXICO 88220

FIRST CLASS MAIL

STATEMENT FOR RECIPIENTS OF ROYALTY INCOME

PREPARED 2/17/78

OWNER NUMBER - 77881

CLARENCE W WELLS
818 STANDPIPE ROAD
CARLSBAD NEW MEXICO 88220

PAYMENT FROM

C&K PETROLEUM, INC.
ONE HOUSTON CENTER, SUITE 2600
HOUSTON, TEXAS 77002

CHECK NUMBER	CHECK DATE	QUANTITY OIL	QUANTITY GAS	GROSS	NET
055531	12/28/77	.00	217	172.95	155.42
		.00 *	217 *	172.95 *	155.42 *

OWNER NO. [illegible] DATE [illegible]

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES. DUPLICATE WILL NOT BE FURNISHED.

DATE MO.	DATE YR.	PROPERTY NUMBER	PC	IC	TOTAL FOR PROPERTY QUANTITY	TAX/DEDUCT	T/D	NET	GROSS	YOUR PORTION INTEREST	NET VALUE
12	77	[illegible]	[illegible]	[illegible]	[illegible]	163.33	1	[illegible]	[illegible]	[illegible]	[illegible]
12	77	[illegible]	[illegible]	[illegible]	1334	3,[illegible].83	1	[illegible]	[illegible].31	.0076647[illegible]	22.[illegible]
								TOTAL	23.27		25.[illegible]

PC-PRODUCT CODES 1-OIL (BBLS) 2-GAS (MCF) 3-PLANT PRODUCTS (GALS) 4-CONDENSATE (BBLS)
IC-INTEREST CODES 1-WORKING 2-ROYALTY 3-OVERIDE
T/D T-TAX OTHER CODES FOR ACCT. PURPOSES ONLY
DETACH BEFORE PRESENTING FOR PAYMENT.

OWNER NO. 77881 DATE 8/28/78

1 HOUSTON CENTER, SUITE 3600
HOUSTON, TEXAS 77002
(713) 650-6666

067248

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES -DUPLICATE WILL NOT BE FURNISHED.

DATE MO.	DATE YR.	PROPERTY NUMBER	PC	IC	TOTAL FOR PROPERTY QUANTITY	TAX/DEDUCT	T/D	NET	GROSS	YOUR PORTION INTEREST	NET VALUE
07	78	00632-00	2	2	41880	4,680.63	1	62,791.22	51.60	.00076470	48.0[illegible]
								TOTAL	51.60		48.0[illegible]

PC-PRODUCT CODES 1-OIL (BBLS) 2-GAS (MCF) 3-PLANT PRODUCTS (GALS) 4-CONDENSATE (BBLS)
IC-INTEREST CODES 1-WORKING 2-ROYALTY 3-OVERIDE
T/D T-TAX OTHER CODES FOR ACCT. PURPOSES ONLY
DETACH BEFORE PRESENTING FOR PAYMENT.

OWNER NO. 77881 DATE 6/28/78

1 HOUSTON CENTER, SUITE 3600
HOUSTON, TEXAS 77002
(713) 650-6666

063210

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES -DUPLICATE WILL NOT BE FURNISHED.

DATE MO.	DATE YR.	PROPERTY NUMBER	PC	IC	TOTAL FOR PROPERTY QUANTITY	TAX/DEDUCT	T/D	NET	GROSS	YOUR PORTION INTEREST	NET VALUE
05	78	00632-00	2	2	44296	4,930.39	1	65,905.15	54.17	.00076470	50.4[illegible]
								TOTAL	54.17		50.4[illegible]

PC-PRODUCT CODES 1-OIL (BBLS) 2-GAS (MCF) 3-PLANT PRODUCTS (GALS) 4-CONDENSATE (BBLS)
IC-INTEREST CODES 1-WORKING 2-ROYALTY 3-OVERIDE
T/D T-TAX OTHER CODES FOR ACCT. PURPOSES ONLY
DETACH BEFORE PRESENTING FOR PAYMENT.

OWNER NO. 77881 DATE 4/28/78

1 HOUSTON CENTER, SUITE 3600
HOUSTON, TEXAS 77002
(713) 650-6666

060602

CHECK ATTACHED REPRESENTS YOUR PROPORTIONATE PART OF OIL AND OR GAS RUNS FROM LEASE AND FOR PERIOD SHOWN. RETAIN THIS STATEMENT FOR TAX PURPOSES -DUPLICATE WILL NOT BE FURNISHED.

DATE MO.	DATE YR.	PROPERTY NUMBER	PC	IC	TOTAL FOR PROPERTY QUANTITY	TAX/DEDUCT	T/D	NET	GROSS	YOUR PORTION INTEREST	NET VALUE
03	78	00632-00	2	2	44971	3,457.06	1	28,066.71	24.11	.00076470	21.4[illegible]
03	78	00632-0C	2	2		137.82	T	3,457.07	2.75	.00076470	2.6[illegible]
								TOTAL	26.86		24.1[illegible]

PC-PRODUCT CODES 1-OIL (BBLS) 2-GAS (MCF) 3-PLANT PRODUCTS (GALS) 4-CONDENSATE (BBLS)
IC-INTEREST CODES 1-WORKING 2-ROYALTY 3-OVERIDE
T/D T-TAX OTHER CODES FOR ACCT. PURPOSES ONLY
DETACH BEFORE PRESENTING FOR PAYMENT.