CASE 6936: DUGAN PRODUCTION CORPORATION TO FOR COMPULSORY POOLING, SAN JUAN COUNTY, NEW MEXICO

# CASE NO.

6936

APPlication,
Transcripts,
Small Exhibits,

ETC.



# ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

BRUCE KING GOVERNOR LARRY KEHOE

September 15, 1980

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

Dugan Production Company
P. O. Box 208
Farmington, New Mexico 87401

Attention: Mr. Tommy Roberts

Gentlemen:

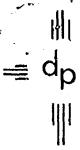
The time for commencing drilling of the required well in Order No. R-6397 is extended from October 1, 1980, to November 1, 1980.

It is my understanding that this extension is necessitated by drilling rig shortages.

Very truly yours,

JOE D. RAMEY, Director

JDR/dr



### dugan production corp.

September 11, 1980

Joe D. Ramey, Director
State of New Mexico
Energy and Minerals Department
Oil Conservation Division
P.O. Box 2088
State Land Office Building
Santa Fe, New Mexico 87501

Re: Case #6936 Order #R-6397 Horace Smith #1-R Well

Dear Mr. Ramey:

Pursuant to the terms and provisions of Oil Conservation Division Order #R-6397, Dugan Production Corporation is obligated to commence the drilling of a well at a standard location within a force-pooled 320 acre gas provation unit on or before October 1, 1980. However, due to rig availability problems and other drilling commitments, Dugan Production Corporation will be unable to comply with this drilling deadline.

Specifically, Dugan is committed to commence the drilling of a Dakota test well under the terms of a farmout agreement on or before October 1, 1980. Dugan Production has already received two extensions of the drilling deadline for the farmout test well. The rig which will be used to drill the farmout test well is presently drilling a Dakota well in T-24-N, R-5-W, Rio Arriba County. We anticipate the rig will be tied up on this well for another seven days, at which time the rig will be moved to a county in T-24-N, R-10-W, San Juan County, to commence the drilling of the well in T-24-N, R-10-W, and the rig to a location in the S/2 of Section 26, and the results of the rig to a location in the S/2 of Section 26, SANTA FF

709 BLOOMFIELD RD. • P. O. BOX 208 • FARMINGTON, NEW MEXICO 87401 • PHONE: 505-325-0238

Joe D. Ramey September 11, 1980 Page Two

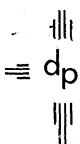
Therefore, based upon the circumstances outlined above, Dugan Production Corporation is requesting a thirty day extension, from October 1, 1980, in which to commence the drilling of the well required by Division Order #R-6397. An extension of thirty days will allow sufficient time to satisfy current drilling obligations. In addition, such an extension resolves the problem of rig availability.

Please consider this request at your earliest convenience and advise of your ruling. Please advise should you require any additional information.

Sincerely,

January Roberts
General Counsel

TR:nw



## dugan production corp.

July 28, 1980



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

Attn: Joe D. Ramey, Director

Re: Horace Smith #1-R Well 1640' FSL - 1120' FEL

Sec. 26, T-30-N, R-14-W, NMPM San Juan County, New Mexico Case 6 936

#### Gentlemen:

In accordance with Order #R-6397 entered by the New Mexico Oil Conservation Division effective July 22, 1980, enclosed please find one copy of our AFE for the drilling and completion of the above referenced well.

Feel free to contact me should you have any questions regarding this matter.

Sincerely,

Sommy Noll

lommy Roberts Landman

TR:nw

**Enclosure** 

709 BLOOMFIELD RD. • P. O. BOX 208 • FARMINGTON, NEW MEXICO 87401 • PHONE: 505-325-0238

Ву

proved By

### 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 (503) 827-2434

Mr. Tommy Roberts, Attorney
Dugan Production Corporation
P. O. Box 208
Farmington, New Mexico 87401

Re: CASE NO. 6936
ORDER NO. R-6397

Applicant:

Dugan Production Corporation

Dear Sir:

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

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD X
Artesia OCD X
Aztec OCD X

Other

. (

#### STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

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

> CASE NO. 6936 Order No. R-6397

APPLICATION OF DUGAN PRODUCTION CORPORATION FOR COMPULSORY POOLING, SAN JUAN COUNTY, NEW MEXICO.

#### ORDER OF THE DIVISION

#### BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 25, 1980, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

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

#### PINDS:

- (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, Dugan Production Corporation, seeks an order pooling all mineral interests in the Dakota formation underlying the S/2 of Section 26, Township 30 North, Range 14 West, NMFM, Basin-Dakota Pool, San Juan County, New Mexico.
- (3) That the applicant has the right to drill and proposes to drill a well at a standard location thereon.
- (4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

-2-Case No. 6936 Order No. R-6397

- (6) That the applicant should be designated the operator of the subject well and unit.
- (7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.
- (8) That any non-consenting working interest owner 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 \$3500.00 per month while drilling and \$350.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.
- (12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.
- (13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before October 1, 1980, the order pooling said unit should become null and void and of no effect whatsoever.

-3-Case No. 6936 Order No. R-6397

#### IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Dakota formation underlying the S/2 of Section 26, Township 30 North, Range 14 West, NMPM, Basin-Dakota Pool, San Juan County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the lat day of October, 1980, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Dakota formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of October, 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 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

- (2) That Dugan Production Corporation is hereby designated the operator of the subject well and unit.
- (3) That after the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.
- (4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.
- (5) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if

-4-Case No. 6936 Order No. R-6397

no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

- (6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner 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 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 prorata 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 \$3500.00 per month while drilling and \$350.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate

-5-Case No. 6936 Order No. R-6397

share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

- (10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.
- (11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.
- (12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 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

SEAL

fd/

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

#### EXAMINER HEARING

是**对他们是一个中国的**一位的自己的人员

TW- THE	MATTER	Ur:
	. •	

Application of Dugan Production Corpora- ) tion for compulsory pooling, San Juan ) County, New Mexico. CASE 6936

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

#### APPEARANCES

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:

Tommy Roberts, Esq.
General Counsel
Dugan Production Corporation
Farmington, New Mexico

SALLY W. BOYD,

Rt. 1 Box 193-B

Santa Fe, New Mexico
Phone (305) 455-74

19 20 21

ŤŪ

12

13

14

15

16

17

18

24

22

#### INDEX

2

THOMAS A. DUGAN

Direct Examination by Mr. Roberts

2

Rt. 1 Box 193-8 inta Fe, New Mexico 87501 Phone (505) 455-7409

11

12

13

14

16

19

20

EXHIBITS

Applicant Exhibit One, Plat

Applicant Exhibit Two, Letter

Applicant Exhibit Three, Letter

Applicant Exhibit Four, Cost Estimate

Applicant Exhibit Five, Log

Applicant Exhibit Five, Log

Applicant Exhibit Six, Decline Curve

Applicant Exhibit Seven, Map

Applicant Exhibit Eight, Document

23

24

10

11

12

13

14

17

18

duction Corporation for compulsory pooling, San Juan County, New Mexico.

MR. STAMETS: We'll call for appearances

MR. STAMETS: We'll call next Case 6936.

MR. PADILLA: Application of Dugan Pro-

in this case.

MR. ROBERTS: Tommy Roberts, General Counsel for Dugan Production Corporation, and I have one witness.

MR. STAMETS: Okay, is this the same witness that was qualified and sworn in the last case?

MR. ROBERTS: Yes.

MR. STAMETS: Okay, he is considered qualified and sworn in this case.

#### THOMAS A. DUGAN

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

#### DIRECT EXAMINATION

BY MR. ROBERTS:

Mr. Dugan, are you familiar with the application in this matter?

Yes, I am. Dugan Production Corporation is seeking to force pool the rights as pertain to the Dakota

20 21 22

23

3

5

7

10

11

12

7301

ALLY W. BOYD, ( Rt. 1 Box 193-B Santa Fe, New Mexico 8 Phone (505) 455-740

15

17

20

21

22

23

formation in the south half of Section 26, Township 30 North, Range 14 West, San Juan County, New Mexico.

Q Please refer to what's been marked as Exhibit One and identify it and explain its contents.

A. Okay, this is a survey plat, showing the location of the proposed well, which is to be called the Horace Smith 1-R Well.

It's located 1640 feet from the south line and 1120 feet from the east line of Section 26, Township 30 North, Range 14 West, San Juan County, New Mexico. There are four different leases involved in the proration unit. The southeast quarter of -- the south half of the southeast quarter is a fee lease that is leased to Dugan Production Corporation.

The north half of the southeast quarter is a Federal lease that is leased to Dugan Production Corporation.

The north half of the southwest quarter is a different Federal lease that Dugan Production Corporation has under lease.

And the south half of the southwest quarter is a Federal lease that Amoco has under lease.

Q Please refer to Exhibit Number Two and identify that exhibit, please.

A. Okay. This is a letter written by Dugan

11

12

13

14

15

16

17

19

20

21

22

23

Production Corporation to Amoco Production Company in Denver, and addressed to B. F. Crockow (sic), and in the letter we are asking if Amoco would join Dugan Production Corporation in the drilling of the Horace Smith 1-R Well, and if they chose not to join, we asked that they farm out their 80 acres.

어린 하다 하는 물문 목표를 가는 것 같습니다.

Q Please refer to what's been marked as Exhibit Number Three and identify that exhibit.

A. This is a reply from Amoco Production

Company from R. J. -- I guess A. M. Romey.

Q I think that's Roney.

A Roney, excuse me. In the letter they say -- I'll read to you paragraph number two: After careful examination -- after carefully examining our alternatives, we regret to inform you that neither of these proposals is acceptable to us at this time. We therefor elect to be force pooled in the subject well.

We are returning your AFE unsigned for this reason.

They also go on to tell us what to do in case we plug the well and so I would say -- they also give some instructions of what to do in case the -- when the well is completed.

So I would say that they weren't too enthused about the prospect.

Q. Please refer to Exhibit Number Four and

3 cos

4

7

87501 409

Rt. 1 Box 19: Santa Fe, New Mex Phone (505) 455

15

16

14

11

12

17 18

20

22

23

explain its significance.

A. Okay, this is Dugan Production Corporation's cost estimate that was sent along with Exhibit Number Two, our letter to Amoco. It indicates that the Horace Smith 1-R Well would cost a total of \$259,905. \$75,210 of this would be tangible costs.

Q Based upon your experience in drilling of this type of well to this depth, is it your opinion that this is a reasonable estimate of the cost for drilling such a well?

A. Yes, I'd say it was reasonable and probably considerably less than a typical Amoco cost estimate for a well -- similar well.

Q Please refer to Exhibit Number Five and identify that exhibit.

A. This is an induction electric log of the Horace Smith No. 1 Well, which is located in the same quarter section as our proposed Horace Smith 1-R well, and it shows the Dakota horizon along with the heading on the log.

Q And what is the significance of this?

A. Well, it shows that there are some Dakota sands, that they aren't the greatest in the world, but it will probably be a well of some small IP.

Q. Would you please refer to Exhibit Number Six and identify that exhibit?

SALLY W. BOYE Rt. 1 Box 193-Santa Fe, New Mexic Phone (505) 45510

11

12

13

15

17

18

20

21

22

23

A Okay. This is a decline curve on the Horace Smith No. 1 Well. It would indicate that this well was first produced in 1965 and produced through 1972. It produced an average of 1500 Mcf a month. In 1972 the well got a hole in the casing. The operator at that time chose to plug the well rather than repair the hole in the casing.

The Horace Smith No. 1 Well was finally abandoned in October of 1977.

Q Please refer to Exhibit Number Seven and identify that exhibit.

A. This is a map showing other Dakota wells in the area of the Horace Smith 1-R Well. It shows that the well is on the west side of the Basin Dakota Pool.

It's an edge well. And that -- this also shows the production, cumulative production and last year's production from the wells in this -- in Township 30 North, 14 West.

Q Okay, and what conclusions can you draw from the information illustrated in this exhibit?

A. Well, here again, that shows that the Horace Smith 1-R is an adge well in the Basin Dakota Pool and that there aren't really any outstanding wells in this immediate vicinity.

Q Please refer to Exhibit Number Eight and identify that exhibit.

A. This is page three of Exhibit C of the

4

5

··**7** · ·

8

10

11

12

w Mexico 8750 05) 455-7409

13

16

17

15

18

20

21

22

25

24

standard COPAS operating agreement and it is -- shows what we propose as the overhead rate.

Q. Okay, what are those charges for supervision overhead?

A. We propose \$3500 per month while drilling and \$350 per month while producing.

Q. Mr. Dugan, do you propose to be the operator of this well?

A. Yes.

Q. Have you had an opportunity to evaluate the risk factor involved in drilling this well?

A. Well, the -- it's quite obvious that you'll make a small Dakota well, so the only risk involved is get your money back, and I'd say that risk is quite high.

Q And what risk do you seek to obtain?

A I would propose that we receive our money back plus 200 percent.

Q To what factors have you evaluated in seeking -- arriving at that recovery factor?

A. Well, because of the low expected productivity of the well and high interest rates. I think the estimated payout of the well will be about eight years. So you'd need to get an equitable return on your money, you'd need at least 300 percent factor. A 300 percent total factor, or your money back plus 200 percent in addition.

SALLY W. BOYD, C.S.R. Rt. 1 Box 193-B Santa Fe, New Mexico 87301 Phone (303) 455-7409

10

11

12

13

14

15

16

17

18

19

20

21

22

24

Mr. Dugan, were Exhibits One through Eight either prepared by you or at your direction and under your supervision?

. Yes,

MR. ROBERTS: Move for admission of Exhibits One through Eight:

In your professional opinion will the force pooling of the mineral interests underlying the south half of Section 26, Township 30 North, Range 14 West, applicable to the Dakota formation, result in the recovery of additional hydrocarbons, prevention of waste and protection of correlative rights?

A. Yes.

MR. ROBERTS: I have no other questions.

MR. STAMETS: Any questions of this
witness? He may be excused.

Anything further in this case?

The case will be taken under advisement.

Page	J. O

#### 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.

Solly W. Boyd CSR

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

Santa Fe, New Phone (305)

I do hereby certify that the foregoing to a complete record of the proceedings in the Examiner hearing of Case No. 6936.

Oil Conservation Division

-		_	
Page	-	Į.	

STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION STATE LAND OFFICE BLDG. SANTA FE, NEW MEXICO 25 June 1980

#### EXAMINER HEARING

IN THE MATTER OF:

Application of Dugan Production Corpora- ) tion for compulsory pooling, San Juan County, New Mexico.

CASE 6936

ĨŨ

12

13

14

15

16

17

18

19

20

21

22

5

6

7

SALLY W. BOYD, C.S.R. Rt. 1 Ecx 193-B
Santa Fc, Nev Mexico 87501
Phone (365) 455-7409

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

APPEARANCES

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:

Tommy Roberts, Esq. General Counsel Dugan Production Corporation Farmington, New Mexico

#### IHDEX

THOMAS A. DUGAN

3

10

11

12

13

15

20

Direct Examination by Mr. Roberts

EXHIBITS

Applicant Exhibit One, Plat Applicant Exhibit Two, Letter Applicant Exhibit Three, Letter Applicant Exhibit Four, Cost Estimate Applicant Exhibit Five, Log Applicant Exhibit Six, Decline Curve Applicant Exhibit Seven, Map Applicant Exhibit Eight, Document

3

4

6

8

10

11

12

. 1 Box 193-B New Mexico 87501 e (505) 455-7409

SALLY W. BOYD, C.S.R.

13 14

16

17

15

10

20

21

23

24

25

MR. STAMETS: We'll call next Case 6936.

MR. PADILLA: Application of Dugan Pro-

duction Corporation for compulsory pooling, San Juan County, New Mexico.

MR. STAMETS: We'll call for appearances in this case.

MR. ROBERTS: Tommy Roberts, General Counsel for Dugan Production Corporation, and I have one witness.

MR. STAMETS: Okay, is this the same witness that was qualified and sworn in the last case?

MR. ROBERTS: Yes.

MR. STAMETS: Okay, he is considered qualified and sworn in this case.

#### THOMAS A. DUGAN

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

#### DIRECT EXAMINATION

BY MR. ROBERTS:

0 Mr. Dugan, are you familiar with the application in this matter?

A Yes, I am. Dugan Production Corporation is seeking to force pool the rights as pertain to the Dakota

f W. BOYD, C.S.R. Rt. 1 Box 193-B

10

11

12

13

14

15

16

17

18

20

21

22

23

24

25

formation in the south half of Section 26, Township 30 North, Range 14 West, San Juan County, New Mexico.

Please refer to what's been marked as Exhibit One and identify it and explain its contents.

A Okay, this is a survey plat, showing the location of the proposed well, which is to be called the Horace Smith 1-R Well.

It's located 1640 feet from the south
line and 1120 feet from the east line of Section 26, Township

30 North, Range 14 West, San Juan County, New Mexico. There
are four different leases involved in the proration unit.

The southeast quarter of — the south half of the southeast
quarter is a fee lease that is leased to Dugan Production

Corporation.

The north half of the southeast quarter is a Federal lease that is leased to Dugan Production Corporation.

The north half of the southwest quarter is a different Federal lease that Dugan Production Corporation has under lease.

And the south half of the southwest quarter is a Federal lease that Amoco has under lease.

Q Please refer to Exhibit Number Two and identify that exhibit, please.

A Okay. This is a letter written by Dugan

SALLY W. BOYD, C.S. Rt. 1 Box 193-B Sinta Ft, New Mexico 87501 Phone (505) 455-7409 10

11

12

13

14

15

17

18

19

21

22

23

24

Production Corporation to Amoco Production Company in Denver, and addressed to B. F. Crockow (sic), and in the letter we are asking if Amoco would join Dugan Production Corporation in the drilling of the Horace Smith 1-R Well, and if they chose not to join, we asked that they farm out their 80 acres.

Q. Please refer to what's been marked as Exhibit Number Three and identify that exhibit.

A This is a reply from Amoco Production

Company from R. J. -- I guess A. M. Romey.

Q I think that's Roney.

Roney, excuse me. In the letter they say -- I'll read to you paragraph number two: After careful examination -- after carefully examining our alternatives, we regret to inform you that neither of these proposals is acceptable to us at this time. We therefor elect to be force pooled in the subject well.

We are returning your AFE unsigned for this reason.

They also go on to tell us what to do in case we plug the well and so I would say -- they also give some instructions of what to do in case the -- when the well is completed.

So I would say that they weren't too enthused about the prospect.

Q Please refer to Exhibit Number Four and

Rt. 1 Box 193-B Santa Fe, New Mexico 87501 Phone (505) 455-7409 10

11

12

13

14

15

16

17

19

20

21

22

23

24

25

explain its significance.

A. Okay, this is Dugan Production Corporation's cost estimate that was sent along with Exhibit Number Two, our letter to Amoco. It indicates that the Horace Smith 1-R Well would cost a total of \$259,905. \$75,210 of this would be tangible costs.

A. Yes, I'd say it was reasonable and probably considerably less than a typical Amoco cost estimate for a well --- similar well.

Q Please refer to Exhibit Number Five and identify that exhibit.

A. This is an induction electric log of the Horace Smith No. 1 Well, which is located in the same quarter section as our proposed Horace Smith 1-R well, and it shows the Dakota horizon along with the heading on the log.

Q. And what is the significance of this?

A. Well, it shows that there are some Dakota sands, that they aren't the greatest in the world, but it will probably be a well of some small IP.

Q. Would you please refer to Exhibit Number Six and identify that exhibit?

SALLY W. BOYD, C.S.I Ri. 1 Bcz 193-B Santa Pt, New Mexico 87501 Phone (505) 455-7409 10

12

13

15

17

18

19

21

22

23

24

M. Okay. This is a decline curve on the Horace Smith No. 1 Well. It would indicate that this well was first produced in 1965 and produced through 1972. It produced an average of 1500 Mcf a month. In 1972 the well got a hole in the casing. The operator at that time chose to plug the well rather than repair the hole in the casing.

The Horace Smith No. 1 Well was finally abandoned in October of 1977.

Q Please refer to Exhibit Number Seven and identify that exhibit.

A. This is a map showing other Dakota wells in the area of the Horace Smith 1-R Well. It shows that the well is on the west side of the Basin Dakota Pool.

It's an edge well. And that -- this also shows the production, cumulative production and last year's production from the wells in this -- in Township 30 North, 14 West.

Q Okay, and what conclusions can you draw from the information illustrated in this exhibit?

A Well, here again, that shows that the Horace Smith 1-R is an adge well in the Basin Dakota Pool and that there aren't really any outstanding wells in this immediate vicinity.

Q Please refer to Exhibit Number Eight and identify that exhibit.

A This is page three of Exhibit C of the

**4** 

6

7

9

10

11

12

ox 193-B Mexico 875)1 5) 455-7409

13

16

17

15

18

20

21

22

23

24

standard COPAS operating agreement and it is -- shows what we propose as the overhead rate.

Q Okay, what are those charges for supervision overhead?

A. We propose \$3500 per month while drilling and \$350 per month while producing.

Q Mr. Dugan, do you propose to be the operator of this well?

A. Yes.

Q. Have you had an opportunity to evaluate the risk factor involved in drilling this well?

A. Well, the -- it's quite obvious that you'll make a small Dakota well, so the only risk involved is get your money back, and I'd say that risk is quite high.

Q And what risk do you seek to obtain?

A I would propose that we receive our money back plus 200 percent.

Q To what factors have you evaluated in seeking -- arriving at that recovery factor?

A. Well, because of the low expected productivity of the well and high interest rates. I think the estimated payout of the well will be about eight years. So you'd need to get an equitable return on your money, you'd need at least 300 percent factor. A 300 percent total factor, or your money back plus 200 percent in addition.

LY W. BOYD, C.S.

Mr. Dugan, were Exhibits One through Eight either prepared by you or at your direction and under your supervision?

Yes.

MR. ROBERTS: Move for admission of Exhibits One through Eight.

In your professional opinion will the force pooling of the mineral interests underlying the south half of Section 26, Township 30 North, Range 14 West, applicable to the Dakota formation, result in the recovery of additional hydrocarbons, prevention of waste and protection of correlative rights?

Yes.

MR: ROBERTS: I have no other questions. MR. STAMETS: Any questions of this witness? He may be excused.

> Anything further in this case? The case will be taken under advisement.

16 17

15

10

11

12

13

18

20

21 22

CERTIFICATE

10

11 12

<sub>7</sub>13 14

16

17

19

20

18

21

22

23

25

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.

> I do hereby certify that the foregoing Is a complete record of the proceedings in the Examiner hearing of Case 140. heard by me on\_ Examiner

Oil Conservation Division

Well Ho. Dugan Production Corporation Horace Smith **1**R Unit Letter Section Hunge 30 North 14 West San Juan Actual Footage Location of Well; 1640 1120 East feet from the feat from the Itne Ground Leval Elav. Productno Formation Dedicated Acresses Pool 5583 1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below. 2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty). 3. Il more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc? If answer is "yes," type of consolidation If answer is "no," list the owners and truct descriptions which have actually been consolidated. (Use reverse side of this form if necessary.). No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commis-CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and Gelief. Position Company Sec MAL RISELL HISE Herely that the well locushed on this plat was platted from notes official surveys made by a notes of occurrence of the beautiful of Dato Surveyed 1640 March 13, 1980 Hespistered Professional Engineer and or Lord Surveyor Edga I. Kissikoove

> Amoco Production Corp. NM 0206994

1320 1660

Dugan Production Corp. Winifred Lease Fee

Dedicated Acreage

Edgar L. Risenhoover, L.S.

Dugan Production Corp. Horace Smith Lease NM 0206994

Dugan Production Corp. Jacobs Lease NM 33050

APPLICATION FOR COMPULSORY POOLING S2 of Sec. 26, Y30N,R14W Dakota Formation, San Juan County, New Mexico Case No. 6936 Exhibit No. 1

March 20, 1980

Amoco Production Company Denver Region Security Life Bldg. Denver, Colorado 80202

Re: Horace Smith #1-R Well 1640' FSL - 1120' FEL

Sec. 26, T-30-N, R-14-W, NMPM San Juan County, New Mexico

ATTN: B. F. Pracko

Gentlemen:

We propose to drill and complete the above referenced well as a Dakota replacement well at the above stated location. It is our intention to dedicate the S½ of Sec. 26, T-30-N, R-14-W, to this well. Our records indicate you own the Dakota rights under approximately 80 acres composing the S½ of the SW½ of said section.

APPLICATION FOR COMPULSORY POOLING

Dakota Formation, San Juan County, NM

S2 of Sec. 26, T30N, R14W

Case No. 6936

Exhibit No. 2

We would, therefore, request that you join us in the drilling of the proposed well or, in the alternative, you permit us to farm-in the 80 acre tract composing the  $S_{\frac{1}{2}}$  of the  $SW_{\frac{1}{2}}$  of said section.

Enclosed you will find two copies of our AFE for the drilling and completion of said well. If you should agree to join us in the drilling of said well, and you find our AFE acceptable, please execute one copy and return it to us.

We look forward to your early response to our proposal.

Sincerely,

Tommy Roberts
Landman

TR:nw

Enclosure

709 BLOOMFIELD RD. • P. O. BOX 208 • FARMINGTON, NEW MEXICO 87401 • PHONE: 505-325-0238



**Amoco Production Company** 

Denver Region Security Life Building Denver, Colorado 80202 Western Division 303-820-4040

A. M. Roney Division Production Manager

April 18, 1980

Mr. Tommy Roberts
Dugan Production Corp.
709 Bloomfield Road
P. O. Box 208
Farmington, NM 87461

File: WDF-494-WF

Dear Mr. Roberts:

Horace Smith No. 1-R Well 1640' FSL 1120' FEL Section 26-T30N-R14W, NMPM San Juan County, New Mexico

This is in reference to your letter dated March 20, 1980, requesting our approval to either join in drilling the above captioned well or permitting farm-out of the 80 acre tract composing the S/2 of the SW/4 of said section.

After carefully examining our alternatives, we regret to inform you that neither of these proposals is acceptable to us at this time. We therefore elect to be force-pooled in the the subject well. We are returning you AFE, unsigned, for this reason.

The following information will be required by Amoco on the above well in which you operate:

- 1. A daily drilling report by phone, telegraph, or teletype starting with construction of the road and location.
- 2. One set of field prints of all electric logs.
- 3. One set of final prints of all electric logs.
- 4. A copy of Sundry Notices and State Regulatory Body forms.
- 5. API well number.

APPLICATION FOR COMPULSORY POOLING
S2 of Sec. 26, T30N, R14W
Dakota Formation, San Juan County, New Mexico
Case No. 6936
Exhibit No. 3

Tommy Roberts April 18, 1980 Page Two

The above is to be furnished to:

R. W. Schroeder District Superintendent Amoco Production Company 501 Airport Drive Farmington, NM 87401

In addition to the above information going to our District Superintendent, the following will be furnished by mail to the Western Division Engineering Manager, Amoco Production Company, Security Life Building, Denver, Colorado 80202, if and when it becomes available:

1. Electric logs, all types, including gas detector logs.

Folded Sepia Prints 1
Field Prints 2
Final Prints 2

- 2. Dipmeter, DST, wireline tests, core analyses
- 3. Directional surveys, oil, gas and water analyses 2
- Bottom hole pressure surveys, sundry notices, and State Regulatory Body forms

On matters concerning drilling operations on this well, including plugging and abandonment, contact one of the following in Denver, Colorado:

K. C. Williams
303 820-4040 (office)

R. J. Covlin 303 820-4040 (office)

J. L. Krupka 303 820-4040 (office)

Yours very truly,

NAD: dmh

**CE677** 

APPLICATION FOR COMPULSORY POOLING
S2 of Sec. 26, T30N, R14W
Dakota Formation, San Juan County, New Mexico
Case No. 6936
Exhibit No. 3 Page 2

Ş

		•	1640' FSL -	11201 551
ell name: }	lorace Smith #1	R	LOCATION: Sec 26 130N	
	No. 2.3.3			•
PROPOSAL: [	rill and compl	ete Dakota replacement	well	
ANGIBLE	Surface casi	ng 300 ft	8-5/8 inch @ \$ 9.00 /ft	\$_27.00
· ·	Production c	asing 6100 ft	4-1/2 inch @ \$ 4.85 /ft	29585
	Tubing	ft ft	inch @ \$ /ft 1-1/2 inch @ \$ 2.25 /ft	13725
	Tubing	ft		5
		cker & tubing equipme	nt A	200
•	Wellhead equ			9000 2000
		alves & fittings oduction equipment		18000
	parado a pr			
			TOTAL TANGIBLES	\$ 75210
<u>r</u>		* A constitute	•	100
NTANGIBLE	Location	Survey Archeologist		
	•	Road & location con	struction	<u>100</u> 3000
		Water and gas lines		
				-
* **	Drilling	Footage	6100 ft @ \$11.00 /ft	67100
	nriring	Footage Day work	hrs @ \$ /hr	07100
		Day work	12 hrs @ \$175.00/hr	2100
		Drill stem test & co	ores	
		Mud logging		8000
		Open hole logging Rental tools	· · · · · · · · · · · · · · · · · · ·	1000
en e		Casing float equipme	ent	1500
•		Trucking		1000
		Mud		6500
- 2 -		Water		6500
			<del></del>	
	-		<del>-</del>	
	Cementing	Surface casing		2000 12000
na sa sa sa na sa	en Araba (1991) en	Production casing		12000
			<u>-</u> 1	
				6000
	Completion	Completion rig		
	•	Perforating Acidizing	and the second of the second o	3500 1500
		Fracturing		36000
		Tank rental		1500
		Trucking		_2000
		Water		2500
		Rental tools Clean up location		2000 2000
• 50	•	Clean up location	<u> </u>	
	: -		<del>-</del> <del>-</del>	
				2000
	Supervision	3.4		
24	ar X	Legal Field	<b>₽</b>	6000
APPL ICAT	TION FOR COMPUL	SORY POOLING	To set the set of the	175000
32 OT Se	ec. 26. T30N. R	1AW	TOTAL INTANGIBLES	<b>\$</b> 175900
Case No.	oniacion, San ( 6936	Juan County, New Mexico	Plus 5 & Contingency	8795
Exhibit				
			TOTAL WELL COST	\$ <u>259905</u>
ate 3-19	-80		Partner's App	roval
		1	Date	< <

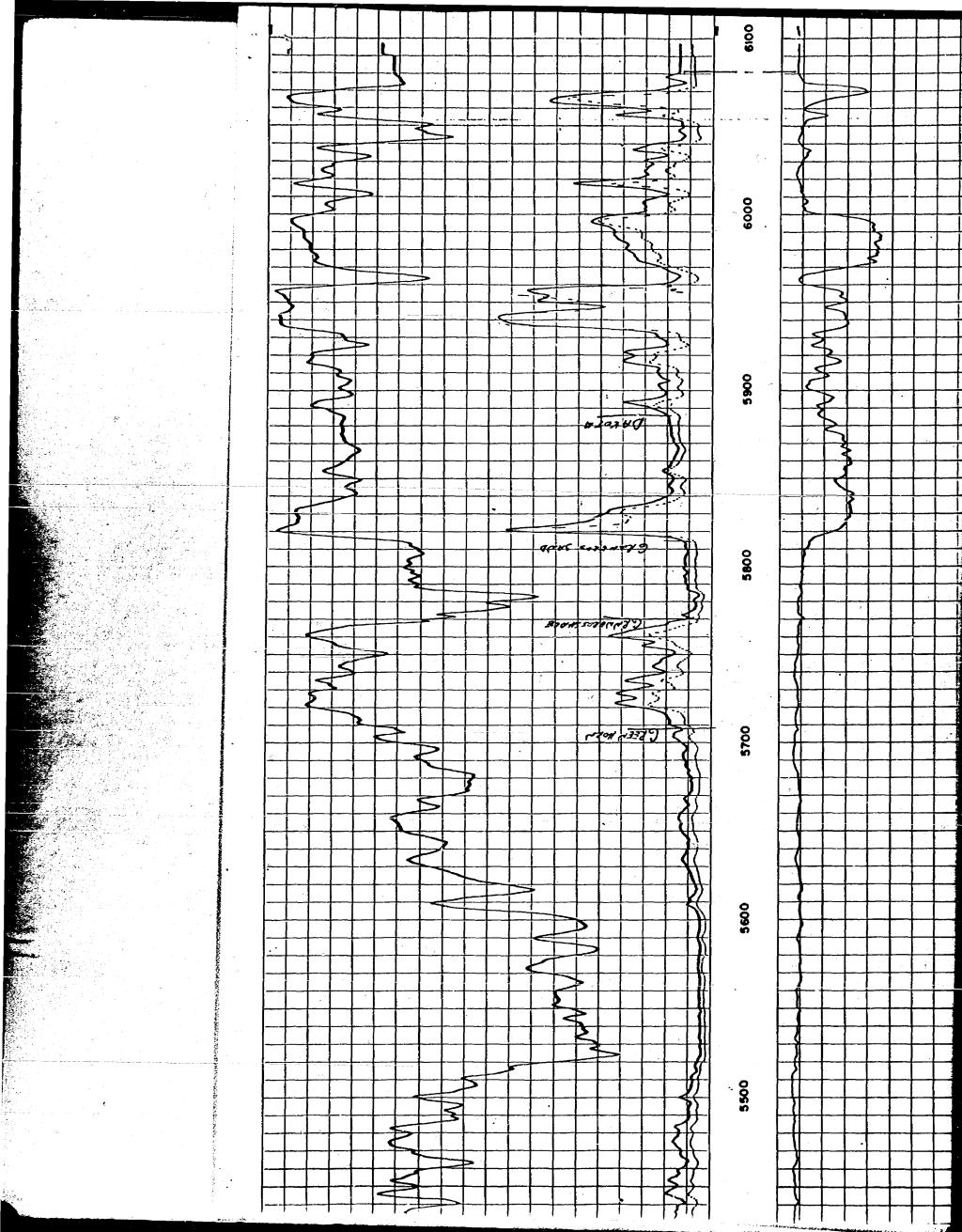
**SCHLUMBERGER** 

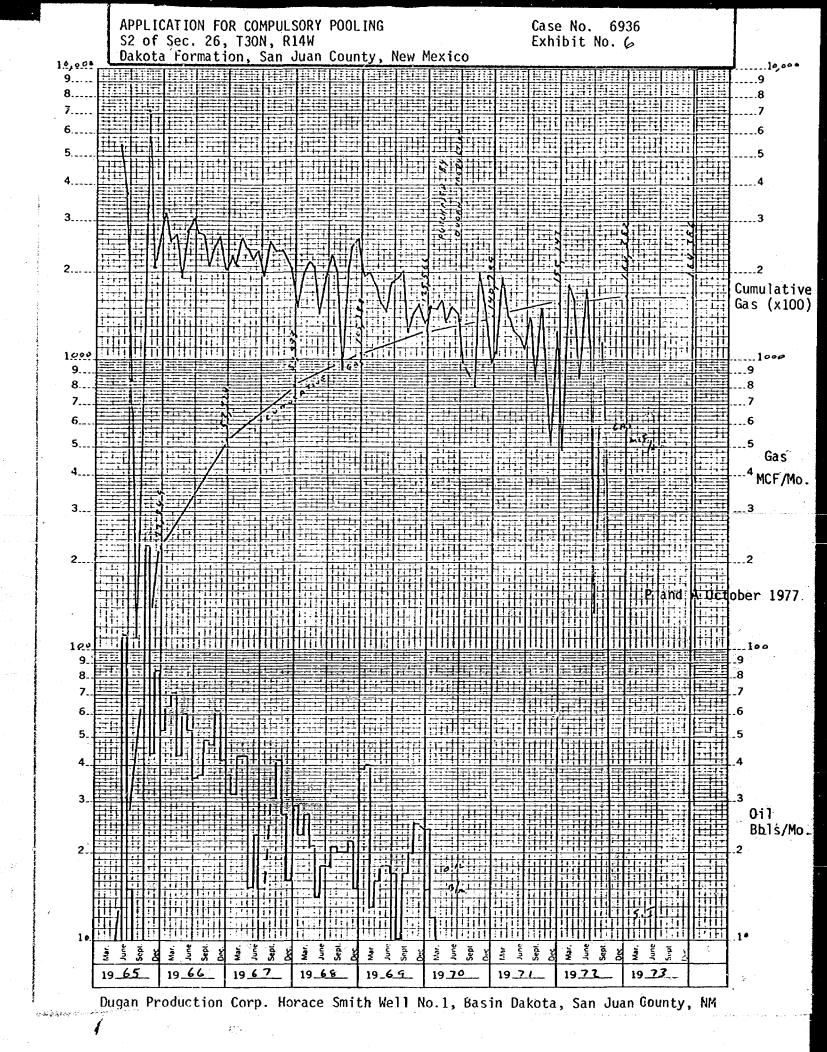
## INDUCTION ELECTRICAL LOG

SCHLUMBERGER WELL SURVEYING CORPORATION
Houston, Texas

AN JUAN N.M. BASIN DAKOTA ACE SMITH #1		DRACE SMITH ASIN DAKÒTA	#1	5770 5580 - 190
CATION CATION FILL HO OMPANY	OCATION 99	90'VSL & 990	)'FEL	Other Services: SGR/C
Permanent Datum Log Measured Fro Drilling Measured	mKB,_	, Elev.	5568 Perm. Datum	Elev.: K.B. 5580 ' D.F. NA G.L. 5568 '
Date	11-18-64			10 TO
Run No.	ONE			E Comment
Depth—Driller	6076			1 大学など
Depth-Logger			1 1 1 1 1 1 1 1 1 1 1 1 1	10000
Btm. Log Interval	6081		1 1 1 1 1 1 1 1	
Top Log Interval				
Casing—Driller	8 5/8@ 273	@	@	-441 / 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
Casing—Logger	272	1, 14. 1		
Bit Size	7 7/8		1 20 /	-, / .
Type Fluid in Hole		· · · · · · · · · · · · · · · · · · ·	1=4 =	<del></del>
.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,				=
Dens. Visc.	9.4 87		<del>                                     </del>	<del></del>
pH Fluid Loss	8,2 4,0 ml	п	1	ml m
Source of Sample	FI OW I INF	<u> </u>	<del>'</del>	
R <sub>m</sub> @ Meas. Temp.	2.43@67 °F	<i>@</i> °	F @	°F \@ºI
R <sub>mf</sub> @ Meas. Temp.			F @	°F @ °I
R <sub>mc</sub> @ Meas. Temp.	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1		F @	°F 4- 1:0 °I
Source: Rat Rais		<u> </u>	1	F 30, 100
R <sub>m</sub> @ BHT	1.13@145°F	<b>@</b> °	F @	°F @ °I
Time Since Circ.	2년 HOURS		1	.,,
Max. Rec. Temp.	145 °F		F	°F • °1
Equip. Location	4542 FARM		,	
Recorded By	LEDY			
Witnessed By	MR. WIEDERK	EHR		

APPLICATION FOR COMPULSORY POOLING
S2 of Sec. 26, T30N, R14W
Dakota Formation, San Juan County, New Mexico
Case No 6936
Exhibit No. 5





I	31	32	33	34	35	1. 36
	į	/	,			1.*
	1111111111111111	minnely)			Pinon Mesa'A'	11517711571
Ī	<u> </u>	Dugar &	Dugan Prod.	Dugan Prod		Odcasa Nat. Corp.
1	. •	O C	01	3		1 0176756 A-1
1	•	Norton &	Grandmakarpe	† Y	] .	
1	6	.199	4	0-#!	2	L'AT
	Balket	1	and the same of th	1 1		'
		Teberar ripam	Jill	<i>13ig Kield</i> . Dugan	Dugan	Little Foderal
-	T30 N	<del></del>	• .			5 14916 PXX 0 66551
ŧ	* - producing		1	10	Blazer II	Lift Fed 2
et algebriggsjaplys	# - Dakota well before 12,	Il not producing	, <b>9</b>	]	Blazer II	Lynco /5933 JK
THE WASHINGTON	584 - 1979 gas		•	- J	P	7P 377929 70
-{	1327 - Cummulati	- <u>-</u> -		Dugan 2	Queen	Hunt Fed McHugh Ladd Petro
POLICE LANGE TO SERVICE	(SET & CAMMILLA )	VE Process		7884	33709	14704 39375 1501659 957574
APPENDENCE.		R COMPULSORY POOL	- · · · · · · · · · · · · · · · · · · ·	M5 None	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	0
accommode.	S2 of Sec. 26, Dakota Formatio	on	16.	15 Amoco	Mucho Day 14	Pinon   3 Dugan
HOENERALE	San Juan County Case No. 6936	y, New Mexico		0	52931 · ·	à 0 15 35
S. Marketon	Exhibit No 7			Carpenter Unit B	Molly Pitcher	
COLOR	1				,	Ellioli PIE 32083
	THe THE	1.20				Hagood
1	19	ຊື່ອກັບບໍ່ລຸກ30 ( Brit Am	21	22	23	Dugan 24
H						14926 L
	N.Kirlland Unit	- Ga Reiley Gort		· .		PanAm Federal
	74. 2011 10010 01111	Zelieg Govi.	Mtn. Fuel Suppy	Dagen	Texas Of G	
A STATE OF	•		() () () () () () () () () () () () () (		ንዛኒ ዬ	/** **********************************
	30	29	28 Fruit land	27	264,006	25
- C.	*			* . <b>4</b>	Stinifere d	Clinton of "Ladd'
				<b>©</b>	14 386	P5404 0140650
-	Pipkin	Mesa Pat	Pubco Mesa Rt	Mayre P.H. \ Mtn. Fuel Supply	Smith  I'X Coppess Expl.  A try Dugen	Texaco-timotod
Series Series	,e			orib.	22449 ZE	21873
	- <b>Υ</b> ρ	30	Tuin Moufes Fee 35	Ladd Pet. Astroc 34	Lalia par Fed	State of New Meuco K
7	Malco 3 Harris Dugan	32	Dugen	Astro 34 e-34	25 Winfred	Dugan 36
Carried Land	Carroll Mayre	T T	2 41	ф r 1-34 Фо	4.35 5 5 E35	451592
	Sunray To	State Com	Pure infed	Dain	AstecFed.	Stolla News Alcon
1	77		Ougan Ougan	16	LOUPE 20 16	Suntan S
	P		FIME.	31 201	Loge Lipens	
		5	4 Cline	Blonco-F	willond I singen	My Hugh
		6.		Cha Cha 2	***************************************	///// ** . [[
200 A 100 A	NM Fed K	Press	\$1		Storez	1/1/249
		Dugen A	Pubco d		Sunray	
	and the second second	TY May	To m		÷ 7///	
Ú.	1				ි පැමිණින ලැබු පැවැතිව වේ. වේ. මෙයම මෙයමයි. ද ද	la collección de
			*			



#### 10. Taxes

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

#### 11. Insurance

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

#### 12. Other Expenditures

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

#### III. OVERHEAD

#### 1. Overhead - Drilling and Producing Operations

- i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drifling and producing operations on either:
  - ( ) Fixed Rate Basis, Paragraph 1A, or
    - ) Percentage Basis, Paragraph 1B.

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

- ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall ( ) shall not ( ) be covered by the Overhead rates.
- A. Overhead Fixed Rate Basis
  - (1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 3,500.00 Producing Well Rate \$ 350.00

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

#### (b) Producing Well Rates

- [1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
- [2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
- [3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
- [4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
- [5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.
- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

All distances must be from the outer boundaries of the Section Wall tio. Dugan Production Corporation Horace Smith 1R Unit Letter Section 26 14 West 30 North San Juan Actual Footage Location of Well: 1640 South 1120 East feet from the Hac Ground Leval Elux. Producing Formutton Pool Dedicated Acresses: 5583 320 Basin Acres 1. Outline the acreage dedicated to the subject well by colored pencil or huchure marks on the plat below. 2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty). 3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?-If answer is "yes," type of consolidation .\_ If answer is "no." list the owners and truct descriptions which have actually been consolidated. (Use reverse side of this form if necessary.). No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization. forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission. CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Name Position Company Date Sec Wal RISEL I hereby Pertity therethe well location showing this pleasure pointed from field 11201 Total and bellet see and see a Date Surveyed 1640 March 13, 1980 Hegistered Professional Engineer and or Land Surveyor Edgar L. Risenhoover, L.S 26 40 2000 1000 1600 Amoco Production Corp. Dugan Production Corp. icated Acreage NM 0206994 Winifred Lease Fee Dugan Production Co Horace Smith Leas NM 0206994 Dugan Product Jacobs Leas APPLICATION FOR COMPULSORY POOLING S2 of Sec. 26, T30N, R14W Dakota Formation, San Juan County, New Me Case No. 6936 Exhibit No. /



# dugan production corp.

APPLICATION FOR COMPULSORY POOLING

Dakota Formation, San Juan County, New Mexico

S2 of Sec. 26, T30N, R14W

Case No. 6936

Exhibit No. 2

March 20, 1980

Amoco Production Company Denver Region Security Life Bldg. Denver, Colorado 80202

Re: Horace Smith #1-R Well 1640' FSL - 1120' FEL

Sec. 26, T-30-N, R-14-W, NMPM San Juan County, New Mexico

ATTN: B. F. Pracko

Gentlemen:

We propose to drill and complete the above referenced well as a Dakota replacement well at the above stated location. It is our intention to dedicate the S½ of Sec. 26, T-30-N, R-14-W, to this well. Our records indicate you own the Dakota rights under approximately 80 acres composing the S½ of the SW½ of said section.

We would, therefore, request that you join us in the drilling of the proposed well or, in the alternative, you permit us to farm-in the 80 acre tract composing the  $S_{\frac{1}{2}}$  of the  $SW_{\frac{1}{2}}$  of said section.

Enclosed you will find two copies of our AFE for the drilling and completion of said well. If you should agree to join us in the drilling of said well, and you find our AFE acceptable, please execute one copy and return it to us.

We look forward to your early response to our proposal.

Sincerely,

Tommy Roberts Landman

Frank Kirel

TR:nw

Enclosure

709 BLOOMFIELD RD. • P. O. BOX 208 • FARMINGTON, NEW MEXICO 87401 • PHONE: 505-325-0238



**Amoco Production Company** 

Denver Region Security Life Building Denver, Colorado 80202 Western Division 303-820-4040

A. M. Roney Division Production Manager

April 18, 1980

Mr. Tommy Roberts
Dugan Production Corp.
709 Bloomfield Road
P. O. Box 208
Farmington, NM 87461

File: WDF-494-WF

Dear Mr. Roberts:

Horace Smith No. 1-R Well 1640' FSL 1120' FEL Section 26-T30N-R14W, NMPM San Juan County, New Mexico

This is in reference to your letter dated March 20, 1980, requesting our approval to either join in drilling the above captioned well or permitting farm-out of the 80 acre tract composing the S/2 of the SW/4 of said section.

After carefully examining our alternatives, we regret to inform you that neither of these proposals is acceptable to us at this time. We therefore elect to be force-pooled in the the subject well. We are returning you AFE, unsigned, for this reason.

The following information will be required by Amoco on the above well in which you operate:

- A daily drilling report by phone, telegraph, or teletype starting with construction of the road and location.
- 2. One set of field prints of all electric logs.
- 3. One set of final prints of all electric logs.
- 4. A copy of Sundry Notices and State Regulatory Body forms.
- 5. API well number.

APPLICATION FOR COMPULSORY POOLING
S2 of Sec. 26, T30N, R14W
Dakota Formation, San Juan County, New Mexico
Case No. 6936
Exhibit No. 3

Tommy Roberts April 18, 1980 Page Two

The above is to be furnished to:

R. M. Schroeder District Superintendent Amovo Production Company 501 Airport Drive Farmington, NM 87401

th addition to the above information going to our bistrict superintendent, the following will be furnished by mail to the Western Division Engineering Manager, Amoco Production Company, Security Life Building, benver, Colorado 80202, if and when it becomes available:

Electric 1898, all types, including gas detector 1898.

roided Bepla Prints Fleid Frints Final Prints

- Dipmeter, bot, wireline tests; core analyses 2.
- 3. Directional surveys, oil, gas and water analyses
- Bottom hole pressure surveys, sundry notices, and State Regulatory Body forms

On matters concerning drilling operations on this well, including plugging and abandonment, contact one of the following in benver, colorado:

k. C. Williams 303 820-4040 (Office)

R. J. COVIII 303 820-4040 (BEE168)

J. b. Krupka 303 820-4040 (office)

Yours very truly,

HMB E CAN

CE617

APPLICATION FOR COMPULSORY POOLING
\$2 of Sec. 26, 130N, RIAW
Dakota Formation, San Juan County, New Mexico
Case No. 8936
Exhibit No. 3 Page 2

			•	1640' FSL - 1	120' FEL
TELL NAME:	Horace Smith #1	LR	LOCATION:	Sec 26 T30N R	
PROPOSAL:	Orill and compl	lete Dakota replacement	well		
				·	
ANGIBLE .	Surface casi Production of		8-5/8 inch @ 4-1/2 inch @ inch @	\$ 4.85 /ft	\$ <u>27.00</u> 29585
	Tubing		1-1/2 inch @ inch @	\$ 2.25 /ft	13725
	Permanent pa	cker & tubing equipmer		\$/1C	200
	Wellhead equ				9000
		valves & fittings	-		2000
	Surface & pr	coduction equipment			18000
					· · · · · · · · · · · · · · · · · · ·
	<u> </u>		•		
			TOTAL TANGI	BLES	ş 75210
	•	<b>a</b> ngering			100
TANGIBLE	Location	Survey Archeologist		e P	
	e e	Road & location cons	truction		100 3000
		Water and gas lines			
			····		
·			6100 64 0	C11 00 75+	67100
	Drilling	Footage Day work	6100 ft @	\$11.00 /ft \$ /hr	67100
	* * * * * * * * * * * * * * * * * * * *	Day work		\$175.00/hr	2100
		Drill stem test & co			
		Mud logging		. •	
		Open hole logging		•	8000
i.		Rental tools Casing float equipme			1000
		Trucking	31C		1500 1000
		Mud		en e	6500
		Water	- <b>(</b>		6500
•			•		· · · · · · · · · · · · · · · · · · ·
	. · · · -			•	
	Cementing	Surface casing	•	100 mg/m	2000
		Production casing		•	12000
<i>‡1</i>		, <del></del>	•		-
The second secon	Completion	Completion rig			6000
	Compression	Perforating	•	2 Pr	3500
	•	Acidizing		***	1500
		Fracturing			36000
	£.,	Tank rental		r de la companya di salah di s Salah di salah di sa	1500
		Trucking Water			2000 2500
**	, 5.	Rental tools			2000
	,	Clean up location			2000
		_ <del></del>		·	
			e e e	·	
	Supervision	Administrative		\$ 0.	2000
		Legal			43 T
- <u> </u>		Field			6000
APPLICA	TION FOR COMPU	LSORY POOLING	Long.	TOTES	s 175900
S2 of S	Sec. 26, T30N, 1	R14W	TOTAL INTANG		\$ 17.5500
Dakota	Formation, San	Juan County, New Mexico	Plus 5 & C	ontingency	<u>8795</u>
	· NUKA	•	I	8	
Case No Exhibit			TOTAL WELL C	റടന	\$ 259905

Prepared By Thomas A. Dugan

The second By

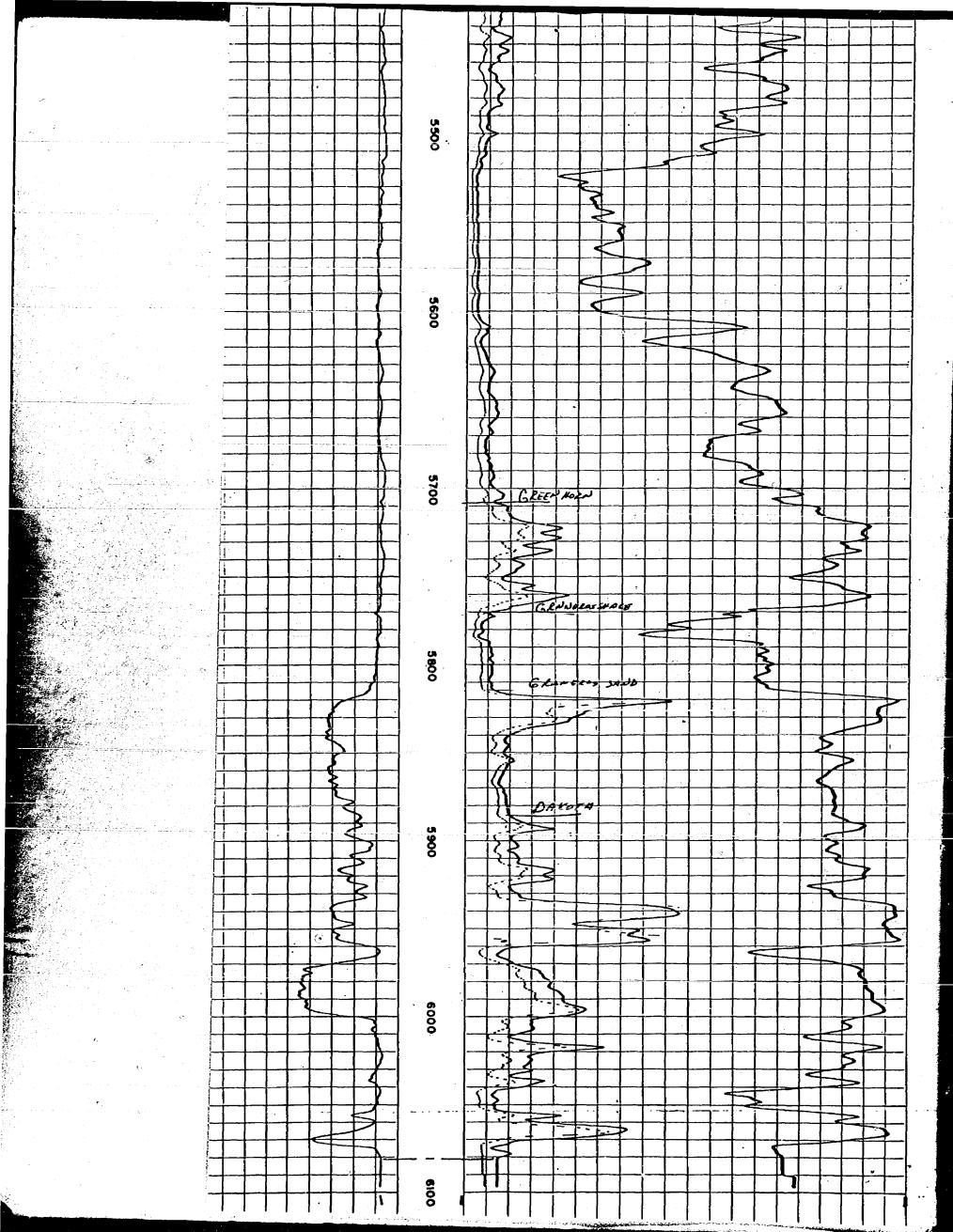
SCHLUMBERGER

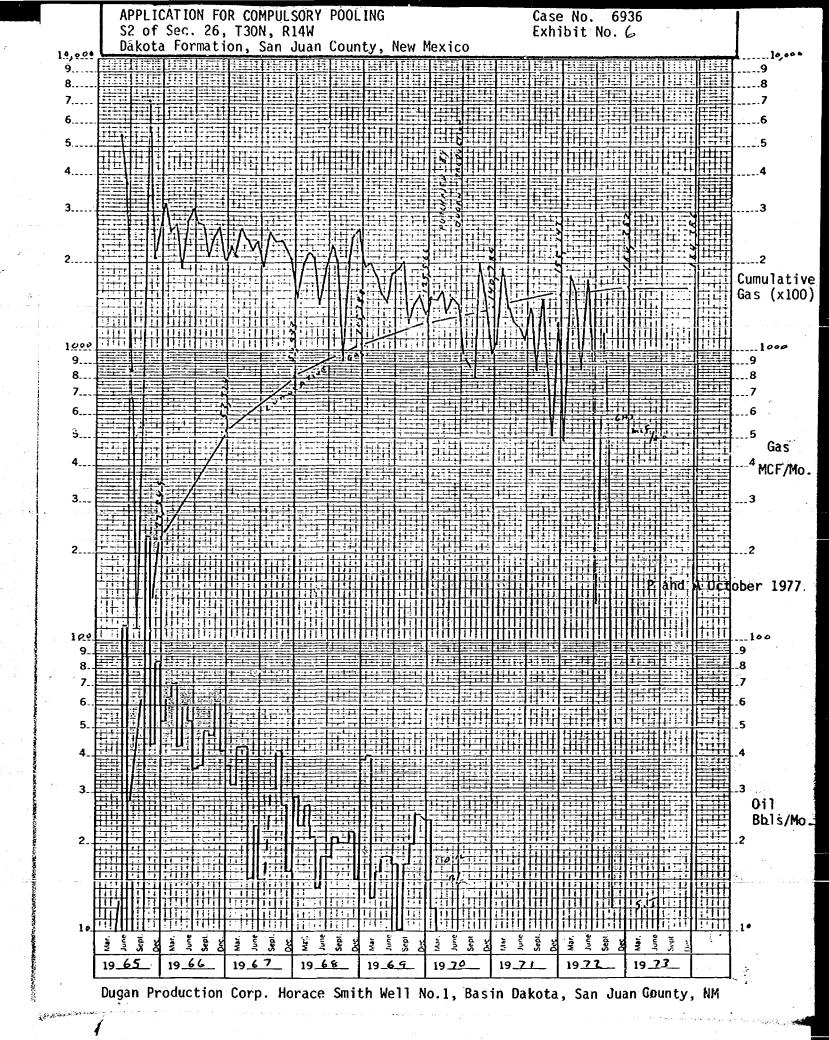
### NDUCTION ELECTRICAL LOG

ESCHLUMBERGER WELL SURVEYING CORPORATION Houston, Texas

9	COMPANYI	EX STAR OIL	ε GΔS COR	PORATION
		<u> </u>	2 VOJ VVI	
N N N N N N N N N N N N N N N N N N N			· /	5770
] 컴퓨니기	WELL HO	DRACE SMITH	$\mu_1$	5580
	TV L. L.	MALL MILLIE		1/1-07
7 5	FIELDBA	ASIN DÁKÔTA		
SAN JI BAS RACE TEX S	COUNTY 5/	NAUL NA	STATE	NEW WEXICO
I M THEFT			,	
COUNTY— FIELD or COCATION WELL HO	LOCATION 99	90'VSL & 990	'FEL	Other Services:
COUNTY FIELD or LOCATIO WELL				SGR/C
	Sec. 26Tw	30N Ra	1 Lw	Sun/C
01175 10	Jec	<del></del>		<u> </u>
Permanent Datun	n:GL	, Elev	5568	Elev.: K.B. 5580
Log Measured Fro	omKB,_	12_Ft. Above Po	erm. Datum	D.F. NA
Drilling Measured	d From KB			G.L _55681
Date	11-18-64			1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
Run No.				¥
Depth-Driller	6076		1	-4.76
Depth—Logger	6082		1.3	\$ 945 T
Bim: Log Interval	' 6081 <u>\</u>			
Top Log Interval				
Casing—Driller	8 5/8@ 273	@	@	·
Casing—Logger	272	Surence .		
Bit Size	7:7/8		109 1-	z/ <b>d</b>
Type Fluid in Hole	FRESH-CEL		=7 =	=1
	<del>                                     </del>			
Dens. Visc.	<del>-                                     </del>	ļ <u>-</u> -,	<del>                                     </del>	
pH Fluid Loss Source of Sample		l ml	<u> </u>	mi m
		@ °F	@	°F \@ °F
R <sub>m</sub> @ Meas. Temp R <sub>ml</sub> @ Meas. Temp		<u> </u>		°F @ °F
R <sub>mc</sub> @ Meas. Temp				°F \$
Source: Rmf Rmc			1 Total	1.7
R <sub>m</sub> @ BHT		e°F	@	°F @ °F
Time Since Circ.			<u>`</u>	
Max. Rec. Temp.		°E		°F °F
Equip. Location				
Recorded By	LEDY			
Witnessed By	MR. WIEDERK			

APPLICATION FOR COMPULSORY POOLING
S2 of Sec. 26, T30N, R14W
Dakota Formation, San Juan County, New Mexico
Case No 6936
Exhibit No. 5





APPLICATION FOR COMPULSORY POOLING
S2 of Sec. 26, T30N, R14W
Dakota Formation, San Juan County, New Mexico
Case No.6936
Exhibit No. 8

#### 10. Taxes

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

#### 11. Insurance

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

#### 12. Other Expenditures

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

#### III. OVERHEAD

#### 1. Overhead - Drilling and Producing Operations

- i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:
  - ( ) Fixed Rate Basis, Paragraph 1A, or
    - ) Percentage Basis, Paragraph 1B.

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

- ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall ( ) shall not ( ) be covered by the Overhead rates.
- A. Overhead Fixed Rate Basis
  - (1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 3,500.00 Producing Well Rate \$ 350.00

- (2) Application of Overhead Fixed Rate Basis shall be as follows:
  - (a) Drilling Well Rate
    - [1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
    - [2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days
    - [3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.
  - (b) Producing Well Rates
    - [1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
    - [2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
    - [3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
    - [4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
    - [5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.
- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

<del>7 </del>		Ib IIA ,	stances must be	from the outer ha	milaries o	f the Section.	<del></del>		
Dugan Prod	uction Co	rporation		Horace	Smith			Well Ho.   1R	
Vall Latter	Section	Townshit	•	Hunge	-	County			
1	26	30	North	14 We	st	San Ju	ian		
Keturil Footor: Lacr 1640		South		1120			East		
Graund Lyvel Elux.	Products	ng Formatton	llan and	Pool		at from the	·	Uni- cated Acribage:	
5583	_     r	iako ta		Bas	in			320	
1. Outline the			he subject s			or hachure mar	ks on the pl	at below.	
							•		
		e is dedicat	ed to the we	ll, outline exc	and ide	entify the owner	rship there	of (both as to	wor
interest an	n royalty).			•	•				
		of different on, unitization			he well,	have the inter	ests of all	owners been	con
Yes	Π Ν₀			of consolidation	a m				
	- -	Ĭ.	-	•		ctually been co	aralidated	(lisa rayarsu	
this form if	necessary.)								
						consolidated ( ch interests, ha			
sion.							осси црр		
			T .				CE	TIFICATION	,
				* <b></b>			hereku acast	that the informa	vis-
	i	•					•	that the informa	
	i				•	. 21	and the second s	ledge and belief	
	I. T	***	1. No.	j.					
• • • •	1					Nœ	ne		
	—` <del> </del>							· · ·	
•	<u> </u>			. ! .		/ Pos	illian		
• .•	. 1			1.	•		nogo v		
• •				i		Con	nbanA	-	
	. 1 .			, Í	•	Dat	e .		
•	!	Sec	25	. !	•		•		
				<del></del>	. 7 3 3			RISE	
	•						WILL	RISE,	
							المالية وعري	at was plotted li	om f
	1					17 1	ミマチモノ	sucreya made b	
	- 1			1		B 1	ger mit superi	ision, and that the	fiè s
	•			¦ @	112	.,  !C	True and col	rest to the bes	F of
	1			1.	$\gamma_{2}^{(a)}, \gamma_{2}^{(b)} = 1$	kn	owledge ond b	eller see 19 1111	
Section Section 1				*****	- AND THE		IN ON	MUNITERS STATE	
	1						Surveyed	7	
				1640	<b>(4)</b>   1   1   1   1   1   1   1   1   1		irch 13,	1980	
on to the province of the control of				7: 1.71%		Hey	stend Protess	honal Emilencer	
						an.u	or Cand Survey	hite the control of the first	
							را و ۱۰۰۰ ۱۸۰۰	. v	
	5 - 6					Ede	Meur No. 5	ison for	24
340 340 360	1320 1640	1940 \$310 24	40 2000	1900 10	0 50	' Fdo		senhoover,	
370 960 840	-150 1480	-een 4310 36	<u>200</u> 0	1800 10	- 63	. 91		•	
· ·	• •	•		**			•	· •	
						• • • • • • • • • • • • • • • • • • •			-
	Amoco Pro	duction Co	rp.	Dugan Prod	uction	Corp.	Dedica	ited Acreag	ie
	NM 020699	4		Winifred L	ase				, •
				Fee		-			
				Dugan Dund	intina	Conn	, attack to the		
				Dugan Produ Horace Smi	ncion h leac	corp.		V 4	
			*	NM 0206994	LEas				
				7			1.		
	5			Dugan Produ	ction	Corp.			
				Jacobe Lose	_	• •		the state of the s	
•		7.7		Jacobs Leas NM 33050	.e			•	

S2 of Sec. 26, T30N, R14W
Dakota Formation, San Juan County, New Mexico
Case No. 6936 Exhibit No. /

March 20, 1980

Amoco Production Company Denver Region Security Life Bldg. Denver, Colorado 80202 APPLICATION FOR COMPULSORY POOLING
S2 of Sec. 26, T30N, R14W
Dakota Formation, San Juan County, New Mexico
Case No. 6936
Exhibit No. 2

Re: Horace Smith #1-R Well 1640' FSL - 1120' FEL

Sec. 26, T-30-N, R-14-W, NMPM San Juan County, New Mexico

ATTN: B. F. Pracko

Gentlemen:

We propose to drill and complete the above referenced well as a Dakota replacement well at the above stated location. It is our intention to dedicate the S½ of Sec. 26, T-30-N, R-14-W, to this well. Our records indicate you own the Dakota rights under approximately 80 acres composing the S½ of the SW½ of said section.

We would, therefore, request that you join us in the drilling of the proposed well or, in the alternative, you permit us to farm-in the 80 acre tract composing the S½ of the SW½ of said section.

Enclosed you will find two copies of our AFE for the drilling and completion of said well. If you should agree to join us in the drilling of said well, and you find our AFE acceptable, please execute one copy and return it to us.

We look forward to your early response to our proposal.

Sincerely,

Jonney Roberts

Tommy Roberts Landman

TR:nw

Enclosure

709 BLOOMFIELD RD. • P. O. BOX 208 • FARMINGTON, NEW MEXICO 87401 • PHONE: 505-325-0238



**Amoco Production Company** 

Denver Region Security Life Building Denver, Colorado 80202 Western Division 303 - 820-4040

A. M. Roney Dirision Production Manager

April 18, 1980

Mr. Tommy Roberts
Dugan Production Corp.
709 Bloomfield Road
P. O. Box 208
Farmington, NM 87461

File: WDF-494-WF

Dear Mr. Roberts:

Horace Smith No. 1-R Well 1640' FSL 1120' FEL Section 26-T30N-R14W, NMPM San Juan County, New Mexico

This is in reference to your letter dated March 20, 1980, requesting our approval to either join in drilling the above captioned well or permitting farm-out of the 80 acre tract composing the S/2 of the SW/4 of said section.

After carefully examining our alternatives, we regret to inform you that neither of these proposals is acceptable to us at this time. We therefore elect to be force-pooled in the the subject well. We are returning you AFE, unsigned, for this reason.

The following information will be required by Amoco on the above well in which you operate:

- A daily drilling report by phone, telegraph, or teletype starting with construction of the road and location.
- 2. One set of field prints of all electric logs.
- 3. One set of final prints of all electric logs.
- 4. A copy of Sundry Notices and State Regulatory Body forms.
- 5. API well number.

APPLICATION FOR COMPULSORY POOLING
S2 of Sec.26, T30N, R14W
Dakota Formation, San Juan County, New Mexico
Case No. 6936
Exhibit No. 3

Tommy Roberts April 18, 1980 Page Two

The above is to be furnished to:

R. W. Schroeder
District Superintendent
Amoco Production Company
501 Airport Drive
Farmington, NM 87401

In addition to the above information going to our District Superintendent, the following will be furnished by mail to the Western Division Engineering Manager, Amoco Production Company, Security Life Building, Denver, Colorado 80202, if and when it becomes available:

1. Electric logs, all types, including gas detector logs.

Folded Sepia Prints
Field Prints
Final Prints

- Dipmeter, DST, wireline tests, core analyses
- 3. Directional surveys, oil, gas and water analyses 2
- 4. Bottom hole pressure surveys, sundry notices, and State Regulatory Body forms

On matters concerning drilling operations on this well, including plugging and abandonment, contact one of the following in Denver, Colorado:

K. C. Williams
303 820-4040 (office)

R. J. Covlin 303 820-4040 (office)

J. L. Krupka 303 820-4040 (office)

Yours very truly,

NAD: dmh

CE677
APPLICATION FOR COMPULSORY POOLING

S2 of Sec. 26, T30N, R14W

Dakota Formation, San Juan County, New Mexico

Case No. 6936

Exhibit No. 3 Page 2

iell name:	Horace Smith #1	R	location: Sec 26 I30N R	
PROPOSAL:	Drill and compl	ete Dakota replacement	well	
ANGIBLE .	Surface casi	ng 300 ft	:8-5/8 inch @ \$ 9.00 /ft	\$ 27.00
MINGIBLE	Production c	easing $\frac{300}{6100}$ ft	:4-1/2 inch @ \$ 4.85 /ft	29585
		ft	inch @ \$ /ft	
	Tubing	**************************************	: 1-1/2 inch @ \$ 2.25 /ft	13725
		ft		200
	Wellhead equ	cker & tubing equipme		9000
4		alves & fittings		2000
		oduction equipment	i	18000
		1		
	and the second s	•	TOTAL TANGIBLES	\$ 75210
_				, ' <del>'</del>
NTANGIBLE	Location	Survey		100
		Archeologist		100
		Road & location con		3000
	and the second s	Water and gas lines		
. <del> </del>			42 a. a. – Mik irodayos (m. 1888).	€ 1
	Drilling	Footage	6100 ft @ \$11.00 /ft	67100
•		Day work	hrs @ \$ /hr	
		Day work	12 hrs @ \$175.00/hr	2100
		Drill stem test & c Mud logging	ores	
		Open hole logging	en e	8000
		Rental tools		1000
• • • • • • • • • • • • • • • • • • •		Casing float equipm	ent	1500
		Trucking		1000
•	** *** *** *** *** *** *** *** *** ***	Mud Water		6500 6500
		Macer		0300
	• . •		<del></del>	
	en e			
	Cementing	Surface casing	e.	2000 12000
		Production casing		12000
			-	
	Completion	Completion rig		6000
e de la companya della companya della companya de la companya della companya dell	•	Perforating		3500
		Acidizing Fracturing		_1500 
		Tank rental		1500
		Trucking		2000
•		Water		_2500
		Rental tools	₹.	2000
•		Clean up location		2000
			<del>-</del>	
			-j	2000
	Supervision	Administrative		2000
	$\gamma = \frac{\lambda_{ij}}{2}$	Legal		6000
CARRI -	CATTON HOS	Field		0000
APPLI S2 of	CATION FOR COMPU Sec. 26, T30N,	LSORY POOLING	TCTAL INTANGIBLES	\$175900
Dakot	a Formation San	KI4W County Now Moves	O Plus 5 & Contingency	
J Cu Se	10. • 0530	un county, new mexic	YPIUS CONTINGENCY	<u>8795</u>
Exhib	it No. 4		TOTAL WELL COST	\$ 259905
			J	

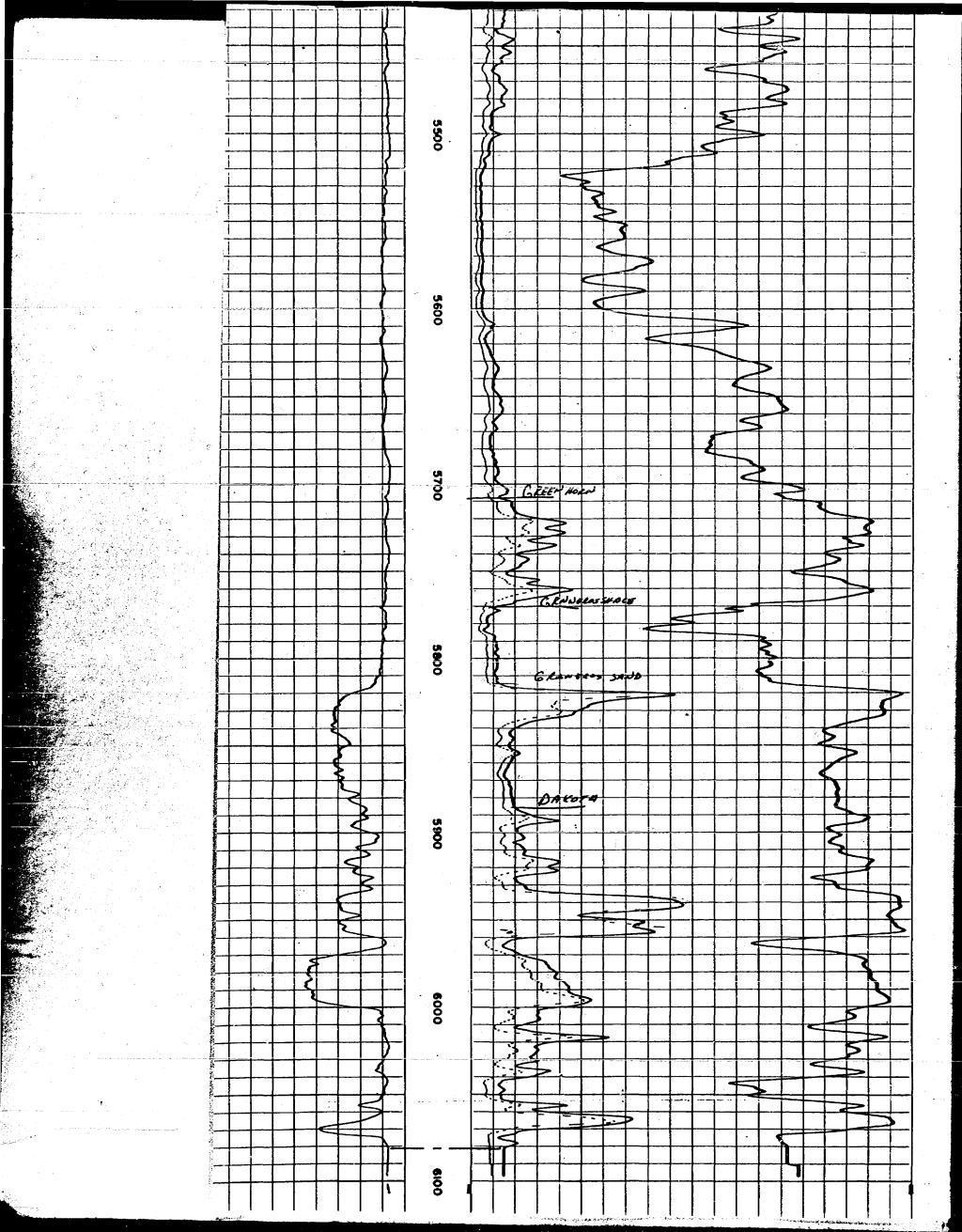
Date

prepared By Thomas A. Dugan

SCHLUMBERGER INDUCTION - ELECTRICAL LOG SCHLUMBERGER WELL SURVEYING CORPORATION Houston, Texas

			•		
	COMPANYI	X STAR OIL	& GAS COR	POR	ATION
				<u> </u>	
N D T S			· /	-}-	5770
	LARK For			r).	1.5580
	WELL HO	RACE SMITH	#1	+ 1	N 1 90
	TIELD DA	CINDAKATA		ر ر	
1 1 2 2 2 2 2 1 1 1 1	TELDBA	SIN DAKOTA	<u> </u>		
SAN BAC TEX	COUNTY SA	N JUAN	STATE	NE	M WEATCU
	-COI(II	UY			H THEATEN
PANY	OCATION 99	0'VSL & 990	'FEL	Oth	ner Services:
COUNTY FIELD or COCATIC WELL				٠.	
500±   ≤					SGR/C
COUN FIELD LOCAT WELL COMP	ec. <u>26</u> Tw	/p. <u>30N</u> Rg	e14W		J.L
			40		
Permanent Datum		, Elev.	5568	Elev	/.: K.B. <u>5580  </u>
log Measured Fro		12_Ft. Above P	erm. Datum		D.F. <u>NA</u>
Drilling Measured	From KB				G.L. 5568
Date	11-18-64				をからいく
Run No.	ONE		1 1 1 1 1 1	8	registre of the
Depth—Driller		•		- :	一方のでは 大学 大学
Depth-logger	6082				いる。
Btm. Log Interval	6081		. 10,375	•	
Top Log Interval					
Casing—Driller	8 5/8@ 273	@		- 14 - 14	@
Casing—Logger	272			-,	
Bit Size Type Fluid in Hole	7.7/8 FRESH-GEL		109	7/9	
Type rivid in mole	FRESH-UEL		<del></del>		r-
Dens. Visc.	9.4 87	T T	<del>                                     </del>		
pH Fluid Loss	8.2 4.0 ml	ml		ml	ml
Source of Sample	FLOW LINE		44.4		4 994
R <sub>m</sub> @ Meas. Temp.	. 2.43@67 °F	@°F		°F	
R <sub>mf</sub> @ Meas, Temp.		@°F		°F	
R <sub>mc</sub> @ Meas. Temp.	<u>  2.61@70 °F</u>	@ °F	@	<u>.</u> £	,
Source: Rmr Rmc				-0-	
R @ BHT	1.13@145°F	<u>@</u> °F	@	°F	.: @ ^ º1
Time Since Circ. Max. Rec. Temp.	2월 HOURS 145 °F	°F		°F	°F
Equip. Location	4542 FARM	<u></u>			
Recorded By	LEDY				
Witnessed By	MR. WIEDERK	EHR	40		
	4		h		

APPLICATION FOR COMPULSORY POOLING
S2 of Sec. 26, T30N, R14W
Dakota Formation, San Juan County, New Mexico
Case No 6936
Exhibit No. 5



APPLICATION FOR COMPULSORY POOLING

	31	32	33	34	35	1. 36 %
;						1:**
	1111144441111	VIIIIIIIIIIIII	VIIIIIIIIIII	VIIIIIIIIIII	Pinon Meso A.	X1517711171111
	6	Done Norton of	Ougan Prod.  Ougan	Dugan Prod	2	Odessa Not Corp.
The second secon	Borrel	Federal Pipkin N R I YW	Jill	Big Kield	Dugan	Little Foderal
(Analoguages of stands) policy mercury acquire	* - producing	Dakota well  Il not producing	9	10	Blazer II	Liffs F3d 2 Lynco 15033
AND A SALAM (CR.) AND	584 - 1979 gas	s production		Dugen 2 //88// //36050	Queen Dugan 33669	Hunt Fed  Mc Hugh Ladd Petro
Chesaranth and substantions were serviced	S2 of Sec. 26, Dakota Formatio San Juan County Case No. 6936	on	ING 16	M5 None 15 Amoco O	Mundo of 14 52931 134363	Pinon IJ pugar
Character Calabras y	Exhibit No. 7	SanJuan30 f	21	CorpenterUnit B*	Molly Pitcher	Numble N.Kirtland Elliott 2083 Plot8834 Hagood Dugan 24
		ort.		a.	•	24-1 14926 TE 24-100 FB
AND DESCRIPTION OF THE PERSON			Mtn. Fuel Suppy	Dugan	Texas O(G	**
CHINESPER PROPERTY	3.0	29	28 Fruitland	27	26 decobe Dingen (26/384) 164384	Sunton of 5 Ladd- 2 3 13924 P3 2/04 14 114028
	Pipkin	Mcsa Pet	ا ام	Mayre PFI.  Mtn. Fuel Supply  Of Cont.	Smith  IX Coppodes Expl.  Dugan  224494	TEX 8 CO-CHAILLIAN  STORE SCI.  Stote of New Meuco K
A STANDARD	Molco 3 Harris Dugan Carroll	32	Tuin May Sis Fed 33  Dugan  Cline	Ladd Pet. #3/ec 3.4  e-34  • P 1-34  • D		Dugan 36 si 5436 by 4515 92
The state of the s	Dunray no	Stesta Com	Purselled Dugan	Dein 16.	LOUP TO LOUP	Stalls Needs a Com
		5	4 Cline	Che Cha 2	Williams Surface	Hugh *
	NM Fed K	Dugen	Pubco p		Start &	
	AND TO THE REAL PROPERTY.	,	The state of the s	The second secon	t to the second of the second	la charles de calendado a proprieda de la constanta de la cons

#### 10. Taxes

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

#### 11. Insurance

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

#### 12. Other Expenditures

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

#### III. OVERHEAD

#### 1. Overhead - Drilling and Producing Operations

- i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:
  - ) Fixed Rate Basis, Paragraph 1A, or
  - ) Percentage Basis, Paragraph 1B.

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

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

#### A. Overhead - Fixed Rate Basis

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

Drilling Well Rate \$ 3,500.00

Producing Well Rate \$ 350.00

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

#### (a) Drilling Well Rate

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

#### (b) Producing Well Rates

- [1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
- [2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
- [3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
- [4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
- [5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.
- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

CASE 6935: Application of Dugan Production Corporation for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Basin-Dakota and undesignated Gallup production in the wellbore of its June Joy Well No. 2 located in Unit B of Section 25, Township 24 North, Range 10 West.

CASE 6936: Application of Dugan Production Corporation for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the S/2 of Section 26, Township 30 North, Range 14 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 6916: (Continued from June 4, 1980, Examiner Hearing)

Application of Petro-Lewis Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of the Drinkard and Blinebry production in the wellbore of its State DC Well No. 1, a quadruple completion located in Unit F of Section 19, Township 21 South, Range 37 East,

- CASE 6937: Application of R. N. Hillin for an unorthodox location and dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of his DWV Well No. 4 to produce gas from the Wolfcamp and Morrow formations thru tubing and the annulus, respectively. Applicant further seeks approval of the unorthodox location of said well in the Wolfcamp and Pennsylvanian formations at a point 800 feet from the South line and 2000 feet from the East line of Section 34, Township 19 South, Range 28 East.
- CASE 6938: Application of Anadarko Production Company for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Dalport Federal Well No. 1 660 feet from the South and West lines of Section 20, Township 13 South, Bange 31 East, Southeast Chaves Queen Gas Area, the W/2 of said Section 20 to be dedicated to the
- CASE 6939: Application of Anadarko Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests at a depth from 2400 feet to 5000 feet below the surface, Turkey Track Field, underlying the NE/4 SE/4 of Section 10, Township 19 South, Range 29 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 6940: Application of Adobe Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through the Wolfcamp formation underlying the NW/4 SE/4 for oil and the SE/4 for gas, Section 23, Township 20 South, Range 38 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- Application of Ellwade Corporation for a non-standard gas proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 129,52-acre non-standard gas proration unit comprising the W/2 of partial Section 33, Township 26 South, Range 30 East, Ross Draw-Wolfcamp area, to be dedicated to its Ross Draw Well No. 1 located in Unit C of said Section 33.
- CASE 6942: Application of Benson-Montin-Greer Drilling Corporation for amendment of Order No. R-2565-B, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Rule 2 of the Special Pool Rules for the West Puerto Chiquito-Mancos Oil Pool as promulgated by Order No R-2565-B to provide that all 320-acre spacing and proration units in said pool would comprise either the W/2 or the E/2 of a governmental section, provided however, that one injection well would have dedicated thereto the N/2 of Section 1, Township 24 North, Range 1 West, and also that the short 400-acre sections on the South side of Township 27 North, Range 1 West, would each comprise a single spacing unit.
- Application of Benson-Montin-Greer Drilling Corporation for & unit agreement, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the East Puerto Chiquito-Mancos Unit Area, comprising 9,769 acres, more or less, of Federal, Indian, and fee lands in Townships 26 and 27 North, Ranges I East and I West.

June 12, 1980

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

Attn: Joe D. Ramey, Division Director

Re: Application for Compulsory Pooling San Juan County, New Mexico

#### Gentlemen:

Please consider this our formal application for an Order of the New Mexico Oil Conservation Division force-pooling all of the mineral interests in the Dakota Formation underlying the S/2 Section 26, Township 30 North, Range 14 West, N.M.P.M., San Juan County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon.

More specifically, Dugan Production Corporation, as the Applicant, requests an order of the New Mexico Oil Conservation Division designating Dugan Production Corporation as the Operator of the proposed well, allowing Dugan Production Corporation to recover the costs of drilling, completing, and operating this proposed well, plus 200% for the risk factor involved in drilling said well, and establishing a reasonable charge for the supervision of this proposed well during the drilling and production stages.

As grounds for this Application, Dugan Production Corporation would state that it owns the Dakota operating rights under all of Section 26, Township 30 North, Range 14 West, N.M.P.M., San Juan County, New Mexico, with the exception of the Dakota operating rights underlying the S/2 of the SW/4 of Section 26. Said 80 acre tract is controlled by Amoco Production Company. By letter dated March 20, 1980, we requested Amoco to either join in the drilling of the proposed well or farmout the 80 acre tract. By letter dated April 18, 1980, and in response to our request for a farmout or participation in drilling, Amoco advised that it elected to be force-pooled in the subject well.

709 BLOOMFIELD RD. • P. O. BOX 208 • FARMINGTON, NEW MEXICO 87401 • PHONE: 505-325-0238

Joe D. Ramey June 12, 1980 Page Two

Based upon the foregoing information, Dugan Production Corporation requests an order of the New Mexico Oil Conservation Division force-pooling the mineral interests in the Dakota formation underlying the S/2 of Section 26, Township 30 North, Range 14 West. It is our contention that such an order will result in the avoidance of the drilling of unnecessary wells, the prevention of waste and the protection of correlative rights.

I have previously verbally requested this Application be placed on the June 25, 1980 Docket. The New Mexico Conservation Division advised this request would be honored, and further advised that written application must be filed with the New Mexico Oil Conservation Division on or before June 13, 1980.

Please advise should you require any additional information.

Sincerely,

Tommy Roberts Attorney

Dommy Roberts

TR:nw

cc: Supervisor District III Office New Mexico Oil Conservation Division 1000 Rio Brazos Road Aztec, New Mexico 87410 dugan production corp

OIL CONSTRUCTION ON ISION

June 12, 1980

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

Attn: Joe D. Ramey, Division Director

Re: Application for Compulsory Pooling San Juan County, New Mexico

#### Gentlemen:

Please consider this our formal application for an Order of the New Mexico Oil Conservation Division force-pooling all of the mineral interests in the Dakota Formation underlying the S/2 Section 26, Township 30 North, Range 14 West, N.M.P.M., San Juan County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon.

More specifically, Dugan Production Corporation, as the Applicant, requests an order of the New Mexico Oil Conservation Division designating Dugan Production Corporation as the Operator of the proposed well, allowing Dugan Production Corporation to recover the costs of drilling, completing, and operating this proposed well, plus 200% for the risk factor involved in drilling said well, and establishing a reasonable charge for the supervision of this proposed well during the drilling and production stages.

As grounds for this Application, Dugan Production Corporation would state that it owns the Dakota operating rights under all of Section 26, Township 30 North, Range 14 West, N.M.P.M., San Juan County, New Mexico, with the exception of the Dakota operating rights underlying the S/2 of the SW/4 of Section 26. Said 80 acre tract is controlled by Amoco Production Company. By letter dated March 20, 1980, we requested Amoco to either join in the drilling of the proposed well or farmout the 80 acre tract. By letter dated April 18, 1980, and in response to our request for a farmout or participation in drilling, Amoco advised that it elected to be force-pooled in the subject well.

709 BLOOMFIELD RD. • P. O. BOX 208 • FARMINGTON, NEW MEXICO 87401 • PHONE: 505-325-0238

Joe D. Ramey June 12, 1980 Page Two

Based upon the foregoing information, Dugan Production Corporation requests an order of the New Mexico Oil Conservation Division force-pooling the mineral interests in the Dakota formation underlying the S/2 of Section 26, Township 30 North, Range 14 West. It is our contention that such an order will result in the avoidance of the drilling of unnecessary wells, the prevention of waste and the protection of correlative rights.

I have previously verbally requested this Application be placed on the June 25, 1980 Docket. The New Mexico Conservation Division advised this request would be honored, and further advised that written application must be filed with the New Mexico Oil Conservation Division on or before June 13, 1980.

Please advise should you require any additional information.

Sincerely,

Johnny Roberts
Attorney

TR:nw

cc: Supervisor District III Office
New Mexico Oil Conservation Division
1000 Rio Brazos Road
Aztec, New Mexico 87410

June 12, 1980

State of New Mexico Energy and Minerals Department New Mexico Oil Conservation Division P.O. Box 2088 Santa Fe, New Mexico 37501

Attn: Joe D. Ramey, Division Director

Re: Application for Compulsory Pooling San Juan County, New Mexico

#### Gentlemen:

Please consider this our formal application for an Order of the New Mexico Oil Conservation Division force-pooling all of the mineral interests in the Dakota Formation underlying the S/2 Section 26, Township 30 North, Range 14 West, N.M.P.M., San Juan County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon.

More specifically, Dugan Production Corporation, as the Applicant, requests an order of the New Mexico Oil Conservation Division designating Dugan Production Corporation as the Operator of the proposed well, allowing Dugan Production Corporation to recover the costs of drilling, completing, and operating this proposed well, plus 200% for the risk factor involved in drilling said well, and establishing a reasonable charge for the supervision of this proposed well during the drilling and production stages.

As grounds for this Application, Dugan Production Corporation would state that it owns the Dakota operating rights under all of Section 26, Township 30 North, Range 14 West, N.M.P.M., San Juan County, New Mexico, with the exception of the Dakota operating rights underlying the S/2 of the SW/4 of Section 26. Said 80 acre tract is controlled by Amoco Production Company. By letter dated March 20, 1980, we requested Amoco to either join in the drilling of the proposed well or farmout the 80 acre tract. Cy letter dated April 18, 1980, and in response to our request for a farmout or participation in drilling, Amoco advised that it elected to be force-pooled in the subject well.

709 BLOOMFIELD RD. • P. O. BOX 208 • FARMINGTON, NEW MEXICO 87401 • PHONE: 505-325-0238

Joe D. Ramey June 12, 1980 Page Two

Based upon the foregoing information, Dugan Production Corporation requests an order of the New Mexico Oil Conservation Division force-pooling the mineral interests in the Dakota formation underlying the S/2 of Section 26, Township 30 North, Range 14 West. It is our contention that such an order will result in the avoidance of the drilling of unnecessary wells, the prevention of waste and the protection of correlative rights.

I have previously verbally requested this Application be placed on the June 25, 1980 Docket. The New Mexico Conservation Division advised this request would be honored, and further advised that written application must be filed with the New Mexico Oil Conservation Division on or before June 13, 1980.

Please advise should you require any additional information.

Sincerely,

Dommy Roberts Tommy Roberts Attorney

TR:nw

Supervisor District III Office New Mexico Oil Conservation Division 1000 Rio Brazos Road Aztec, New Mexico 87410

DRAFT

dr/

#### STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

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

Jak

CASE	NO.	6936	
Ordei	r No.	R- ( 20 7	

APPLICATION OF DUGAN PRODUCTION CORPORATION FOR COMPULSORY POOLING, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

	OMBE	OT 1111	, DTAT	
			2 1	

BY THE DIVISION:
This cause came on for hearing at 9 a.m. onJune 25
1980 , at Santa Fe, New Mexico, before Examiner Richard L. Stamet
NOW, on this day of June , 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, Dugan Production Corporation
seeks an order pooling all mineral interests in the Dakota
formation underlying the S/2
of Section 26 , Township 30 North , Range 14 West
NMPM, Busin-Dakota Geoffol, San Juan County, New
Mexico.

- (3) That the applicant has the right to drill and proposes to drill a well at a standard location thereon
- (4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.
- (6) That the applicant should be designated the operator of the subject well and unit.
- (7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.
- (8) That any non-consenting working interest owner 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.

- per month while drilling and \$350 per month while drilling and per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.
- (12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.
- (13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before October 1, 1980, the order pooling said unit should become null and void and of no effect whatsoever.

### IT IS THEREFORE ORDERED:

(1)	That all m	ineral inter	ests, what	ever the	y may be,	
in the _	Dakota		_formation	underly	ing the	S/2
of Secti	on <u>26</u> ,	Township 30	North ,	Range _	14 West	
NMPM, B	sin De Kotalie	Pool	, San, Juan	n Co	unty, New	Mexico
are here	by pooled to	form a stan	dard <u>320</u>	<u>0 - acre</u>	gas spac	ing
and pror	ation unit t	o be dedicat	ed to a we	ll to be	drilled	
at a sta	andard locati	on thereon.		*		. V

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the star day of the lower of lower of lower of said well with due diligence to a depth sufficient to test the loakota formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the /s day of Order , 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 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

- (2) That Dugan Production Corporations hereby designated the operator of the subject well and unit.
- (3) That after the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.
- (4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.
- known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.
- (6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner 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 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 d 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.
- \$ 350 per month while drilling and \$ 350 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

- That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.
- (11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interest'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 well which are not disbursed for any reason shall immediately be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 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.

Called in by Dommie Roberts 6/2/80

Alugan Production Corporation Compulsory Pooling Alakota formation 5/2 Section 26-7-30N-R/YW San Juan County