

CASE 6843: YATES PETROLEUM CORPORATION
FOR TWO COMPULSORY POOLINGS, EDDY COUNTY
NEW MEXICO

of
L
can
mom

CASE NO.

6843

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,

ETC.

P20 2433112

RECEIPT FOR CERTIFIED MAIL

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

SENT TO		
N. M. Oil Conservation Div.		
STREET AND NO.		
P. O. Box 2088		
P.O., STATE AND ZIP CODE		
Santa Fe, New Mexico 87501		
POSTAGE \$.15		
CERTIFIED FEE 1.25		
CONSULT POSTMASTER FOR FEES	SPECIAL DELIVERY	c
	RESTRICTED DELIVERY	c
	SHOW TO WHOM AND DATE DELIVERED	c
	SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY	c
	SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	c
	SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	c
TOTAL POSTAGE AND FEES \$ 1.40		
POSTMARK OR DATE		
8-27-80		

PS Form 3800, Apr. 1976



207 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210

TELEPHONE (505) 746-3558

August 27, 1980

RECEIVED
CERTIFIED MAIL
RETURN RECEIPT
REQUESTED SEP 02 1980
OIL CONSERVATION DIVISION
SANTA FE
S. P. YATES
PRESIDENT
MARTIN YATES, III
VICE PRESIDENT
JOHN A. YATES
VICE PRESIDENT
W. HARPER
SEC. TREAS.

File
Case 6843

TO: UNLEASED MINERAL OWNERS
ADDRESSEE LIST ATTACHED

NEW MEXICO OIL CONSERVATION DIVISION
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. Daniel S. Nutter

Re: Rushing "NJ" #2
Township 19 South, Range 25 East, NMPM
Section 6: SE/4 SE/4
Eddy County, New Mexico

Ladies and Gentlemen:

We are enclosing Order No. R-6346 which pools the captioned lands for the drilling of the Rushing "NJ" #2. Pursuant to ¶13 of page 4, we are enclosing an AFE listing estimated well costs. Should you wish to participate in the drilling of this well, we request that your share of expenses be paid within the time limit given in ¶14 of page 4. If not, we would still accept the lease previously sent to you covering your interest in the captioned acreage should you wish to lease to us.

If you do not choose either option, we have no choice but to consider your interest pooled as per the terms of the enclosed order and continue as such.

Thank you.

Very truly yours,

Randy G. Patterson
Land Department

Kathy Colbert

By: Kathy Colbert

KC/gat
Enclosures

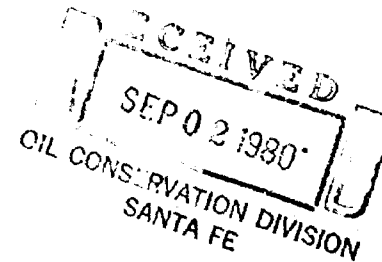
Steve Lane Vincent
% Elaine McCombs Vincent
2809 W. 4th
Amarillo, Texas 79102

Gail Scroggins
Rocket Mobil Village
Lot B14
Alamogordo, New Mexico 88310

J. C. Walcott
2222 Lime
Deming, New Mexico 88030

Billy J. Walcott
% Bobby Walcott
2402 Louisiana Blvd. NE
Albuquerque, New Mexico 87110

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION



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

CASE NO. 6843
Order No. R-6346

APPLICATION OF YATES PETROLEUM
CORPORATION FOR TWO COMPULSORY
POOLINGS, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on May 7, 1980,
at Santa Fe, New Mexico, before Examiner, Daniel S. Nutter.

NOW, on this 22nd day of May, 1980, the Division
Director, having considered the testimony, the record, and
the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That the applicant, Yates Petroleum Corporation,
seeks an order pooling all mineral interests in the Yeso
formation underlying two 40-acre proration units, the first
being the SE/4 SE/4 and the second being the SW/4 SE/4 of
Section 6, Township 19 South, Range 25 East, NMPM, Penasco
Draw Field, Eddy County, New Mexico.

(3) That the applicant has the right to drill and
proposes to drill a well at a standard location on each of
the aforesaid units.

(4) That there are interest owners in the proposed
proration units 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

Case No. 6843
Order No. R-6346

(13) That upon the failure of the operator to commence drilling of the Rushing "NJ" Well No. 1 to which the SW/4 SE/4 of Section 6 is to be dedicated on or before August 1, 1980, the order pooling both of the subject units should become null and void and of no effect whatsoever.

(14) That upon failure of the operator to commence drilling of the Rushing "NJ" Well No. 2 within 60 days after putting Rushing "NJ" Well No. 1 on production, the order pooling the SE/4 SE/4 of Section 6 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 Yeso formation underlying two 40-acre proration units, the first being the SE/4 SE/4 and the second being the SW/4 SE/4 of Section 6, Township 19 South, Range 25 East, NMPM, Penasco Draw Field, Eddy County, New Mexico, are hereby pooled to form two standard 40-acre oil spacing and proration units, each to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of the SW/4 SE/4 of said Section 6 shall commence the drilling of a well thereon, being the Rushing "NJ" Well No. 1, on or before the first day of August, 1980, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Yeso formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of August, 1980, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 90 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

PROVIDED FURTHER, that the operator of the SE/4 SE/4 of said Section 6 shall, within 60 days after putting the afore-
said Rushing "NJ" Well No. 1 on production, commence the drilling of a well thereon, being the Rushing "NJ" Well No. 2,

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who 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 for each well, the operator is hereby authorized to withhold the following costs and charges from production:

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

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$2,000.00 per month while drilling and \$200.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates) for each of the subject wells; 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.

YATES PETROLEUM CORPORATION
AUTHORITY FOR EXPENDITURE

AFF # 80-143-0
Revision 7
Date August 21, 1980

Lease Name Rehling III #2 Location 33033 330/4 Sec. 6 19S, 26E
County Elbert State New Mexico Field Permian Basin
Horizon Yogo Est. T.D. 3150' Est. Spud Date _____
Est. Completion Date _____ Drilling Contractor _____

Primary Objective: ☒ Oil ☐ Gas ☐ Oil and/or Gas
Purpose: ☒ Drilling-New ☐ Recompletion ☐ Other (Supplement AFF, etc.)
Type Well: ☐ Development ☒ Exploratory

INTANGIBLE COSTS:		Dry Hole	Completion
9210	Staking Permit & Legal Fees	\$	\$ 300
9211	Location, Right-of-Way		5,600
9212	Drilling, Footage		---
9213	Drilling, Daywork <u>11</u> days @ <u>\$3850</u> /day		42,400
9212/9213	Moving in, Rigging up, Rigging down		14,500
9224	Bits, Tools & Supplies		3,500
9214	Drilling Water		11,800
9215	Drilling Mud & Additives		3,300
9216	Mud Logging Unit		1,100
9217	Cement, Tools & Services, Temp. Surveys		16,500
9218	Drill Stem Testing		---
9219	Electric Logs		7,100
9220	Tool & Equip. Rental, Trucking, Welding		2,000
9221	Supervision & Overhead		2,200
9223	Coring, Tools & Services		---
9241	Completion Unit <u>3</u> days @ <u>\$1000</u> /day		3,000
9247	Stimulation		25,000
9222	Contingency		15,200
TOTAL INTANGIBLES		\$	\$ 154,000

WELL EQUIPMENT COSTS:			
9301	Christmas Tree and Well Head	\$	\$ 3,500
9302	Casing: <u>10 3/4"</u> , <u>40.5#</u> J-55, <u>320'</u>		6,400
9302	<u>7"</u> , <u>23#</u> J-55, <u>970'</u>		8,200
9302	<u>4 1/2"</u> , <u>9.5#</u> J-55, <u>3150'</u>		13,500
9303	Tubing: <u>2 3/8"</u> , <u>4.7#</u> J-55, <u>2650'</u>		6,800
9304	Packer & Special Equipment		1,800
9350	Contingency		3,100
TOTAL WELL EQUIPMENT		\$	\$ 44,000

LEASE & BATTERY EQUIPMENT COSTS:			
9401	Pumping Equipment	\$	\$ 9,200
9402	Storage 2-210 bbl. welded, w/stair, walk, gun bbl.		7,700
9403	Separation Eq., Flowlines, Valves & Fittings		6,200
9404	Trucking & Construction Costs		4,200
TOTAL LEASE & BATTERY EQUIP.		\$	\$ 28,000
TOTALS		\$	\$ 226,000
		*****	*****

YATES PETROLEUM CORPORATION

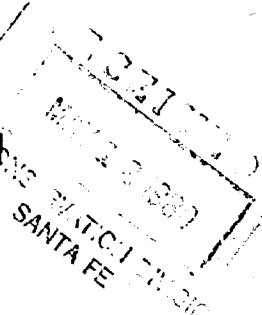
Share -

By Albert R. Jell Date 8-21-80

By: _____ Date: _____



207 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 746-3558



S. P. YATES
PRESIDENT
MARTIN YATES, III
VICE PRESIDENT
JOHN A. YATES
VICE PRESIDENT
B. W. HARPER
SEC. TREAS

May 8, 1980

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

Attention: Daniel S. Nutter

Re: Examiner Hearing
Case No. 6843
May 7, 1980

File

Dear Mr. Nutter:

We are writing pursuant to your request during the captioned hearing to furnish you with information concerning the Mobil "CI" #1 in the S/2 of Section 6, Township 19 South, Range 25 East. The parties to be compulsory pooled in said hearing were never compulsory pooled for the drilling of the Mobil "CI" #1. Proceeds attributable to their interests have been held in suspense since first runs. A copy of our paysheet showing this suspension is enclosed for your information.

Should you have any further questions, please do not hesitate to contact me.

Very truly yours,

Randy G. Patterson

Randy G. Patterson
Land Department

RGP/kc
Enclosure

STATUS

- 1 - Suspend - No Div. Order
5 - Suspend - Unleased
7 - Suspend - Title Requirement
2 - Pay

YATES PETROLEUM CORPORATION
Division of Interest
Date - First Sales

Lease: YPC-Mobil "CI" Federal No. 1
S½ Sec. 6, T19S-R25E

OWNER NAME	INTEREST	TYPE	STATUS	I.D.
United States Drawer 1857 Roswell, New Mexico 88201	.0941063	RI	2	530196958-E
Nadine P. Rushing 2605 W. Alameda Roswell, New Mexico 88201	.0009654	RI	2	-
Patricia Jo McFarrez 303 So. Evergreen Roswell, New Mexico 88201	.0028963	RI	2	585-09-5537
Lillian Poteet Hanners	.0009654	RI	7-1	
Roy T. Mobley 600 Alcalde SW, Apt. 3A Albuquerque, New Mexico 87104	.0038617	RI	2	525-92-0298
George L. Reese, Jr. P. O. Box 1776 Roswell NM 88201	.0019308	RI	2	525-90-9167
Carmex, Inc. P. O. Box 1718 Carlsbad, NM 88220	.0019308	RI	2	85-6013513
J. W. Abernathy 321 S. Avenue A Portales, New Mexico 88130	.0038617	RI	2	525-10-6783
Florence VanValkenburg Box 97 Rock Springs, WY 82901	.0012873	RI	2	520-30-3042
Agnes Burdess 2942 Grant Avenue Ogden, Utah 84401	.0012873	RI	2	529-30-7383
Eleanor Rees Hesketh	.0003218	RI	7-1	
Rebecca Rees Wallen	.0003218	RI	7-1	

OWNER	INTEREST	TYPE	STATUS	I.D.
Lois LaVerne Rees	.0003218	RI	7-1	
James Richard Rees	.0003218	RI	7-1	
(Edgar) Morris Vincent	.0012873	RI	7-1	
(Charles) Loran Vincent	.0012873	RI	7-1	<i>Reed B.C. but still has title to property</i>
Elaine McCombs Vincent 1106 W. 16th Street Amarillo, Texas 79102	.0003218	RI	2	452-14-1395
Richard Dean Vincent	.0003218	RI	7-1	
Morris Edgar Vincent	.0003218	RI	7-1	
Pat (Shi) Vincent	.0012873	RI	7-1	
Mary E. Brown	.0001427	RI	7-1	
Bobby Walcott	.0001427	RI	7-1	
Monie Cowan	.0012872	RI	7-1	
Betty Artz	.0012872	RI	7-1	
Dorothy R. Brown P.O. Box 5325 Midland, Texas 79701	.0376425	ORI	2	543-24-1575
Mobil Producing Texas & New Mexico Inc. P. O. Box 100275 Houston, Texas 77212	.0470531	ORI	2	13-5401570
Mary Florence Bennett	.0231703		7-5-1	
Steve Lane Vincent	.0025745		7-5-1	

OWNER	INTEREST	TYPE	STATUS	I.D.
J. C. Walcott	.0011414		7-5-1	
Charles O. Walcott	.0011414		7-5-1	
Billy J. Walcott	.0011414		7-5-1	
Gail Scroggins	.0011414		7-5-1	
Betty Klump	.0011499		7-5-1	
Patsy Whitlock	.0011499		7-5-1	
Mickey J. Walcott	.0011499		7-5-1	
J. E. Westervelt	.0102978		7-5-1	

Martin Yates III Account #2 207 S. 4th Street Artesia, NM 88210	.0956747	WI	2	525-72-8577
Yates Drilling Company Acct. #2 207 S. 4th Street Artesia, NM 88210	.0956747	WI	2	85-0139955
John A. Yates Acct. #2 207 S. 4th Street Artesia, NM 88210	.0956747	WI	2	525-50-5925
Yates Petroleum Corporation a/c #2 207 S. 4th Street Artesia, NM 88210	.2870241	WI	2	85-0154842
Yates Petroleum Corporation	.1751310	WI	2	85-0154842



207 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1331

CERTIFIED MAIL
RETURN RECEIPT
REQUESTED

S. P. YATES
PRESIDENT
MARTIN YATES, III
VICE PRESIDENT
JOHN A. YATES
VICE PRESIDENT
B. W. HARPER
SEC. TREAS.

December 4, 1980

Steve Lane Vincent
c/o Elaine McCombs Vincent
2809 West Fourth Street
Amarillo, Texas 79102

Gail Scroggins
Rocket Mobil Village
Lot B-14
Alamogordo, New Mexico 88310

Billy J. Walcott
c/o Bobby Walcott
2402 Louisiana Blvd. NE
Albuquerque, New Mexico 87110

New Mexico Oil Conservation Div. ✓
P. O. Box 2088
Santa Fe, New Mexico 87501
Attn: Mr. Daniel S. Nutter

Re: Rushing "NJ" #1
T-19-S, R-25-E, NMPM
Section 6: SW $\frac{1}{4}$ SE $\frac{1}{4}$
Eddy County, New Mexico

Ladies and Gentlemen:

We are enclosing Order No. R-6346 which pools the captioned lands for production of the captioned well. Pursuant to Paragraph 5 of Page 4, we are enclosing an itemized schedule of expenses through September 30, 1980.

We request that your share of your expenses be paid within the time limit recited in Paragraph 6 of Page 5. Unless payment is received within this time period, we have no choice but to consider your interest pooled under the above mentioned order and collect the penalty allowed.

Thank you.

Yours very truly,

RANDY G. PATTERSON
Land Department

Kathy Colbert
By: Kathy Colbert

DEC 11 1980
OIL CONSERVATION DIVISION
SANTA FE

KC/bh

Enclosures

YATES PETROLEUM CORP.

PREPARED BY

MEN

DATE

11/1/80

Total Cost thru 7-30-80

		1	2	3	4	
		Intangible Drilling Cost	Well & Lease Equipment	Operating Expense	TOTAL	
10						10
11						11
12						12
13						13
14						14
15						15
16						16
17						17
18						18
19						19
20		RUSHING	N-T #1			20
21	March, 1980	17100			17100	21
22	April, -	395460			395460	22
23	May -	17838			17838	23
24	June ✓	400000			400000	24
25	July ✓	1558339	1965614 3568291		14093244	25
26	Aug ✓	3225741	472541	16043	3814325	26
27	Sept ✓	244200	1561779 61038267	18244	1890892	27
28		12858678	2465299	304282	20621864	28
29						29
30						30
31						31
32						32
33						33
34						34
35						35
36						36
37						37
38						38
39						39
40						40
41						41
42						42

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 6843
Order No. R-6346

APPLICATION OF YATES PETROLEUM
CORPORATION FOR TWO COMPULSORY
POOLINGS, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on May 7, 1980,
at Santa Fe, New Mexico, before Examiner, Daniel S. Nutter.

NOW, on this 22nd day of May, 1980, the Division
Director, having considered the testimony, the record, and
the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That the applicant, Yates Petroleum Corporation,
seeks an order pooling all mineral interests in the Yeso
formation underlying two 40-acre proration units, the first
being the SE/4 SE/4 and the second being the SW/4 SE/4 of
Section 6, Township 19 South, Range 25 East, NMPM, Penasco
Draw Field, Eddy County, New Mexico.

(3) That the applicant has the right to drill and
proposes to drill a well at a standard location on each of
the aforesaid units.

(4) That there are interest owners in the proposed
proration units 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 oil and gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said units.

(6) That the applicant should be designated the operator of the subject wells and units.

(7) That any non-consenting working interest owner in each of the pooled units 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 who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That following determination of reasonable well costs, any non-consenting working interest owner who 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 \$2,000.00 per month while drilling and \$200.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates) for each well; 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 wells, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from each of the subject wells 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.

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Case No. 6843

Order No. R-6346

(13) That upon the failure of the operator to commence drilling of the Rushing "NJ" Well No. 1 to which the SW/4 SE/4 of Section 6 is to be dedicated on or before August 1, 1980, the order pooling both of the subject units should become null and void and of no effect whatsoever.

(14) That upon failure of the operator to commence drilling of the Rushing "NJ" Well No. 2 within 60 days after putting Rushing "NJ" Well No. 1 on production, the order pooling the SE/4 SE/4 of Section 6 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 Yeso formation underlying two 40-acre proration units, the first being the SE/4 SE/4 and the second being the SW/4 SE/4 of Section 6, Township 19 South, Range 25 East, NMPM, Penasco Draw Field, Eddy County, New Mexico, are hereby pooled to form two standard 40-acre oil spacing and proration units, each to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of the SW/4 SE/4 of said Section 6 shall commence the drilling of a well thereon, being the Rushing "NJ" Well No. 1, on or before the first day of August, 1980, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Yeso formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of August, 1980, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 90 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

PROVIDED FURTHER, that the operator of the SE/4 SE/4 of said Section 6 shall, within 60 days after putting the afore-said Rushing "NJ" Well No. 1 on production, commence the drilling of a well thereon, being the Rushing "NJ" Well No. 2,

-4-

Case No. 684

Order No. R-6346

and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Yeso formation.

PROVIDED FURTHER, that in the event said operator does not commence said Rushing "NJ" Well No. 2 within said 60-day period, Order (1) of this order shall be null and void and of no effect whatsoever with respect to the SE/4 SE/4 of Section 6, Township 19 South, Range 25 East, NMPM, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 90 days after the commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded with respect to the SE/4 SE/4 of said Section 6.

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

(3) That after the effective date of this order and within 90 days prior to commencing each of said wells, the operator shall furnish the Division and each known working interest owner in the appropriate 40-acre 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 within that particular well's unit shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Division and each known working interest owner within the applicable 40-acre unit an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

-5-

Case No. 6843
Order No. R-6346

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who 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 for each well, the operator is hereby authorized to withhold the following costs and charges from production:

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

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$2,000.00 per month while drilling and \$200.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates) for each of the subject wells; 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.

-6-

Case No. 684

Order No. R-6346

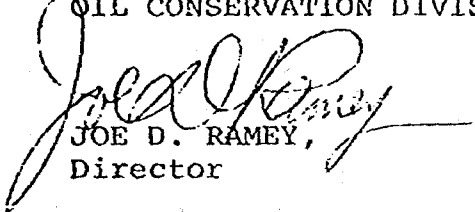
(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from either of the subject wells which are not disbursed for any reason shall immediately be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY,
Director

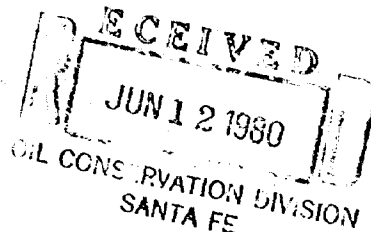
S E A L

dr/



207 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 746-3558

June 10, 1980



S. P. YATES
PRESIDENT
MARTIN YATES, III
VICE PRESIDENT
JOHN A. YATES
VICE PRESIDENT
B. W. HARPER
SEC. TREAS.

*File
Case 6843*

TO: UNLEASED MINERAL OWNERS
ADDRESSEE LIST ATTACHED

NEW MEXICO OIL CONSERVATION DIVISION
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. Daniel S. Nutter

Re: Rushing "NJ" #1
Township 19 South, Range 25 East, NMPM
Section 6: SW/4 SE/4
Eddy County, New Mexico

Ladies and Gentlemen:

It has been brought to our attention that in our "Certified - Return Receipt Requested" letter dated June 5, 1980, the description for the captioned well was wrong. On Page 3, ¶1 of the Order No. R-6346 enclosed in said letter, it states the first proration unit shall be the SE/4 SE/4 and the second the SW/4 SE/4. The second part of that paragraph states the proration unit for the Rushing "NJ" #1 to be the SW/4 SE/4. Therefore, the description for the Rushing "NJ" #1 stated in our letter of June 5, 1980, should read SW/4 SE/4 of Section 6, Township 19 South, Range 25 East, not SE/4 SE/4.

We are sorry for any inconvenience this typographical error may have caused you and hope this letter explains to your satisfaction.

Thank you.

Very truly yours,

Randy G. Patterson
Land Department

Kathy Colbert
By: Kathy Colbert

/kc

STEVE LANE VINCENT
c/o Elaine McCombs Vincent
1106 W. 16th Street
Amarillo, Texas 79102

J. C. WALCOTT
706 Dewey Lane
Alamogordo, New Mexico
88310

RECEIVED
JUN 12 1960
BILLY J. WALCOTT
c/o Bobby Walcott
2402 Louisiana Blvd. NE
Albuquerque, New Mexico
87110

GAIL SCROGGINS
1006 College
Alamogordo, New Mexico
88310

PATSY WHITLOCK
c/o Bobby Walcott
2402 Louisiana Blvd. NE
Albuquerque, New Mexico
87110

MICKEY J. WALCOTT
Box 192
High Rolls, New Mexico
88325

J. E. WESTERVELT
709 1/2 R Avenue
National City, California
92050



207 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 746-3558

June 5, 1980

RETURN RECEIPT REQUESTED

S. P. YATES
PRESIDENT
MARTIN YATES, III
VICE PRESIDENT
JOHN A. YATES
VICE PRESIDENT
B. W. HARPER
SEC. TREAS.

File Case 6843
Don

TO: UNLEASED MINERAL OWNERS
ADDRESSEE LIST ATTACHED

NEW MEXICO OIL CONSERVATION DIVISION
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. Daniel S. Nutter

Re: Rushing "NJ" #1
Township 19 South, Range 25 East, NMPM
Section 6: SE/4 SE/4
Eddy County, New Mexico

*should be
SW/4 SE/4*

Ladies and Gentlemen:

We are enclosing Order No. R-6345 which pools the captioned lands for the drilling of the Rushing "NJ" #1. Pursuant to ¶3 of page 4, we are enclosing an AFE listing estimated well costs. Should you wish to participate in the drilling of this well, we request that your share of expenses be paid within the time limit given in ¶4 of page 4. If not, we would still accept the lease previously sent to you covering your interest in the captioned acreage should you wish to lease to us.

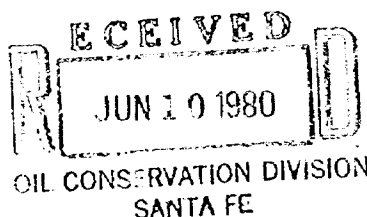
If you do not choose either option, we have no choice but to consider your interest pooled as per the terms of the enclosed order and continue as such.

Thank you.

Very truly yours,

Randy G. Patterson
Land Department

Kathy Colbert
By: Kathy Colbert



/kc
Enclosures

*6-10 Called
Randy Patterson
Pointed out that this letter
states the No. 1 well would be
in the SE/4 SE/4 - This is contrary
to the testimony and the order
which is right? He said
the letter is in error
and will be
corrected
Don*

STEVE LANE VINCENT
c/o Elaine McCombs Vincent
1106 W. 16th Street
Amarillo, Texas 79102

J. C. WALCOTT
706 Dewey Lane
Alamogordo, New Mexico
88310

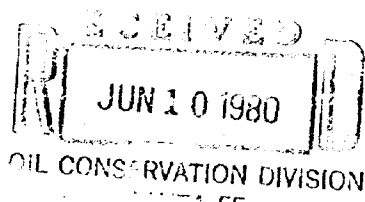
BILLY J. WALCOTT
c/o Bobby Walcott
2402 Louisiana Blvd. NE
Albuquerque, New Mexico
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709 1/2 R Avenue
National City, California
92050



SALLY W. BOYD, C.S.R.

Rm. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

Page 1

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
7 May 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Corpor-) CASE
ation for two compulsory poolings,) 6843
Eddy County, New Mexico.)

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant: Chad Dickerson, Esq.
LOSEE, CARSON, & DICKERSON
Artesia, New Mexico

I N D E X

RANDOLPH PATTERSON

Direct Examination by Mr. Dickerson 3 #

Cross Examination by Mr. Nutter 8

E X H I B I T S

Applicant Exhibit One, Plat 4

Applicant Exhibit Two, List 4

Applicant Exhibit Three, Letters 5

Applicant Exhibit Four, Operating Agreement 5

Applicant Exhibit Five, AFE 7

SALLY W. BOYD, C.S.R.

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Santa Fe, New Mexico 87501

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SALLY W. BOYD, C.S.R.

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Santa Fe, New Mexico 87501
Phone (505) 455-7409

Page 3

1 MR NUTTER: We'll call next Case 6843.

2 MR. PADILLA: Application of Yates Petro-
3 leum Corporation for compulsory poolings, Eddy County, New
4 Mexico.

5 MR. DICKERSON: Chad Dickerson, on behalf
6 of the applicant. I have one witness.

7
8 (Witness sworn.)

9
10 RANDOLPH PATTERSON

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

13
14 DIRECT EXAMINATION

15 BY MR. DICKERSON:

16 Q Will you state your name, your occupation,
17 please?

18 A Randy Patterson. I'm a landman for
19 Yates Petroleum Corporation.

20 Q Mr. Patterson, you've previously testified
21 before this Division as a landman for your employer?

22 A Yes, sir.

23 Q Were Exhibits One through Five, to which
24 you will refer, prepared by you or under your direction?

25 A Yes, sir, they were.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 Q And are you familiar with the purpose of
2 this application today?

3 A Yes, sir.

4 Q Would you briefly describe the purpose
5 of this pending application?

6 A This application is to seek compulsory
7 pooling for several parties who could not be contacted for
8 the drilling of two Yeso oil wells in Eddy County, New Mexico.

9 Q Would you please turn to Exhibit Number
10 One and describe what it shows?

11 A Exhibit Number One is a land plat showing
12 the 80 acres on which the two wells will be located and the
13 wellsites for the Russian "NJ" Wells Nos. 1 and 2.

14 Q And to what zones are these proposed
15 wells to be drilled?

16 A These will test the Yeso formation.

17 Q Mr. Patterson, refer to Exhibit Number
18 Two and describe what it shows, please.

19 A Exhibit Number Two shows the full owner-
20 ship of the 80 acres in Section 2. That is 100 percent owner-
21 ship. Then at the bottom of the page these are the parties
22 to which we are seeking compulsory pooling who could not be
23 contacted.

24 Q Approximately what percentage of total
25 ownership is owned by these parties that we're pooling today?

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone: (505) 455-7409

Page 5

1 A. Approximately 7 percent.

2 Q Turn to Exhibit Number Three and describe
3 what it is, please.

4 A. Exhibit Number Three is an example of the
5 letter which we sent certified mail to these parties to try
6 to contact them to lease or to join in the operation.

7 Q Have you had any response from these
8 letters?

9 A. All the letters were returned.

10 Q So all of these parties you're unable to
11 locate at this time?

12 A. That's correct.

13 Q Mr. Patterson, turn to Exhibit Number
14 Four and describe what it shows, if you would.

15 A. Exhibit Number Four is our operating
16 agreement for the drilling of these two wells, which shows
17 Yates Petroleum Corporation as operator, the percentage of
18 interest of each party, the leases involved, and the drilling
19 well, producing well rates.

20 Q And this operating agreement has been
21 executed on behalf of all working interest owners?

22 A. Yes, sir.

23 Q What are the proposed drilling well and
24 producing well rates, Mr. Patterson?

25 A. Our drilling well rate will be \$2000 per

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 month and the producing well rate, \$200 per month.

2 Q And in the opinion of Yates are those
3 reasonable charges for supervision of this well?

4 A Yes, sir, these are our standard charges
5 which we've been charging on this type of well for several
6 months.

7 Q Mr. Patterson, are you prepared to make
8 a recommendation as to the risk factor that should be assessed
9 for -- as a penalty involved in drilling these wells?

10 A Yes, sir, I am.

11 Q And what is your recommendation?

12 A I recommend the 200 percent penalty.

13 Q What is your recommendation based upon?

14 A Our recommendation is based upon the fact
15 that these wells -- it is questionable that these wells will
16 pay out. These wells are on the southeast edge of field de-
17 velopment. Please notice in Section 5 on your Exhibit One,
18 the land plat, the southwest southwest of Section 5, Mobil
19 "CI" No. 2 has been producing since 1973 and it has not yet
20 paid out. It is presently producing very slight amount of
21 oil and a small amount of gas.

22 Also on your land plat we show the Mobil
23 "CI" Nos. 4 and 5, which are our most recent wells, just to
24 the west of these two wells which we are trying to compul-
25 sory pool. These wells had a calculated potential on a 24-

1 hour test of 36 barrels of oil per day plus four barrels
2 of water; however, it's expected to fall off quite rapidly
3 down to 5 to 6 barrels per day.

4 Q Do you have any further testimony with
5 regard to Exhibit Number Four, Mr. Patterson?

6 A I don't think so.

7 Q Turn to Exhibit Number Five and describe
8 what it is, please.

9 A Exhibit Number Five is our AFE for the
10 drilling of this -- of the No. 1 Well. The No. 2 Well will
11 be a similar AFE.

12 Q And so the Exhibits Four and Five contain
13 the terms that the parties, in the event they elected to part-
14 icipate in drilling -- in the well, would be expected to
15 abide by?

16 A Yes, sir, that's correct.

17 Q Mr. Patterson, in your opinion would the
18 granting of this application prevent waste and protect cor-
19 relative rights?

20 A Yes, sir.

21 MP. DICKERSON: Mr. Examiner, we have
22 nothing further to offer.

23

24

CROSS EXAMINATION

25

BY MR. NUTTER:

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 435-7409

1 Q Mr. Patterson, you've got an 80-acre unit,
2 or an 80-acre outline here on Exhibit One, but we're talking
3 about two 40-acre units. Are the interests common throughout
4 this entire 80-acre lease?

5 A The title is common throughout this 80
6 acres.

7 Q Okay. Then the first well is going to be
8 the No. 1 Well --

9 A Yes, sir.

10 Q -- to be drilled in the southwest of the
11 southeast?

12 A Yes, sir, that's correct.

13 Q And what is that location on that?

14 A It's 1650 from the east, 330 from the
15 south.

16 Q And then you would drill the No. 2 Well
17 and I presume that that's 330 from the corner.

18 A 330 and 330, yes, sir.

19 Q Now, on this list of poolees that you've
20 got, they own a total of 7 percent in the 80 or 7 percent
21 under each of the two wells. Why haven't you been able to
22 contact these people?

23 A This -- these people have been attempted --
24 we've been attempting to contact these people since about
25 1973 when the Mobil "CI" No. 1 Well was drilled just to the

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone: (505) 455-7409

1 north. It shows as a gas well on your plat.

2 These people have, in talking with their
3 relatives and whatnot, have just not been found.

4 Q You mean the relatives don't know where
5 they are?

6 A No, that's correct. Most of these people
7 that you see on the Exhibit Two are related to each other;
8 however, they're not close relation or keep in touch with each
9 other, and the people there listed at the bottom just -- we
10 have not been able to find them.

11 Q Now these people own this land in fee,
12 is that it?

13 A Yes, sir, that's correct.

14 Q And so being unable to lease from them
15 they're going to be working interest owners as well as royalty
16 owners in the well, or the wells.

17 A Only the ones at the bottom. The top --

18 Q The names at the bottom of the page, I'm
19 talking about.

20 A Yes, sir, that's correct.

21 Q And the ones at the top of the page are
22 royalty owners only they've given you leases on their share
23 of the 80.

24 A Yes, sir. Yes.

25 Q What, are they all descendants of somebody

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 that owned this land at one time, or what?

2 A Yes. Yes, they're all -- all heirs.

3 Q And they don't know where their relatives
4 are? Now, I notice that J. E. Westerfeld is one of those
5 persons listed here with 3 acres, 3-1/3 acres, and you did
6 have a letter that you've sent, which is Exhibit Number Three, --

7 A Yes, sir.

8 Q -- to Mr. Westerfeld.

9 A This is an example; a letter exactly like
10 this was sent to each of the ones that we're trying to pool.

11 Q Now you sent it to Mrs. Monie Cowan. What
12 happened to that letter?

13 A Mrs. Cowan replied that she could not --
14 she did not know where her relative was, and our letter was
15 returned.

16 Q Now, you mentioned that you've been
17 trying to find these people since '73 when the gas well was
18 completed. I guess they are sharing in the -- did you have
19 a forced pooling case on the gas well, also?

20 A I can't answer that. I don't know.

21 Q You don't know what's happening to the --

22 A I don't know whether --

23 Q -- monies that would be going --

24 A -- those people are pooled under the gas
25 well or not.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (805) 455-7409

1
2 MR. NUTTER: Do you know, Mr. Dickerson?

3 MR. DICKERSON: No, Mr. Nutter, I don't.

4 MR. NUTTER: Wonder if we could --

5 MR. DICKERSON: We could find out.

6 MR. NUTTER: -- find that out and let me

7 know.

8 MR. DICKERSON: Yes, sir.

9 MR. NUTTER: What the status of these
10 interests is under the gas well?

11 MR. DICKERSON: Okay.

12 A. We can check with the purchaser and see
13 if it has addresses for any of these people.

14 MR. DICKERSON: Any new addresses. I
15 understand Yates had addresses for the people in one form or
16 another at one time or another, but they're simply no longer
17 their addresses.

18 MR. NUTTER: I'd appreciate knowing how
19 the funds that belong to them are being handled.

20 Are there any further questions of Mr.
21 Patterson? He may be excused.

22 Do you have anything further, Mr. Dickerson?
23 son?

24 MR. DICKERSON: No, we don't.

25 MR. NUTTER: Did you offer your exhibits?

MR. DICKERSON: I would offer Exhibits

1 One through Five into evidence if I did not do so.

2 MR. NUTTER: Yates Exhibits One through
3 Five will be admitted in evidence.

4 Does anyone have anything they wish to
5 offer in Case Number 6843?

6 We'll take the case under advisement.

7
8 (Hearing concluded.)

9

10

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21

22

23

24

25

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

REPORTER'S CERTIFICATE

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division 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.

Sally W. Boyd C.S.R.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I do hereby certify that the foregoing is a complete and correct transcript of the hearing held on 5/7/80 at 6843.
[Signature], Examiner
Oil Conservation Division



BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

May 23, 1980

Mr. Chad Dickerson
Losee, Carson & Dickerson
Attorneys at Law
Post Office Box 239
Artesia, New Mexico 88210

Re: CASE NO. 6843
ORDER NO. R-6346

Applicant:

Yates Petroleum Corporation

Dear Sir:

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

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD **X**
 Artesia OCD **X**
 Aztec OCD

Other

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 6843
Order No. R-6346

APPLICATION OF YATES PETROLEUM
CORPORATION FOR TWO COMPULSORY
POOLINGS, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on May 7, 1980,
at Santa Fe, New Mexico, before Examiner, Daniel S. Nutter.

NOW, on this 22nd day of May, 1980, the Division
Director, having considered the testimony, the record, and
the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That the applicant, Yates Petroleum Corporation,
seeks an order pooling all mineral interests in the Yaso
formation underlying two 40-acre proration units, the first
being the SE/4 SE/4 and the second being the SW/4 SE/4 of
Section 6, Township 19 South, Range 25 East, NMPM, Penasco
Draw Field, Eddy County, New Mexico.

(3) That the applicant has the right to drill and
proposes to drill a well at a standard location on each of
the aforesaid units.

(4) That there are interest owners in the proposed
proration units 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

-2-

Case No. 6843

Order No. R-6346

receive without unnecessary expense his just and fair share of the oil and gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said units.

(6) That the applicant should be designated the operator of the subject wells and units.

(7) That any non-consenting working interest owner in each of the pooled units 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 who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That following determination of reasonable well costs, any non-consenting working interest owner who 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 \$2,000.00 per month while drilling and \$200.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates) for each well; 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 wells, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from each of the subject wells 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.

-3-

Case No. 6843
Order No. R-6346

(13) That upon the failure of the operator to commence drilling of the Rushing "NJ" Well No. 1 to which the SW/4 SE/4 of Section 6 is to be dedicated on or before August 1, 1980, the order pooling both of the subject units should become null and void and of no effect whatsoever.

(14) That upon failure of the operator to commence drilling of the Rushing "NJ" Well No. 2 within 60 days after putting Rushing "NJ" Well No. 1 on production, the order pooling the SE/4 SE/4 of Section 6 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 Yeso formation underlying two 40-acre proration units, the first being the SE/4 SE/4 and the second being the SW/4 SE/4 of Section 6, Township 19 South, Range 25 East, NMPM, Penasco Draw Field, Eddy County, New Mexico, are hereby pooled to form two standard 40-acre oil spacing and proration units, each to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of the SW/4 SE/4 of said Section 6 shall commence the drilling of a well thereon, being the Rushing "NJ" Well No. 1, on or before the first day of August, 1980, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Yeso formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of August, 1980, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 90 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

PROVIDED FURTHER, that the operator of the SE/4 SE/4 of said Section 6 shall, within 60 days after putting the afore-said Rushing "NJ" Well No. 1 on production, commence the drilling of a well thereon, being the Rushing "NJ" Well No. 2,

-4-

Case No. 6843

Order No. R-6346

and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Yezo formation.

PROVIDED FURTHER, that in the event said operator does not commence said Rushing "NJ" Well No. 2 within said 60-day period, Order (1) of this order shall be null and void and of no effect whatsoever with respect to the SE/4 SE/4 of Section 6, Township 19 South, Range 25 East, NMPM, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 90 days after the commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded with respect to the SE/4 SE/4 of said Section 6.

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

(3) That after the effective date of this order and within 90 days prior to commencing each of said wells, the operator shall furnish the Division and each known working interest owner in the appropriate 40-acre 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 within that particular well's unit shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Division and each known working interest owner within the applicable 40-acre unit an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

-5-

Case No. 6843

Order No. R-6346

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who 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 for each well, the operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$2,000.00 per month while drilling and \$200.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates) for each of the subject wells; 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.

-6-

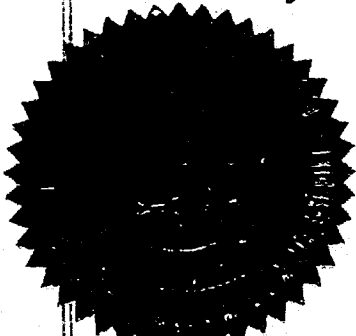
Case No. 6843
Order No. R-6346

(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 either of the subject wells which are not disbursed for any reason shall immediately be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Joe D. Ramey
JOE D. RAMEY,
Director

dr/

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
7 May 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Corpor-) CASE
ation for two compulsory poolings,) 6843
Eddy County, New Mexico.)

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant: Chad Dickerson, Esq.
LOSEE, CAPSON, & DICKERSON
Artesia, New Mexico

I N D E X

RANDOLPH PATTERSON

Direct Examination by Mr. Dickerson

3 ⁴/₅

Cross Examination by Mr. Nutter

8

E X H I B I T S

Applicant Exhibit One, Plat

4

Applicant Exhibit Two, List

4

Applicant Exhibit Three, Letters

5

Applicant Exhibit Four, Operating Agreement

5

Applicant Exhibit Five, AFE

7

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1 MR. NUTTER: We'll call next Case 6843.

2 MR. PADILLA: Application of Yates Petro-
3 leum Corporation for compulsory poolings, Eddy County, New
4 Mexico.

5 MR. DICKERSON: Chad Dickerson, on behalf
6 of the applicant. I have one witness.

7
8 (Witness sworn.)

9
10 RANDOLPH PATTERSON
11 BEING called as a witness and having been duly sworn upon his
12 oath, testified as follows, to-wit:

13
14 DIRECT EXAMINATION

15 BY MR. DICKERSON:

16 Q Will you state your name, your occupation,
17 please?

18 A Randy Patterson. I'm a landman for
19 Yates Petroleum Corporation.

20 Q Mr. Patterson, you've previously testified
21 before this Division as a landman for your employer?

22 A Yes, sir.

23 Q Were Exhibits One through Five, to which
24 you will refer, prepared by you or under your direction?

25 A Yes, sir, they were.

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1 Q And are you familiar with the purpose of
2 this application today?

3 A Yes, sir.

4 Q Would you briefly describe the purpose
5 of this pending application?

6 A This application is to seek compulsory
7 pooling for several parties who could not be contacted for
8 the drilling of two Yeso oil wells in Eddy County, New Mexico.

9 Q Would you please turn to Exhibit Number
10 One and describe what it shows?

11 A Exhibit Number One is a land plat showing
12 the 80 acres on which the two wells will be located and the
13 wellsites for the Russian "NJ" Wells Nos. 1 and 2.

14 Q And to what zones are these proposed
15 wells to be drilled?

16 A These will test the Yeso formation.

17 Q Mr. Patterson, refer to Exhibit Number
18 Two and describe what it shows, please.

19 A Exhibit Number Two shows the full owner-
20 ship of the 80 acres in Section 2. That is 100 percent owner-
21 ship. Then at the bottom of the page these are the parties
22 to which we are seeking compulsory pooling who could not be
23 contacted.

24 Q Approximately what percentage of total
25 ownership is owned by these parties that we're pooling today?

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1 A Approximately 7 percent.

2 Q Turn to Exhibit Number Three and describe
3 what it is, please.

4 A Exhibit Number Three is an example of the
5 letter which we sent certified mail to these parties to try
6 to contact them to lease or to join in the operation.

7 Q Have you had any response from these
8 letters?

9 A All the letters were returned.

10 Q So all of these parties you're unable to
11 locate at this time?

12 A That's correct.

13 Q Mr. Patterson, turn to Exhibit Number
14 Four and describe what it shows, if you would.

15 A Exhibit Number Four is our operating
16 agreement for the drilling of these two wells, which shows
17 Yates Petroleum Corporation as operator, the percentage of
18 interest of each party, the leases involved, and the drilling
19 well, producing well rates.

20 Q And this operating agreement has been
21 executed on behalf of all working interest owners?

22 A Yes, sir.

23 Q What are the proposed drilling well and
24 producing well rates, Mr. Patterson?

25 A Our drilling well rate will be \$2000 per

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Page 6

1 month and the producing well rate, \$200 per month.

2 Q And in the opinion of Yates are those
3 reasonable charges for supervision of this well?

4 A Yes, sir, these are our standard charges
5 which we've been charging on this type of well for several
6 months.

7 Q Mr. Patterson, are you prepared to make
8 a recommendation as to the risk factor that should be assessed
9 for -- as a penalty involved in drilling these wells?

10 A Yes, sir, I am.

11 Q And what is your recommendation?

12 A I recommend the 200 percent penalty.

13 Q What is your recommendation based upon?

14 A Our recommendation is based upon the fact
15 that these wells -- it is questionable that these wells will
16 pay out. These wells are on the southeast edge of field de-
17 velopment. Please notice in Section 5 on your Exhibit One,
18 the land plat, the southwest southwest of Section 5, Mobil
19 "CI" No. 2 has been producing since 1973 and it has not yet
20 paid out. It is presently producing very slight amount of
21 oil and a small amount of gas.

22 Also on your land plat we show the Mobil
23 "CI" Nos. 4 and 5, which are our most recent wells, just to
24 the west of these two wells which we are trying to compul-
25 sory pool. These wells had a calculated potential on a 24-

1 hour test of 36 barrels of oil per day plus four barrels
2 of water; however, it's expected to fall off quite rapidly
3 down to 5 to 6 barrels per day.

4 Q Do you have any further testimony with
5 regard to Exhibit Number Four, Mr. Patterson?

6 A I don't think so.

7 Q Turn to Exhibit Number Five and describe
8 what it is, please.

9 A Exhibit Number Five is our AFE for the
10 drilling of this -- of the No. 1 Well. The No. 2 Well will
11 be a similar AFE.

12 Q And so the Exhibits Four and Five contain
13 the terms that the parties, in the event they elected to part
14 icipate in drilling -- in the well, would be expected to
15 abide by?

16 A Yes, sir, that's correct.

17 Q Mr. Patterson, in your opinion would the
18 granting of this application prevent waste and protect cor-
19 relative rights?

20 A Yes, sir.

21 MR. DICKERSON: Mr. Examiner, we have
22 nothing further to offer.

23
24 CROSS EXAMINATION

25 BY MR. NUTTER:

SALLY W. BOYD, C.S.R.

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Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 Q Mr. Patterson, you've got an 80-acre unit,
2 or an 80-acre outline here on Exhibit One, but we're talking
3 about two 40-acre units. Are the interests common throughout
4 this entire 80-acre lease?

5 A The title is common throughout this 80
6 acres.

7 Q Okay. Then the first well is going to be
8 the No. 1 Well --

9 A Yes, sir.

10 Q -- to be drilled in the southwest of the
11 southeast?

12 A Yes, sir, that's correct.

13 Q And what is that location on that?

14 A It's 1650 from the east, 330 from the
15 south.

16 Q And then you would drill the No. 2 Well
17 and I presume that that's 330 from the corner.

18 A 330 and 330, yes, sir.

19 Q Now, on this list of poolees that you've
20 got, they own a total of 7 percent in the 80 or 7 percent
21 under each of the two wells. Why haven't you been able to
22 contact these people?

23 A This -- these people have been attempted --
24 we've been attempting to contact these people since about
25 1973 when the Mobil "CI" No. 1 Well was drilled just to the

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Page 2

1 north. It shows as a gas well on your plat.

2 These people have, in talking with their
3 relatives and whatnot, have just not been found.

4 Q You mean the relatives don't know where
5 they are?

6 A No, that's correct. Most of these people
7 that you see on the Exhibit Two are related to each other;
8 however, they're not close relation or keep in touch with each
9 other, and the people there listed at the bottom just --- we
10 have not been able to find them.

11 Q Now these people own this land in fee,
12 is that it?

13 A Yes, sir, that's correct.

14 Q And so being unable to lease from them
15 they're going to be working interest owners as well as royalty
16 owners in the well, or the wells.

17 A Only the ones at the bottom. The top ---

18 Q The names at the bottom of the page, I'm
19 talking about.

20 A Yes, sir, that's correct.

21 Q And the ones at the top of the page are
22 royalty owners only they've given you leases on their share
23 of the 80.

24 A Yes, sir. Yes.

25 Q What, are they all descendants of somebody

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1 that owned this land at one time, or what?

2 A Yes. Yes, they're all -- all heirs.

3 Q And they don't know where their relatives
4 are? Now, I notice that J. E. Westerfeld is one of those
5 persons listed here with 3 acres, 3-1/3 acres, and you did
6 have a letter that you've sent, which is Exhibit Number Three, --

7 A Yes, sir.

8 Q -- to Mr. Westerfeld.

9 A This is an example; a letter exactly like
10 this was sent to each of the ones that we're trying to pool.

11 Q Now you sent it to Mrs. Monie Cowan. What
12 happened to that letter?

13 A Mrs. Cowan replied that she could not --
14 she did not know where her relative was, and our letter was
15 returned.

16 Q Now, you mentioned that you've been
17 trying to find these people since '73 when the gas well was
18 completed. I guess they are sharing in the -- did you have
19 a forced pooling case on the gas well, also?

20 A I can't answer that. I don't know.

21 Q You don't know what's happening to the --

22 A I don't know whether --

23 Q -- monies that would be going --

24 A -- those people are pooled under the gas
25 well or not.

SALLY W. BOYD, C.S.R.

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1

MR. NUTTER: Do you know, Mr. Dickerson?

2

MR. DICKERSON: No, Mr. Nutter, I don't.

3

MR. NUTTER: Wonder if we could ---

4

MR. DICKERSON: We could find out.

5

MR. NUTTER: -- find that out and let me

6

know.

7

MR. DICKERSON: Yes, sir.

8

MR. NUTTER: What the status of these

9

interests is under the gas well?

10

MR. DICKERSON: Okay.

11

A.

We can check with the purchaser and see

12

if it has addresses for any of these people.

13

MR. DICKERSON: Any new addresses. I

14

understand Yates had addresses for the people in one form or

15

another at one time or another, but they're simply no longer

16

their addresses.

17

MR. NUTTER: I'd appreciate knowing how

18

the funds that belong to them are being handled.

19

Are there any further questions of Mr.

20

Patterson? He may be excused.

21

Do you have anything further, Mr. Dickerson?

22

son?

23

MR. DICKERSON: No, we don't.

24

MR. NUTTER: Did you offer your exhibits?

25

MR. DICKERSON: I would offer Exhibits

1 One through Five into evidence if I did not do so.

2 MR. NUTTER: Yates Exhibits One through
3 Five will be admitted in evidence.

4 Does anyone have anything they wish to
5 offer in Case Number 6943?

6 We'll take the case under advisement.

7
8 (Hearing concluded.)
9

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REPORTER'S CERTIFICATE

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division 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.

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I do hereby certify that the foregoing is a true and correct transcript of the hearing held by me on _____ at _____

[Signature]
Oil Conservation Division Examiner
6843
80

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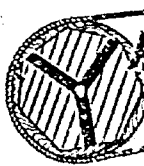
1) The SW/4 SE/4 and the SE/4 SE/4 of Section 6, Township 19 South, Range 25 East, N.M.P.M. are held by Yates Petroleum Corporation, et al, under numerous fee leases.

2) The ownership of the SW/4 SE/4 and the SE/4 SE/4 of Section 6, Township 19 South, Range 25 East, N.M.P.M. is as follows:

Nadine Rushing	9/288
Patricia J. McFarrez	27/288
Lillian Poteet Hanners	9/288
Mary Florence Bennett.	27/288
Roy T. Mobley.	24/288
George L. Reese, Jr.	12/288
Carmex, Inc.	12/288
J. W. Abernathy.	36/288
Florence VanValkenburg	12/288
Agnes Burdess.	12/288
Eleanor Rees Hesketh	3/288
Rebecca Rees Wallen.	3/288
Lois LaVerne Rees.	3/288
James Richard Rees	3/288
(Edgar) Morris Vincent	12/288
(Charles) Loran Vincent.	12/288
Elaine McCombs Vincent	3/288
Richard Dean Vincent	3/288
Morris Edgar Vincent	3/288
Steve Lane Vincent	3/288
Pat (Shi) Vincent.	12/288
J. C. Walcott.	1.33/288
Mary E. Brown.	1.33/288
Charles O. Walcott	1.33/288
Billy J. Walcott	1.33/288
Bobby Walcott.	1.33/288
Gail Scroggins	1.33/288
Betty Klump.	1.34/288
Patsy Whitlock	1.34/288
Mickey J. Walcott.	1.34/288
Monie Cowan.	12/288
Betty Artz	12/288
J. E. Westervelt	12/288

Yates Petroleum Corporation, et al, now holds leases from all of the owners of the SW/4 SE/4 and the SE/4 SE/4 with the exception of the owners listed below. These owners have been offered leases and the opportunity to participate in drilling. They have also been advised of the compulsory pooling proceedings.

	<u>Net Acres</u>	<u>Percentage of Each Well</u>
Steve Lane Vincent	.833333	1.041666
J. C. Walcott	.369444	.461805
Charles O. Walcott	.369444	.461805
Billy J. Walcott	.369444	.461805
Gail Scroggins	.369444	.461805
Patsy Whitlock	.372222	.465278
Mickey J. Walcott	.372222	.465278
J. E. Westervelt	3.333333	4.166666



YATES PETROLEUM CORPORATION
 207 SOUTH FOURTH STREET
 ARTESIA, NEW MEXICO 88210
 TELEPHONE (505) 746-3558

S. P. YATES
 PRESIDENT
 MARTIN YATES, III
 VICE PRESIDENT
 JOHN A. YATES
 VICE PRESIDENT
 B. W. HARPER
 SEC. TREAS.

April 16, 1980

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

J. E. Westervelt
 c/o Mrs. Monie Cowan
 P. O. Box 416
 Blanchard, Oklahoma 73010

Re: Unleased Oil and Gas Lease
 Township 19 South, Range 25 East, NMPM
 Section 6: S/2 SE/4
 Eddy County, New Mexico

Dear Mr. Westervelt:

Yates Petroleum Corporation may possibly drill a well on or near the captioned acreage if we can lease the interests to the same. We would like to lease your interests in these lands.

We have taken the liberty of enclosing an original and one (1) copy of an Oil and Gas Lease, one year term, providing for a 3/16 royalty.

If satisfactory, please execute the Lease before a Notary Public and return the original to this office as soon as possible.

Should we not receive the Lease on or before May 15, 1980, we will have no choice but to institute compulsory pooling procedure.

Should you have any questions, please call me collect at (505) 748-1331.

Thank you.

Very truly yours,

Randy G. Patterson
 Randy G. Patterson
 and Department

2433086

CERTIFIED MAIL
 RETURN RECEIPT REQUESTED -
 INTERNATIONAL MAIL

Westervelt
 Monie Cowan

Box 416

Blanchard, Oklahoma 73010

ZIP CODE 73010

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EXHIBIT NO. 3
 CASE NO. 6843
 EXAMINER HEARING
 DATE 5/7/80

OPTIONAL SERVICES	RETURN RECEIPT SERVICE	POSTAGE AND FEES
SPECIAL DELIVERY		
REGISTERED MAIL		
INSURANCE		
POSTNET		
ZIP CODE		
POSTAGE		
FEES		
TOTAL POSTAGE AND FEES		\$ 1.40

POSTMARK OR DATE
 4-16-80

PS Form 3800, Apr. 1976

THIS AGREEMENT made this 16th day of April, 1922, between
J. E. WESTERVELT, dealing in his sole and separate property,

Lessor (whether one or more), whose address is:

and YATES PETROLEUM CORPORATION, a New Mexico corporation,

Lessee, WITNESSETH:

1. Lessor in consideration of TEN AND NO/100 Dollars (\$10.00) 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 and gas, 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

Eddy County, New Mexico, to-wit:

Township 19 South, Range 25 East, N.M.P.M.

Section 6: S $\frac{1}{2}$ SE $\frac{1}{4}$

Containing 80.00 acres, more or less.

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 or gas 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 ONE year from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or land with which said land is pooled hereunder.

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 3/16

of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 3/16 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 or tender as royalty, on or before ninety (90) days after the date on which said well is shut-in and thereafter at annual intervals the sum of \$1.00 per acre, 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. Payment or tender of said shut-in gas royalty may be made by check or draft of Lessee mailed or delivered to the parties entitled thereto on or before the date said payment is due. 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 and gas 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 New Mexico Oil Conservation Commission, 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 40 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. Lessee may at its election exercise its pooling option 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 units. 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. In addition to the foregoing, Lessee at its option is hereby given the right and power from time to time to commit said land or any part or formation or mineral substance covered hereby to any cooperative or unit agreement or plan of development and operation, and to any modifications thereof, which have been approved by the New Mexico Oil Conservation Commission or other lawful governmental authority. In such event, the royalty payable to Lessor hereunder shall be computed and paid on the basis of the oil or gas allocated to such land under the terms of any such agreement or plan of operation, which basis shall be the same by which the royalty due the United States or the State of New Mexico is computed and paid. This lease shall not expire during the life of such agreement or plan and shall be subject to the terms thereof and said agreement or plan of operation shall be filed with the New Mexico Oil Conservation Commission, or other lawful authority, and Lessee shall record in the County in which the leased premises are situated, an instrument describing such agreement or plan of operation and reflecting the commitment thereto, and the same may be recorded either before or after the completion of wells.

5. If at the expiration of the primary term oil or gas 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 or gas so long thereafter as oil or gas is produced from said land, or from land pooled therewith. If, after the expiration of the primary term of this lease and after oil or gas 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 result in the production of oil or gas, so long thereafter as oil or gas 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 660 feet of and draining the lease 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 revision of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event 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. After the discovery of oil or gas in paying quantities on said premises, 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 in paying quantities.

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 right under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil or gas on, in or under said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors 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 state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, 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.

J. E. WESTERVELT

Social Security Number

INDIVIDUAL ACKNOWLEDGMENT

STATE OF NEW MEXICO,

County of _____

ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19 80 by J. E. WESTERVELT, dealing in his sole and separate property.

My commission expires _____, 19 _____

Notary Public

CORPORATION ACKNOWLEDGMENT

STATE OF NEW MEXICO

County of _____

ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19 _____ by _____ President of _____ a _____ corporation on behalf of said corporation.

My Commission Expires: _____

Notary Public

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____

County of _____

ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19 _____ by _____

My commission expires _____, 19 _____

Notary Public

Product 88 Rev. (3 Year Lease) (10-57)

No. _____

Oil and Gas
Lease

FROM

TO

Dated _____, 19 _____

No. Acres _____

County, N. M. _____

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 _____

A.A.P.L. FORM 610-1977
MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

April 29, 19 80,

OPERATOR YATES PETROLEUM CORPORATION

CONTRACT AREA TOWNSHIP 19 SOUTH, RANGE 25 EAST, N.M.P.M.

SECTION 6: S $\frac{1}{2}$ SE $\frac{1}{4}$

Containing 80.00 acres, more or less.

COUNTY OR PARISH OF EDDY STATE OF NEW MEXICO

COPYRIGHT 1977 — ALL RIGHTS RESERVED
AMERICAN ASSOCIATION OF PETROLEUM LANDMEN
APPROVED FORM. A.A.P.L. NO. 610 - 1977 REVISED
MAY BE ORDERED DIRECTLY FROM THE PUBLISHER
KRAFTBILT PRODUCTS, BOX 800, TULSA 74101

EXHIBIT NO. 4
CASE NO. 6843
HEARING

A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1977

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OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between YATES PETROLEUM CORPORATION, a New Mexico corporation, 207 S. 4th Street, Artesia, NM 88210, hereinafter designated and referred to as "Operator," and the signatory party or parties other than Operator, sometimes hereinafter referred to individually herein as "Non-Operator," and collectively as "Non-Operators,"

WITNESSETH:

WHEREAS, the parties to this agreement are owners of oil and gas leases and/or oil and gas interests in the land identified in Exhibit "A", and the parties hereto have reached an agreement to explore and develop these leases and/or oil and gas interests for the production of oil and gas to the extent and as hereinafter provided;

NOW, THEREFORE, it is agreed as follows:

ARTICLE I. DEFINITIONS

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

A. The term "oil and gas" shall mean oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons and other marketable substances produced therefrom, unless an intent to limit the inclusiveness of this term is specifically stated.

B. The terms "oil and gas lease", "lease", and "leasehold" shall mean the oil and gas leases covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

C. The term "oil and gas interests" shall mean undivided fee and mineral interests in tracts of land lying within the Contract Area which are owned by parties to this agreement.

D. The term "Contract Area" shall mean 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.

E. 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, or as fixed by express agreement of the Drilling Parties.

F. The term "drill-site" shall mean the oil and gas lease or interest on which a proposed well is to be located.

G. The terms "Drilling Parties" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

H. The terms "Non-Drilling Parties" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

ARTICLE II. EXHIBITS

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

X A. Exhibit "A", shall include the following information:

(1) Identification of lands subject to agreement,

(2) Percentages or fractional interests or formations,

(3) Oil and gas leases and/or oil and gas interests subject to this agreement,

(4) Addresses of parties for notice purposes,

(5) B. Exhibit "B", Accounting Procedure,

(6) C. Exhibit "C", Accounting Procedure,

(7) D. Exhibit "D", Insurance,

(8) E. Exhibit "E", Gas Balancing Agreement,

(9) F. Exhibit "F", Non-Discrimination and Certification of Non-Segregated Facilities.

If any provision of any exhibit, except Exhibit "E", is inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

ARTICLE III. INTERESTS OF PARTIES

A. Oil and Gas Interests.

If any party owns an undivided oil and gas interest in the Contract Area, that interest shall be treated for the purpose of this agreement as if it were a leasehold interest.

(b) If the proportionate interest of the other parties hereto in any producing well has failed shall be treated for the purpose of this agreement as if it were a leasehold interest.

(c) If the proportionate interest of the other parties hereto in any producing well has failed shall be treated for the purpose of this agreement as if it were a leasehold interest.

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(z) If the proportionate interest of the other parties hereto in any producing well has failed shall be treated for the purpose of this agreement as if it were a leasehold interest.

ARTICLE IV. TITLES

A. Title Examination.

Title examination shall be made on the drill-site of any proposed well prior to commencement of drilling operations.

The opinion will include the ownership of the working interest, minerals, royalty, overriding interests, and all other oil and gas interests in the land.

The time a lease is proposed, each party shall furnish to Operator a true and correct copy of the lease, including all amendments and assignments.

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ARTICLE V. OPERATOR

A. Designation and Responsibilities of Operator.

Operator shall be designated by the parties to this agreement.

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ARTICLE VI. DRILLING AND DEVELOPMENT

A. Initial Well.

On or before the 15th day of May, 1980, Operator shall commence the drilling of a well for oil and gas at the following location:

Township 19 South, Range 25 East, N.M.P.M., Section 61, T19S25E61.

Operator shall commence the drilling of a well for oil and gas at the following location:

Township 19 South, Range 25 East, N.M.P.M., Section 61, T19S25E61.

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Operator shall commence the drilling of a well for oil and gas at the following location:

Township 19 South, Range 25 East, N.M.P.M., Section 61, T19S25E61.

ARTICLE VII. PROCEEDS

A. Proceeds.

Proceeds shall be defined as the net proceeds from the sale of oil and gas produced from the well.

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Proceeds shall be defined as the net proceeds from the sale of oil and gas produced from the well.

1 such party shall give any notice or take any other action in accordance with the provisions of this Agreement.
2 If any provision of this Agreement is held to be invalid or unenforceable, the entire Agreement shall nevertheless remain in full force and effect.
3 Any future income tax laws of the United States enacted on or after January 1, 1977, shall apply to this Agreement.
4 Chapter 1, Subchapter C, of the Internal Revenue Code of 1954, under which on election shall be made
5 provided by Section 601 of the Code is permitted, each party hereby affirms that each such election may
6 may be permitted or required by such laws. In making the foregoing election each such party affirms that
7 the income derived by such party from operations hereunder can be adequately determined without the
8 computation of partnership taxable income.

ARTICLE X. CLAIMS AND LAWSUITS

10 Operator may settle any dispute arising out of or from operations hereunder. If the res-
11 pondent does not accept the settlement, the respondent shall, within 60 days of the date of the settlement,
12 (\$15,000.00) and if the payment is in complete settlement of such claim or suit. If the amount
13 required for settlement exceeds the above amount, the parties hereto shall assume and bear over the
14 further handling of the claim or suit, unless such authority is delegated to Operator. All costs and ex-
15 penses of handling such claim or suit shall be paid by the party who caused the claim or suit to be
16 of the parties. If a claim is made against any party or if any party is sued on account of any matter
17 arising from operations hereunder over which such individual has no control because of the rights given
18 Operator by this agreement, the party shall immediately notify Operator, and the claim or suit shall
19 be treated as any other claim or suit involving or arising from operations hereunder.

ARTICLE XI. FORCE MAJEURE

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

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

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

ARTICLE XII. NOTICES

35 All notices authorized or required between the parties and required by any of the provisions of
36 this agreement, unless otherwise specifically provided, shall be given in writing by United States mail
37 or Western Union telegraph, postpaid or prepaid, or by teletype and addressed to the party to
38 whom the notice is to be given at the address set forth in Article I. The addressee of the notice under any
39 provision hereof shall be deemed to have received the notice by the party to whom the notice is given,
40 and the time for such party to take any action thereunder shall be deemed to be the time the notice is
41 given, whether received or not. If the addressee of any notice is deceased, the notice shall be deemed to be
42 given to the estate of the deceased. If the addressee of any notice is a corporation, the notice shall be deemed to be
43 given to the president or secretary of the corporation, or to the person in charge of the business of the corporation,
44 or to the person in charge of the business of the corporation, or to the person in charge of the business of the corporation,
45 or to the person in charge of the business of the corporation, or to the person in charge of the business of the corporation,
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50 or to the person in charge of the business of the corporation, or to the person in charge of the business of the corporation,

ARTICLE XIII. ASSIGNMENT

51 Any party to this agreement may assign all or part of its interest in this agreement to any other party,
52 provided that the assignee shall be a natural person who is at least 21 years of age at the time of the assignment,
53 and that the assignee shall be a resident of the United States at the time of the assignment.

54 If a party to this agreement assigns all or part of its interest in this agreement to any other party,
55 the assignee shall be deemed to have accepted the terms and conditions of this agreement, and the assignor
56 shall be deemed to have released the assignee from all obligations of the assignor under this agreement.

A.A.P. FORM 410 - MODEL FORM OPERATING AGREEMENT - 1977

1 1. Operator, the well described in Article VIA, or any subsequent well drilled
2 under any provision of this agreement, results in production of oil and gas in paying quantities, this
3 agreement shall continue in force so long as any such well or wells produce, or are capable of produc-
4 ing, and for an additional period of 180 days from cessation of all production, provided, however,
5 if, prior to the expiration of such additional period, one or more of the wells produce, or are capable of produc-
6 drilling or reworking a well or wells to produce, this agreement shall continue in force until such one
7 or more wells have been completed and if production results therefrom, this agreement shall continue in
8 force as provided herein. In the event the well described in Article VIA, or any subsequent well
9 drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil
10 and gas from the Contract Area, this agreement shall terminate and shall be deemed to have been
11 terminated and annulled within 120 days from the date of abandonment of said well.

12 It is agreed, however, that the termination of this agreement shall not relieve any party hereunder from
13 any liability which has accrued or attached prior to the date of such termination.

ARTICLE XIV. COMPLIANCE WITH LAWS AND REGULATIONS

14 This agreement shall be subject to the conservation laws of the state in which the land is
15 located, and to all other applicable federal, state, and local laws, ordinances, rules, regulations, and
16 orders.

ARTICLE XV. GOVERNING LAW

17 The essential validity of this agreement and all matters pertaining thereto, including, but not limited
18 to, matters of performance, non-performance, breach, remedies, procedures, rights, duties and li-
19 terpretation or construction, shall be governed and determined by the law of the state in which the
20 Contract Area is located. If the Contract Area is in two or more states, the law of the state where most
21 of the land in the Contract Area is located shall govern.

ARTICLE XVI. FORCE MAJEURE

22 If, in the drilling of the Initial Well, Operator loses the hole or
23 encounters mechanical difficulties rendering it impracticable, in the opinion of Operator,
24 to drill the well to the objective depth, then and in any of such events, on or before
25 90 days after completion of the Initial Well, Operator shall have the option to abandon
26 the well or to drill another well ("Substitute Well") at a depth location of Operator's
27 selection on the land area, and prosecute the drilling of said well with due diligence
28 and in a good and workmanlike manner to the objective depth. For all purposes of this
29 agreement, the drilling of the Substitute Well shall be considered as the drilling of
30 the Initial Well.

31 Within 60 days after the completion of the Initial Well and, if drilled,
32 the Substitute Well, as a dry hole, Operator shall have the option of commencing an "Oilfield
33 Lease" at a depth location of Operator's selection in the land area. The option shall expire
34 90 days after the completion of the Initial Well and, if drilled, the Substitute Well, and shall be deemed to be
35 exercised if the operator commences the drilling of the Substitute Well within the time specified in this
36 agreement.

37 Any provision herein concerning the Initial Well shall also apply to the Substitute
38 Well and to the Oilfield Lease, and any provision herein concerning the Initial Well shall also apply to the
39 Substitute Well and to the Oilfield Lease, and any provision herein concerning the Initial Well shall also apply to the
40 Substitute Well and to the Oilfield Lease, and any provision herein concerning the Initial Well shall also apply to the
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49 Substitute Well and to the Oilfield Lease, and any provision herein concerning the Initial Well shall also apply to the
50 Substitute Well and to the Oilfield Lease, and any provision herein concerning the Initial Well shall also apply to the

51 If a party to this agreement assigns all or part of its interest in this agreement to any other party,
52 the assignee shall be deemed to have accepted the terms and conditions of this agreement, and the assignor
53 shall be deemed to have released the assignee from all obligations of the assignor under this agreement.

A.A.P. FORM 410 - MODEL FORM OPERATING AGREEMENT - 1977

1 1. This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their
2 respective heirs, executors, administrators, successors and assigns.
3 This instrument may be executed in any number of counterparts, each of which shall be considered
4 as original for all purposes.
5 IN WITNESS WHEREOF, this agreement shall be executed on the 15th day of April, 1977.

OPERATOR

YATES PETROLEUM CORPORATION

By: *[Signature]*
Attorney-in-Fact

YATES PETROLEUM CORPORATION

By: *[Signature]*
Attorney-in-Fact

YATES PETROLEUM CORPORATION

By: *[Signature]*
Attorney-in-Fact

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YATES PETROLEUM CORPORATION

By: *[Signature]*
Attorney-in-Fact

YATES PETROLEUM CORPORATION

NON-OPERATORS

YATES PETROLEUM CORPORATION

By: *[Signature]*
Attorney-in-Fact

YATES PETROLEUM CORPORATION

By: *[Signature]*
Attorney-in-Fact

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LESSORS

YATES PETROLEUM CORPORATION

By: *[Signature]*
Attorney-in-Fact

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By: *[Signature]*
Attorney-in-Fact

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H. 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.

B. Salaries and Wages of Personnel Employees directly employed on the Joint Property. If such charges are excluded from the Overhead rates.

C. Operator's cost of holiday, vacation, sickness and attendance benefits and other employee expenses paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

D. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage cost accounting" in the amount of salaries and wages charged under Paragraph 2A of this Section II. If percentage accounting is used, the rate shall be based on the Operator's cost experience.

E. 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.

F. Personnel Expenses of these 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, profit sharing and other benefit plans of a kind similar to those applicable to Operator's labor cost chargeable to the Joint Account under Paragraph 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty percent (20%) or percentage most recently recommended by COMA.

4. Material

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

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 for the cost of the haul. If a distance greater than the distance from the nearest publicly supply store, recognized freight terminal, or railway crossing is used when the material is shipped, no charge shall be made to the Operator.

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 publicly supply store, recognized freight terminal, or railway crossing unless agreed to by the Parties. No charge shall be made to the Joint Account for moving material to other storage facilities in Operator's trucks owned by the Parties.

C. In the transportation of equipment, A and B above, there shall be no reimbursement of actual costs resulting cost of 20% of the transportation charges.

6. Fuel

Operator's cost of fuel for use in the conduct of the Joint Operations, except as otherwise provided by Paragraph 2A of this Section II.

Operator's cost of fuel for use in the conduct of the Joint Operations, except as otherwise provided by Paragraph 2A of this Section II.

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III. OVERHEAD

1. Overhead - Drilling and Production Operations

A. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge the Joint Account for overhead based on the following rates for any lease construction project in excess of \$ 25,000.00:

(1) Fixed Rate Basis, Paragraph 1A, or

(2) Percentage Basis, Paragraph 1B, or

(3) Fixed Rate Basis, Paragraph 1C, or

(4) Percentage Basis, Paragraph 1D, or

(5) Fixed Rate Basis, Paragraph 1E, or

(6) Percentage Basis, Paragraph 1F, or

(7) Fixed Rate Basis, Paragraph 1G, or

(8) Percentage Basis, Paragraph 1H, or

(9) Fixed Rate Basis, Paragraph 1I, or

(10) Percentage Basis, Paragraph 1J, or

(11) Fixed Rate Basis, Paragraph 1K, or

(12) Percentage Basis, Paragraph 1L, or

(13) Fixed Rate Basis, Paragraph 1M, or

(14) Percentage Basis, Paragraph 1N, or

(15) Fixed Rate Basis, Paragraph 1O, or

(16) Percentage Basis, Paragraph 1P, or

(17) Fixed Rate Basis, Paragraph 1Q, or

(18) Percentage Basis, Paragraph 1R, or

(19) Fixed Rate Basis, Paragraph 1S, or

(20) Percentage Basis, Paragraph 1T, or

(21) Fixed Rate Basis, Paragraph 1U, or

(22) Percentage Basis, Paragraph 1V, or

(23) Fixed Rate Basis, Paragraph 1W, or

(24) Percentage Basis, Paragraph 1X, or

(25) Fixed Rate Basis, Paragraph 1Y, or

(26) Percentage Basis, Paragraph 1Z, or

(27) Fixed Rate Basis, Paragraph 1AA, or

(28) Percentage Basis, Paragraph 1AB, or

(29) Fixed Rate Basis, Paragraph 1AC, or

(30) Percentage Basis, Paragraph 1AD, or

(31) Fixed Rate Basis, Paragraph 1AE, or

(32) Percentage Basis, Paragraph 1AF, or

(33) Fixed Rate Basis, Paragraph 1AG, or

(34) Percentage Basis, Paragraph 1AH, or

(35) Fixed Rate Basis, Paragraph 1AI, or

(36) Percentage Basis, Paragraph 1AJ, or

(37) Fixed Rate Basis, Paragraph 1AK, or

(38) Percentage Basis, Paragraph 1AL, or

(39) Fixed Rate Basis, Paragraph 1AM, or

(40) Percentage Basis, Paragraph 1AN, or

(41) Fixed Rate Basis, Paragraph 1AO, or

(42) Percentage Basis, Paragraph 1AP, or

(43) Fixed Rate Basis, Paragraph 1AQ, or

(44) Percentage Basis, Paragraph 1AR, or

(45) Fixed Rate Basis, Paragraph 1AS, or

(46) Percentage Basis, Paragraph 1AT, or

(47) Fixed Rate Basis, Paragraph 1AU, or

(48) Percentage Basis, Paragraph 1AV, or

(49) Fixed Rate Basis, Paragraph 1AW, or

(50) Percentage Basis, Paragraph 1AX, or

(51) Fixed Rate Basis, Paragraph 1AY, or

(52) Percentage Basis, Paragraph 1AZ, or

(53) Fixed Rate Basis, Paragraph 1BA, or

(54) Percentage Basis, Paragraph 1BB, or

(55) Fixed Rate Basis, Paragraph 1BC, or

(56) Percentage Basis, Paragraph 1BD, or

(57) Fixed Rate Basis, Paragraph 1BE, or

(58) Percentage Basis, Paragraph 1BF, or

(59) Fixed Rate Basis, Paragraph 1BG, or

(60) Percentage Basis, Paragraph 1BH, or

(61) Fixed Rate Basis, Paragraph 1BI, or

(62) Percentage Basis, Paragraph 1BJ, or

(63) Fixed Rate Basis, Paragraph 1BK, or

(64) Percentage Basis, Paragraph 1BL, or

(65) Fixed Rate Basis, Paragraph 1BM, or

(66) Percentage Basis, Paragraph 1BN, or

(67) Fixed Rate Basis, Paragraph 1BO, or

(68) Percentage Basis, Paragraph 1BP, or

(69) Fixed Rate Basis, Paragraph 1BQ, or

(70) Percentage Basis, Paragraph 1BR, or

(71) Fixed Rate Basis, Paragraph 1BS, or

(72) Percentage Basis, Paragraph 1BT, or

(73) Fixed Rate Basis, Paragraph 1BU, or

(74) Percentage Basis, Paragraph 1BV, or

(75) Fixed Rate Basis, Paragraph 1BW, or

(76) Percentage Basis, Paragraph 1BX, or

(77) Fixed Rate Basis, Paragraph 1BY, or

(78) Percentage Basis, Paragraph 1BZ, or

(79) Fixed Rate Basis, Paragraph 1CA, or

(80) Percentage Basis, Paragraph 1CB, or

(81) Fixed Rate Basis, Paragraph 1CC, or

(82) Percentage Basis, Paragraph 1CD, or

(83) Fixed Rate Basis, Paragraph 1CE, or

(84) Percentage Basis, Paragraph 1CF, or

(85) Fixed Rate Basis, Paragraph 1CG, or

(86) Percentage Basis, Paragraph 1CH, or

(87) Fixed Rate Basis, Paragraph 1CI, or

(88) Percentage Basis, Paragraph 1CJ, or

(89) Fixed Rate Basis, Paragraph 1CK, or

(90) Percentage Basis, Paragraph 1CL, or

(91) Fixed Rate Basis, Paragraph 1CM, or

(92) Percentage Basis, Paragraph 1CN, or

(93) Fixed Rate Basis, Paragraph 1CO, or

(94) Percentage Basis, Paragraph 1CP, or

(95) Fixed Rate Basis, Paragraph 1CQ, or

(96) Percentage Basis, Paragraph 1CR, or

(97) Fixed Rate Basis, Paragraph 1CS, or

(98) Percentage Basis, Paragraph 1CT, or

(99) Fixed Rate Basis, Paragraph 1CU, or

(100) Percentage Basis, Paragraph 1CV, or

(101) Fixed Rate Basis, Paragraph 1CW, or

(102) Percentage Basis, Paragraph 1CX, or

(103) Fixed Rate Basis, Paragraph 1CY, or

(104) Percentage Basis, Paragraph 1CZ, or

(105) Fixed Rate Basis, Paragraph 1DA, or

(106) Percentage Basis, Paragraph 1DB, or

(107) Fixed Rate Basis, Paragraph 1DC, or

(108) Percentage Basis, Paragraph 1DD, or

(109) Fixed Rate Basis, Paragraph 1DE, or

(110) Percentage Basis, Paragraph 1DF, or

(111) Fixed Rate Basis, Paragraph 1DG, or

(112) Percentage Basis, Paragraph 1DH, or

(113) Fixed Rate Basis, Paragraph 1DI, or

(114) Percentage Basis, Paragraph 1DJ, or

(115) Fixed Rate Basis, Paragraph 1DK, or

(116) Percentage Basis, Paragraph 1DL, or

(117) Fixed Rate Basis, Paragraph 1DM, or

(118) Percentage Basis, Paragraph 1DN, or

(119) Fixed Rate Basis, Paragraph 1DO, or

(120) Percentage Basis, Paragraph 1DP, or

(121) Fixed Rate Basis, Paragraph 1DQ, or

(122) Percentage Basis, Paragraph 1DR, or

(123) Fixed Rate Basis, Paragraph 1DS, or

(124) Percentage Basis, Paragraph 1DT, or

(125) Fixed Rate Basis, Paragraph 1DU, or

(126) Percentage Basis, Paragraph 1DV, or

(127) Fixed Rate Basis, Paragraph 1DW, or

(128) Percentage Basis, Paragraph 1DX, or

(129) Fixed Rate Basis, Paragraph 1DY, or

(130) Percentage Basis, Paragraph 1DZ, or

(131) Fixed Rate Basis, Paragraph 1EA, or

(132) Percentage Basis, Paragraph 1EB, or

(133) Fixed Rate Basis, Paragraph 1EC, or

(134) Percentage Basis, Paragraph 1ED, or

(135) Fixed Rate Basis, Paragraph 1EE, or

(136) Percentage Basis, Paragraph 1EF, or

(137) Fixed Rate Basis, Paragraph 1EG, or

(138) Percentage Basis, Paragraph 1EH, or

(139) Fixed Rate Basis, Paragraph 1EI, or

(140) Percentage Basis, Paragraph 1EJ, or

(141) Fixed Rate Basis, Paragraph 1EK, or

(142) Percentage Basis, Paragraph 1EL, or

(143) Fixed Rate Basis, Paragraph 1EM, or

(144) Percentage Basis, Paragraph 1EN, or

(145) Fixed Rate Basis, Paragraph 1EO, or

(146) Percentage Basis, Paragraph 1EP, or

(147) Fixed Rate Basis, Paragraph 1EQ, or

(148) Percentage Basis, Paragraph 1ER, or

(149) Fixed Rate Basis, Paragraph 1ES, or

(150) Percentage Basis, Paragraph 1ET, or

(151) Fixed Rate Basis, Paragraph 1EU, or

(152) Percentage Basis, Paragraph 1EV, or

(153) Fixed Rate Basis, Paragraph 1EW, or

(154) Percentage Basis, Paragraph 1EX, or

(155) Fixed Rate Basis, Paragraph 1EY, or

(156) Percentage Basis, Paragraph 1EZ, or

(157) Fixed Rate Basis, Paragraph 1FA, or

(158) Percentage Basis, Paragraph 1FB, or

(159) Fixed Rate Basis, Paragraph 1FC, or

(160) Percentage Basis, Paragraph 1FD, or

(161) Fixed Rate Basis, Paragraph 1FE, or

(162) Percentage Basis, Paragraph 1FF, or

(163) Fixed Rate Basis, Paragraph 1FG, or

(164) Percentage Basis, Paragraph 1FH, or

(165) Fixed Rate Basis, Paragraph 1FI, or

(166) Percentage Basis, Paragraph 1FJ, or

(167) Fixed Rate Basis, Paragraph 1FK, or

(168) Percentage Basis, Paragraph 1FL, or

(169) Fixed Rate Basis, Paragraph 1FM, or

(170) Percentage Basis, Paragraph 1FN, or

(171) Fixed Rate Basis, Paragraph 1FO, or

(172) Percentage Basis, Paragraph 1FP, or

(173) Fixed Rate Basis, Paragraph 1FQ, or

(174) Percentage Basis, Paragraph 1FR, or

(175) Fixed Rate Basis, Paragraph 1FS, or

(176) Percentage Basis, Paragraph 1FT, or

(177) Fixed Rate Basis, Paragraph 1FU, or

(178) Percentage Basis, Paragraph 1FV, or

(179) Fixed Rate Basis, Paragraph 1FW, or

(180) Percentage Basis, Paragraph 1FX, or

(181) Fixed Rate Basis, Paragraph 1FY, or

Q: We'll call next Case 6845.
A: Application of Yates Petro-
leum pools, Gadsden county.

Applicant has requested
the April 9th Examiner Hearing.

R'S CERTIFICATE

C.S.R. DO HEREBY CERTIFY That
Hearing before the Oil Conserva-
by me; that the said transcript
at record of the hearing, prepared
114.

about 22 days in air, and 22 hours in water.

STATE LAND OFFICE BUILDING, SANTA FE, N.M.

[illegible]

Each of the two pages bears a date, the handwriting of which, in the first instance, is in the style of the 17th century, and in the second, the date is in the style of the 18th century. The first page is written in the style of the 17th century, and the second page is written in the style of the 18th century. The first page is written in the style of the 17th century, and the second page is written in the style of the 18th century.

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

APPLICATION OF YATES PETROLEUM
FOR THE COMPULSORY POOLINGS
NEW MEXICO

ORDER OF THE
BY THE DIVISION:

This cause came on for
19 80, at Santa Fe, New Mex

NOW, on this day

Director, having considered

recommendations of Oil Division

premise,

(1) That due public notice

law the Division has jurisdiction

matter thereof,

(2) That the applicant,

seeks an order pooling all oil

formation

the state of New Mexico

now, Justice New York

Washington

CASE NO. 6843

Order No. R-

ELM CORPORATION

ELM COUNTY

THE DIVISION

hearing at 9 a.m. on May 7

ice, before Examiner Daniel S. Hunter

of May 1960, the Division

the testimony, the record, and the

may, and being fully advised in the

notice having been given as required by

section of this cause and the subject

Yates Petroleum Corporation

Yates Petroleum Corp.

Yates Petroleum Corp.

Yates Petroleum Corp.

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Yates Petroleum Corp.

Yates Petroleum Corp.

-2-
Case No.
Order No. R-

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

(4) That there are interest owners in the proposed proration
units 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
units.

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

(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 who
does not pay his share of estimated well costs should have
withheld from production his share of the reasonable well costs
plus an additional 20% 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
entitled to a credit for his share of the reasonable well costs
that have been paid by the operator in the reasonable well costs
in the absence of such production.

(10) That the applicant 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.

(11) That all proceeds from production from the subject
wells 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.

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(11) That \$2,000.00 per month while drilling and
\$200.00 per month while producing should be fixed as reason-
able 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
wells 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 well to
commence drilling of the well to which said units are pooled
within 180 days from the date of this order, this order
granting said units 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 two
proration units, the first being the SE 1/4 SW 1/4 and the second being the SW 1/4 SE 1/4
of Section 6, Township 19 South, Range 20 East,
BMM, Penasco Draw Field
are hereby pooled to form a standard 40-acre gas spacing
and proration unit to be dedicated to a well to be drilled
at a standard location on each unit.

PROVIDER HOWEVER, that the operator of said well shall
commence the drilling of said well on or before the 180th day of
May 1960, and shall thereafter continue the drilling
of said well with due diligence to a depth sufficient to test the
formation;

PROVIDER FURTHER, that in the event said operator does not
commence the drilling of said well on or before the 180th day of
May 1960, Order (1) of this order shall be null
and void and of no effect whatsoever, unless and in which case
the applicant file an application for said cause shown.

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Case No.
Order No. R-

above shall pay to the operator his pro rata share of the amount
that reasonable well costs exceed estimated well costs and shall
receive from the operator his pro rata share of the amount that
estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold
the following costs and charges from production:

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

(B) As a charge for the risk involved in the
drilling of the well, 20% 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.

(3) That the operator shall distribute said costs and
charges without delay according to the portion the owner of
each well owns.

(8) That the operator, per month while drilling and
per month while producing, shall have 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 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.

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Case
Order No.

(10) That any unrecovered mineral interest shall be considered
a seven-eighths (7/8) working interest and a one-eighth (1/8)
royalty interest for the purpose of allocating costs and charges
under the terms of this order.

(11) That any well costs or charges which are to be paid
out of production shall be withheld only from the working
interest's 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
wells which are not disbursed for any reason shall immediately
be placed in escrow in Eddy County, New Mexico, to be
paid to the true owner thereof upon demand and proof of ownership;
that the operator shall notify the Division of the name and
address of said escrow agent within 30 days from the date of
first deposit with said escrow agent.

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

DOSS at Santa Fe, New Mexico, on the day and year hereinafter
above designated.