

EXXON COMPANY, U.S.A.

POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

PRODUCTION DEPARTMENT  
SOUTHWESTERN DIVISION

*RECEIVED*  
*11/10/88*  
*11/10/88-6100*  
*915-(688-6100)*  
March 10, 1989

New Mexico "FH" State Com.  
Well No. 1  
Lea County, New Mexico

New Mexico Oil Conservation Division  
P.O. Box 1980  
Hobbs, New Mexico 88240

Attention Jerry Sexton, Supervisor

Exxon requests administrative approval to drill the captioned well as an unorthodox location with possible completions in the Salt Lake Morrow South, Salt Lake Atoka South, and Salt Lake Bone Springs Pools.

This well was staked at the optimum geologic location, 1980 feet from the North and 1420 feet from the West line of Section 32, T20S, R33E in Lea County. It is too close to an interior quarter quarter section line.

By copy of this letter, offset operators are notified of our intend to drill this well at an unorthodox location.

Offset operators notified are:

Enron Oil & Gas Company, 508 W. Wall, Ste. 900, Midland, TX 79701  
Grace Petroleum, 6501 N. Broadway, Oklahoma City, OK 73116  
Texaco Producing Inc., 1401 N. Turner, P.O. Box 728, Hobbs, NM 88240  
Southwestern Resources, 1111 W. Country Club Road, Roswell, NM 88201  
Enerloc Resources, 1221 Mechem Drive, Ruidoso, NM 88345  
Bass Enterprises Production Co., 3700 Claydesta Nat'l Bank, P.O. Box 2760, Midland, TX 79702

Sincerely

*Charlotte Harper*

Charlotte Harper  
Permits Supervisor

COPIES OF  
Attachments

2-11-89

2-11-89

CO

A DIVISION OF EXXON CORPORATION

*Steve Johnson*

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

5A. Indicate Type of Lease
STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>

5. State Oil & Gas Lease No.  
V-1618

## APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work b. Type of Well OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/> DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input type="checkbox"/> SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>		7. Unit Agreement Name
2. Name of Operator Exxon Corporation Attn: Permits Supervisor		8. Farm or Lease Name New Mexico FH State Co
3. Address of Operator P.O. Box 1600, Midland, TX 79702		9. Well No. 1
4. Location of Well UNIT LETTER <u>F</u> LOCATED <u>1980</u> FEET FROM THE <u>North</u> LINE AND <u>1420</u> FEET FROM THE <u>West</u> LINE OF SEC. <u>32</u> TWP. <u>20S</u> RCE. <u>33E</u> NMPM		10. Field and Pool, or Wildcat *See Below
		12. County Lea
19. Proposed Depth 14,000		19A. Formation *See Below
20. History or C.T. Rotary		
21. Elevations (show whether DF, RT, etc.) GL 3616'	21A. Kind & Status Plug. Bond Blanket	21B. Drilling Contractor Unknown
22. Approx. Date Work will start 2-1-89		

23.

## PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
17 1/2	13 3/8	54.5	550±	350 sx CLC	Surf
12 1/4	9 5/8	40	4800±	950 sx CLC	Surf
8 1/2	5 1/2	20, 17	13800	1150 sx CLC	7500'±

BOPs: Minimum W.P. 3000 psi, sketches attached.

\*Salt Lake Morrow South - Morrow  
Salt Lake Atoka South - Atoka  
Salt Lake Bone Springs - Bone Springs

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM; IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

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

Signed Charlotte Harper Title Permits Supervisor Date 1-3-89

(This space for State Use)

APPROVED BY NAME TITLE NAME DATE NAME

CONDITIONS OF APPROVAL, IF ANY:

-3000 - 2000

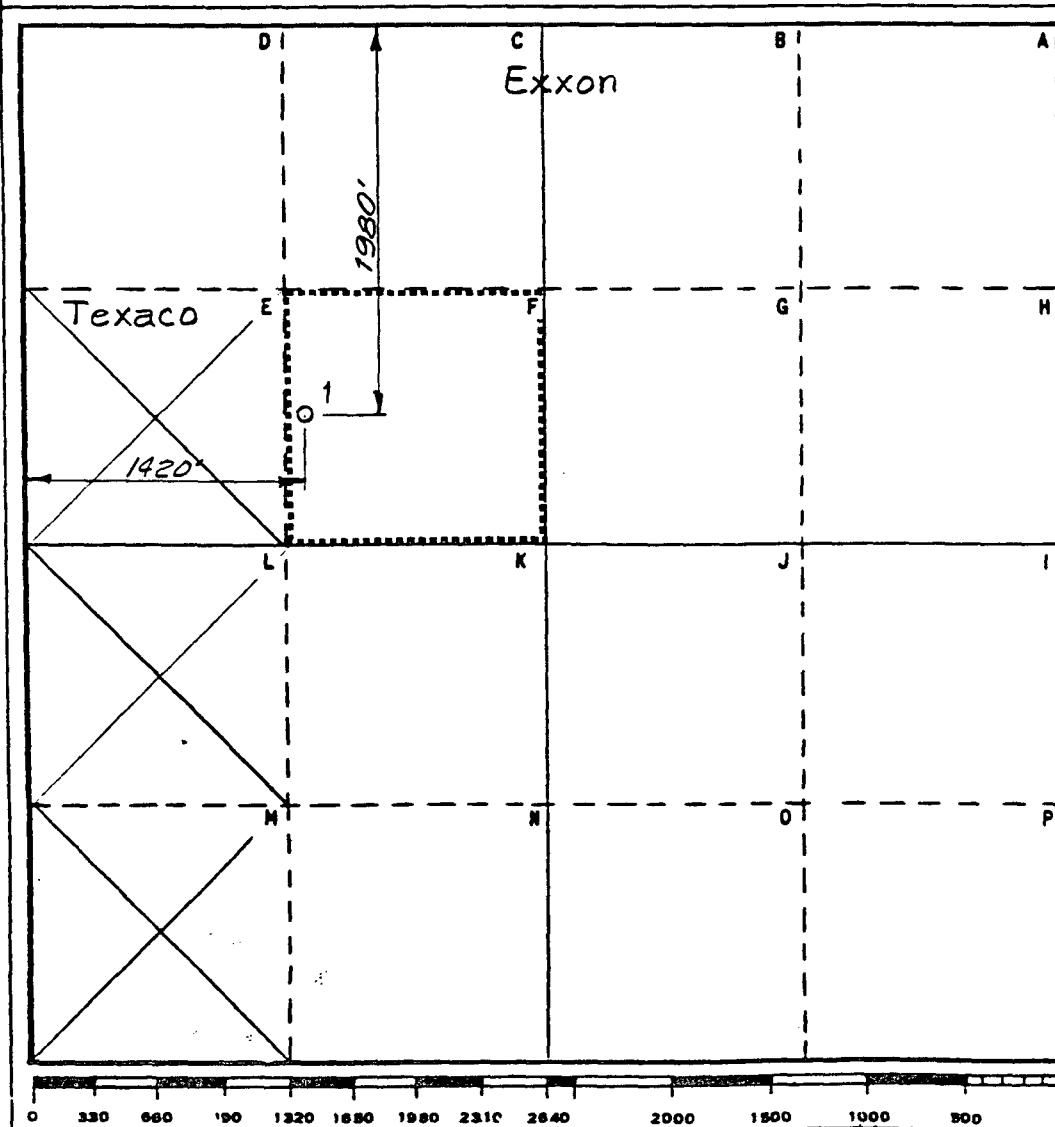
Operator <b>Exxon Corporation</b>		Lease <b>New Mexico FH State Com</b>		Well No. <b>1</b>
Unit Letter <b>F</b>	Section <b>32</b>	Township <b>20-S</b>	Range <b>33-E</b>	County <b>LEA</b>
Actual Footage Location of Well: <b>1980</b> feet from the <b>NORTH</b> line and <b>1420</b> feet from the <b>WEST</b> line				
Ground Level Elev. <b>3616'</b>	Producing Formation <b>BONE SPRING</b>	Pool <b>SALT LAKE BONE SPRING</b>	Dedicated Acreage: <b>40</b> Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☒ Yes ☐ No If answer is "yes," type of consolidation FORCE-POOLING

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

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



#### CERTIFICATION

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

Name Charlotte Harper  
Position Permits Supervisor  
Company Exxon Corporation  
Box 1600 Midland, Texas  
Date 1-3-89

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

Date Surveyed 11-29-88  
Registered Professional Engineer  
and/or Land Surveyor

Bruce R. Pennell  
Certificate No. 9062

County Lea Pool South Salt Lake - Morrow Gas

TOWNSHIP 20 South, RANGE 33 East, NEW MEXICO PRINCIPAL MERIDIAN

6	8	4	3	2	1
7	8	9	10	11	12
13	17	18	19	14	15
16	20	21	22	23	24
26	29	28	27	26	25
31	32	33	34	35	33

P.F.:

DES:  $\frac{5}{2}$  Sec.31 (R-2101, 11-1-61)

EXT: All Sec 30 (R-4646, 11-1-73)

Ext:  $\frac{5}{2}$  Sec 32,  $\frac{w}{2}$  Sec 33 (R-4734, 3-1-74)

County

Lea

Pool

South Salt Lake - Atoka Gas

TOWNSHIP 20 South, RANGE 33 East, NEW MEXICO PRINCIPAL MERIDIAN

1	2	3	4	5	6
7	8	9	10	11	12
13	14	15	16	17	18
19	20	21	22	23	24
25	26	27	28	29	30
31	32	33	34	35	36

P. F.:

DES:  $\frac{1}{2}$  Sec. 31 (R-2101, 11-1-61)

EXT:


SECTION 32

TOWNSHIP 20 South

RANGE 33 East

**EXXON COMPANY, U.S.A.**

POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

PRODUCTION DEPARTMENT  
SOUTHWESTERN DIVISION

January 9, 1989

New Mexico FH State Com  
Well No. 1  
Lea County, New Mexico

New Mexico Oil Conservation Division  
P.O. Box 1980  
Hobbs, New Mexico 88240

Attention Jerry T. Sexton, Supervisor

Exxon requests administrative approval to drill the captioned well as an unorthodox location with possible completions in the Salt Lake Morrow South, Salt Lake Atoka South, and Salt Lake Bone Springs Pools.

This well was staked at the optimum geologic location, 1980 feet from the North and 1420 feet from the West line of Section 32, T20S, R33E in Lea County. It is too close to an interior quarter quarter section line.

By copy of this letter, offset operators are notified of our intent to drill this well at an unorthodox location.

Offset operators notified are:

Enron Oil & Gas Company, 508 W. Wall, Ste. 900, Midland, TX 79701  
Grace Petroleum, 6501 N. Broadway, Oklahoma City, OK 73116  
Texaco Producing Inc., 1401 N. Turner, P.O. Box 728, Hobbs, NM 88240  
Southwestern Resources, P.O. Box 1756, Roswell, NM 88201  
Bass Enterprises Production Co., 3700 Claydesta Nat'l Bank, P.O. Box 2760, Midland, TX 79702

Sincerely



Charlotte Harper  
Permits Supervisor

CHH:jjf  
Attachments

100000

100000

**EXXON** COMPANY, U.S.A.

POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

*Received 3/23/89*

PRODUCTION DEPARTMENT  
SOUTHWESTERN DIVISION

March 22, 1989

Administrative Application for  
Unorthodox Location  
New Mexico "FH" State Com.  
Well No. 1  
Lea County, New Mexico

Oil Conservation Division  
310 Old Santa Fe Trail  
Santa Fe, New Mexico 87503

Attention Michael E. Stogner

Exxon requests administrative approval to drill the captioned well as an unorthodox location with possible completions in the Salt Lake Morrow South, Salt Lake Atoka South, and Salt Lake Bone Springs Pools.

Per your request of February 15, 1989, we have attached geologic support for an unorthodox location, proof of notice to offset operators, ownership plat showing offsetting tracts, and plat for the Salt Lake Bone Springs Pool.

If you have any questions concerning this application, please call me at (915) 688-7548.

Sincerely

*Charlotte Harper*

Charlotte Harper  
Permits Supervisor

CHH:jjf  
Attachments

*not within  
mile of the Bone Spring zone*




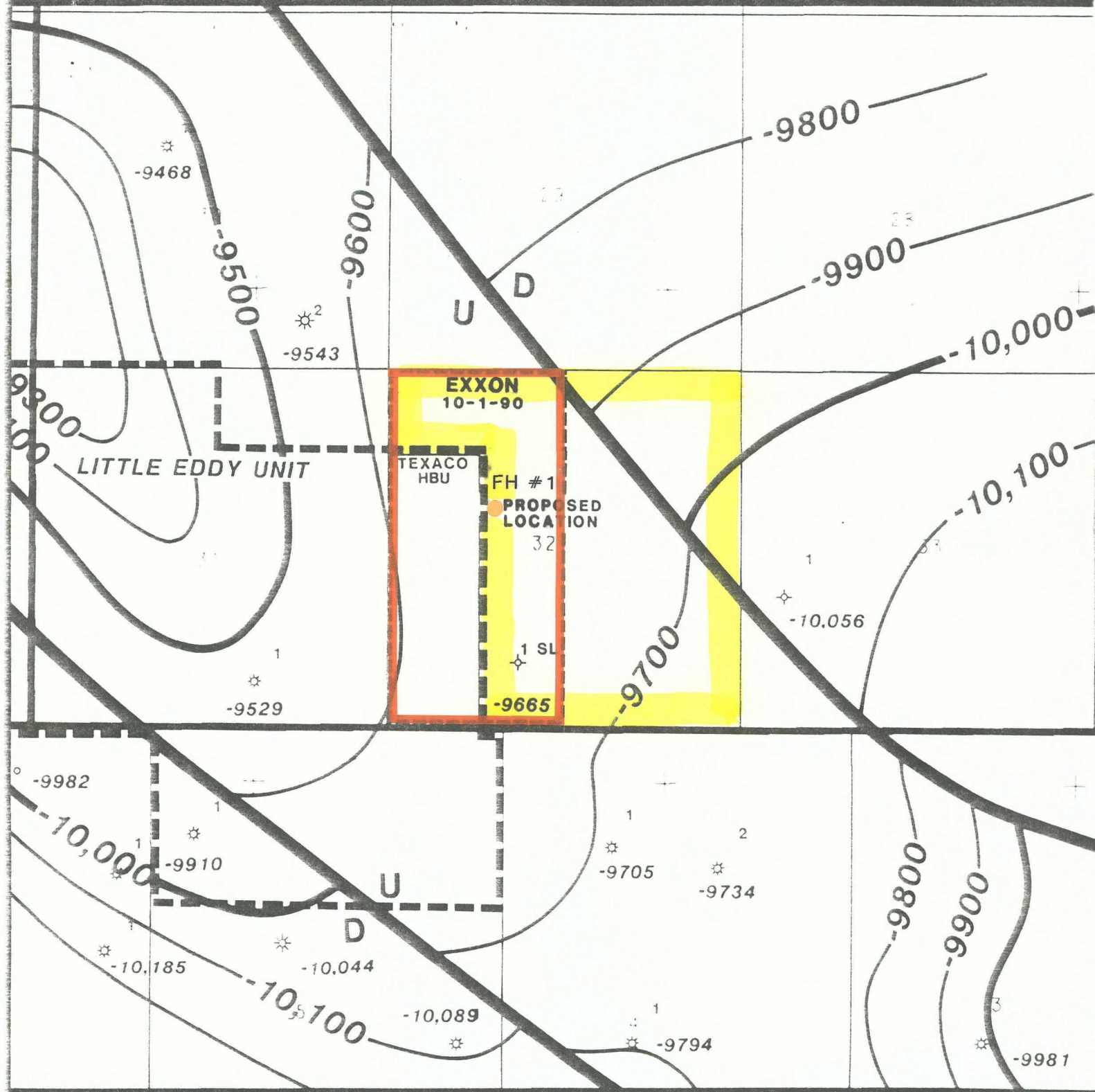
Exxon Corp. New Mexico "FH" State Com. #1  
Request for Unorthodox Location  
Geologic Justification

Exxon's New Mexico "FH" State Com. #1 has been staked at an unorthodox location 1980' FNL and 1420' FWL, Sec. 32, T-20-S, R-33-E, Lea County, New Mexico. Two Geologic controls on production were considered in recommending this location. First, the "FH" #1 location needs to be on the upthrown side of a northwest-southeast trending fault (The Morrow well in Sec. 33 was non-productive because of its location on the downthrown side). The fault is interpreted to cut the northeast corner of Sec. 32 (see attached structure map). Our proposed location is expected to be a reasonable distance from this fault.

The second control on production is the position of the well within the Morrow porosity trend. Our proposed location for the "FH" #1 would place the well along the axis of the northwest-southeast porosity trend running through Sec. 32 (see net porosity isopach map.)

This unorthodox location will provide Exxon with the best chance of establishing economic production from the Morrow.

  
B.P. Gregson  
March 10, 1989



# **EXXON CORPORATION**

## **SALT LAKE SOUTH AREA**

**Structure: Top Morrow Clastics**

C.I.: 100'

Scale: 1"=2,000'

T 20-21 S, R 32-33 E Lea New Mexico

EXXON COUNTY STATE

APR 10/88

AUTHOR B.P. Gregson

REV R.E.L.

320 Acre Morrow Proration Unit

Little Eddy Unit Boundary

FH#1 Exxon Proposed Location

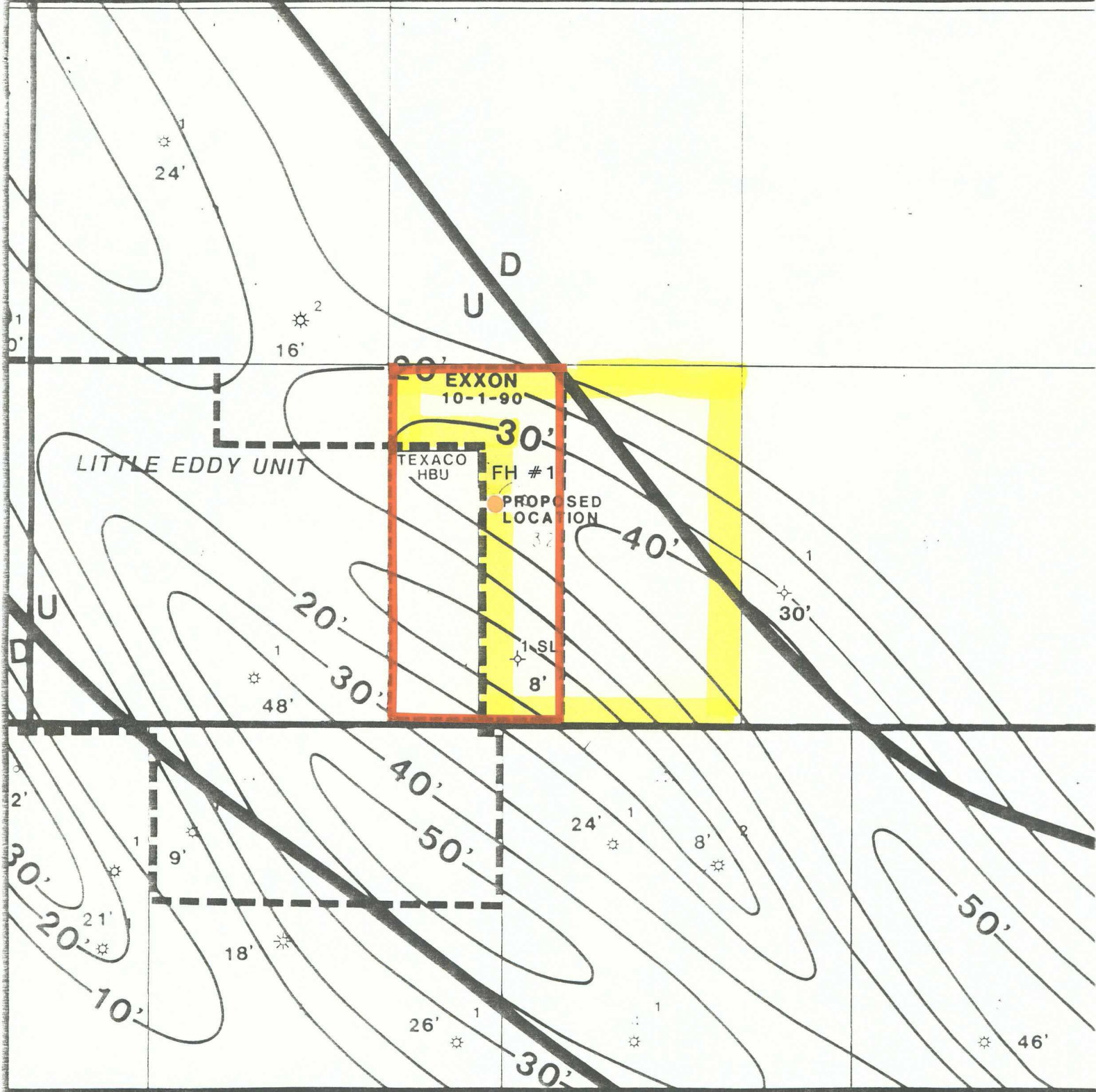
Morrow Gas Well

Morrow Dry Hole

EXHIBIT No. 4

CASE No. 9520

HEARING DATE: November 9, 1988



<b>EXXON CORPORATION</b>		
<b>SALT LAKE SOUTH AREA</b>		
<b>Net Porosity Isopach</b>		
<b>Morrow "B"</b>		
T 20-21 S, R 32-33 E Lea New Mexico		
C.I.: 10' Scale: 1"=2,000'		
10/88	B.P. Gregson	R.E.L.
40% GR	8% Porosity	

- 320 Acre Morrow Proration Unit
- Little Eddy Unit Boundary
- FH #1  Exxon Proposed Location
- Morrow Gas Well
- Morrow Dry Hole

EXHIBIT No. 5

CASE No. 9520

HEARING DATE: November 9, 1988



card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery <sup>†</sup>(Extra charge)†

3. Article Addressed to:  
Bass Enterprises Production Co.  
3700 Claydesta Nat'l Bank  
P.O. Box 2760  
Midland, TX 79702

4. Article Number  
369370

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee  
X *[Signature]*

6. Signature - Agent  
X *[Signature]*

7. Date of Delivery  
3-13-89

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1987 \* U.S.G.P.O. 1987-178-268 DOMESTIC RETURN RECEIPT

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery <sup>†</sup>(Extra charge)†

3. Article Addressed to:  
Enerloc Resources  
1221 Mechem Dr.  
Ruidoso, NM 88345

4. Article Number  
P503996579

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee  
X *[Signature]*

6. Signature - Agent  
X

7. Date of Delivery  
3-13-89

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1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery <sup>†</sup>(Extra charge)†

3. Article Addressed to:  
Southwestern Resources  
1111 W. Country Club Rd.  
Roswell, N.M. 88201

4. Article Number  
P154195429

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee  
X *[Signature]*

6. Signature - Agent  
X

7. Date of Delivery  
3/11/89

8. Addressee's Address (ONLY if requested and fee paid)

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1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery <sup>†</sup>(Extra charge)†

3. Article Addressed to:  
Texaco Producing Inc.  
1401 N. Turner  
P.O. Box 728  
Hobbs, NM 88240

4. Article Number  
369371

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee  
X *[Signature]*

6. Signature - Agent  
X

7. Date of Delivery  
2-23-89

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1987 \* U.S.G.P.O. 1987-178-268 DOMESTIC RETURN RECEIPT

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1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery <sup>†</sup>(Extra charge)†

3. Article Addressed to:  
Grace Petroleum  
6501 N. Broadway  
Oklahoma City, OK 73116

4. Article Number  
369868

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee  
X

6. Signature - Agent  
X *[Signature]*

7. Date of Delivery

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1987 \* U.S.G.P.O. 1987-178-268 DOMESTIC RETURN RECEIPT

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1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery <sup>†</sup>(Extra charge)†

3. Article Addressed to:  
Enron Oil & Gas Co.  
508 W. Wall, Ste. 900  
Midland, TX 79701

4. Article Number  
369372

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee  
X

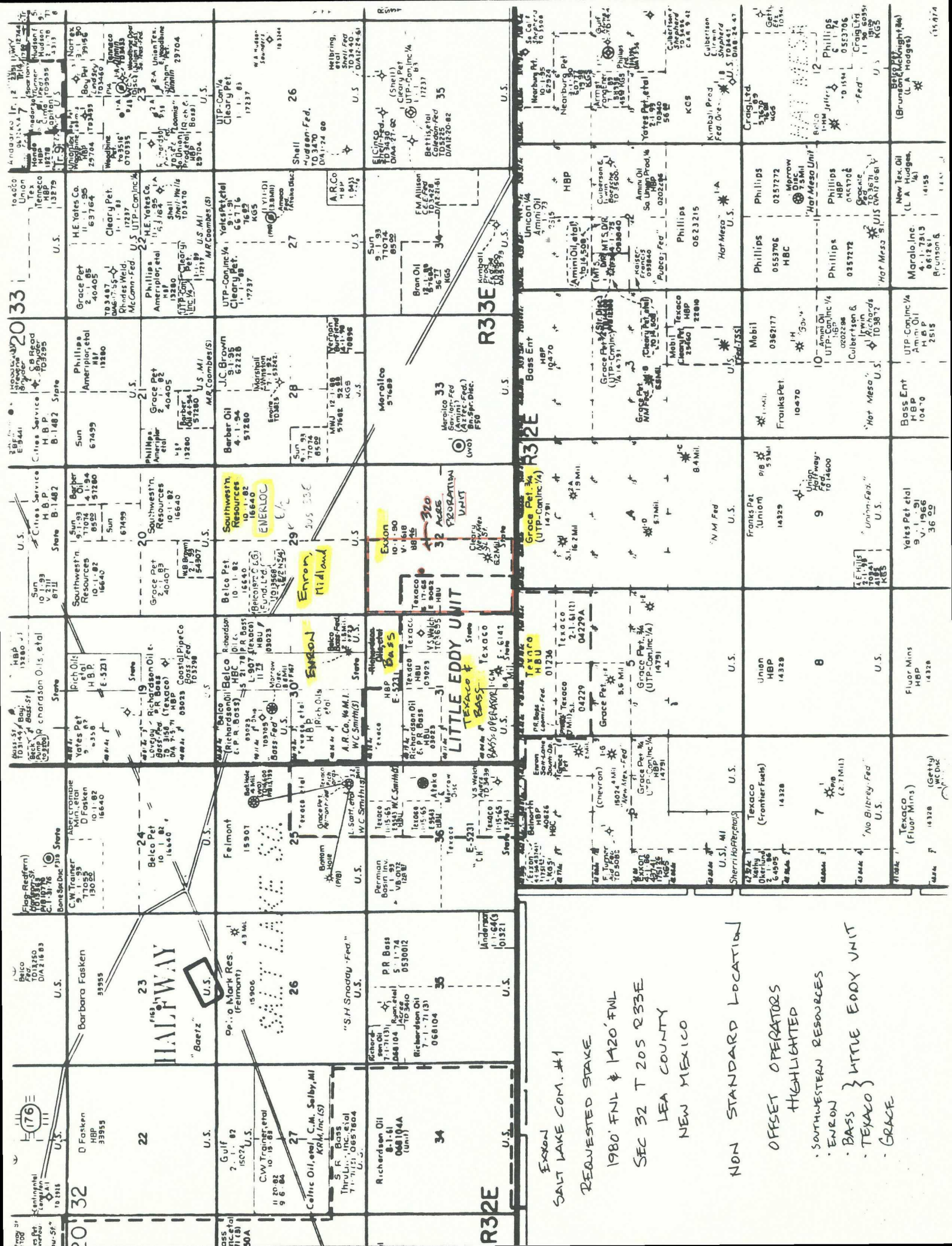
6. Signature - Agent  
X *[Signature]*

7. Date of Delivery  
2-22-89

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1987 \* U.S.G.P.O. 1987-178-268 DOMESTIC RETURN RECEIPT







STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

GARREY CARRUTHERS  
GOVERNOR

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87504  
(505) 827-5800

February 15, 1989

Exxon Company, USA  
P.O. Box 1600  
Midland, TX 79702-1600

Attention: Charlotte Harper

RE: Provisions of Division Order No. R-8790. Administrative Application for an unorthodox location. New Mexico "FH" State Com Well No. 1; 980 FNL - 1420 FWL, 32-T20S-R33E, Lea County, New Mexico.

Dear Ms. Harper:

I am in receipt of your letter to our Hobbs District Office concerning the subject filing, however, that information is insufficient for the Santa Fe office to approve this location. Please make a proper filing with this office pursuant to the requirements of General Rule 104.F.

Such a filing shall include:

1. Adequate geological data;
2. Adequate proof notice; and
3. An ownership plat showing these offsets and designated acreage for those zones which will be spaced on units smaller than 320-acres.

If you should have any questions concerning this matter, please contact me.

Sincerely,

Michael E. Stogner  
Administrative Application Reviewer

MES/ag

cc: Oil Conservation Division - Hobbs  
Case File: 9520  
Jim Bruce  
Bill Duncan

3/20/89  
Received concern from  
Dan Stogner (982-0757)  
representing an off-set (Buss)

STATE OF NEW MEXICO  
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 9520  
Order No. R-8790

APPLICATION OF EXXON CORPORATION  
FOR COMPULSORY POOLING, LEA  
COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 9, 1988, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 30th day of November, 1988, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) The applicant, Exxon Corporation, seeks an order pooling all mineral interests from the surface to the base of the Undesignated South Salt Lake-Morrow Gas Pool underlying the W/2 of Section 32, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico, forming a standard 320-acre spacing and proration unit for any and all formations and/or pools within said vertical limits developed on 320-acre spacing.

(3) At the time of the hearing, it was determined that the proposed well, which is to be dedicated to the above described proration unit, is located at an unorthodox gas well location 1980 feet from the North line and 1420 feet from the West line (Unit F) of said Section 32.

(4) The applicant has the right to drill and proposes to drill a well at the above described unorthodox gas well location.

(5) Prior to commencing drilling operations, the applicant should be required to obtain Division approval for the above described unorthodox gas well location.

(6) There are interest owners in the proposed proration unit who have not agreed to pool their interests.

(7) To avoid the drilling of unnecessary wells, to protect correlative rights, to avoid waste, 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 production in any pool completion resulting from this order, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(8) The applicant should be designated the operator of the subject well and unit.

(9) 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.

(10) 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.



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

(12) 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.

(13) The applicant proposed that overhead rates of \$6068.00 per month while drilling and \$660.00 per month while producing be fixed as reasonable charges for supervision (combined fixed rates).

(14) Average overhead rates obtained from Ernst & Whinney 1988 Survey of Combined Fixed-Rate Overhead Charges for Oil and Gas Producers are substantially lower than those proposed by the applicant.

(15) The overhead rates proposed by the applicant should be adjusted to reflect amounts more in line with current industry averages.

(16) \$5500.00 per month while drilling and \$550.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); 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.

(17) 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.

CASE NO. 9520  
Order No. R-8790  
Page -4-

(18) Upon the failure of the operator of said pooled unit to commence the drilling of the well to which said unit is dedicated on or before March 1, 1989, the order pooling said unit should become null and void and of no effect whatsoever.

(19) Should all the parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(20) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, from the surface to the base of the Morrow formation underlying the W/2 of Section 32, Township 20 South, Range 33 East, NMPM, Undesignated South Salt Lake-Morrow Gas Pool, Lea County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools within said vertical limits developed on 320-acre spacing, said unit to be dedicated to a well to be drilled at a proposed unorthodox gas well location 1980 feet from the North line and 1420 feet from the West line (Unit F) of said Section 32.

PROVIDED HOWEVER, the operator of said unit shall commence the drilling of said well on or before the 1st day of March, 1989, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Morrow formation.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 1st day of March, 1989, Ordering Paragraph No. (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.

CASE NO. 9520  
Order No. R-8790  
Page -5-

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 Ordering Paragraph No. (1) of this order should not be rescinded.

(2) Prior to commencing drilling operations on the subject well, the applicant shall be required to obtain Division approval for the above described unorthodox gas well location.

(3) Exxon Corporation is hereby designated the operator of the subject well and unit.

(4) 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.

(5) 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 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.

(6) 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; 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, if there is objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

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(7) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated well 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.

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

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

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

(10) \$5500.00 per month while drilling and \$550.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); 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

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

(11) Any unleased 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.

(12) 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.

(13) All proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; 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.

(14) Should all parties to this forced pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

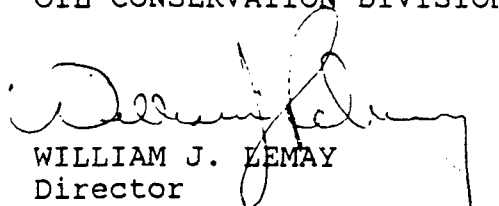
(15) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(16) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY  
Director

S E A L



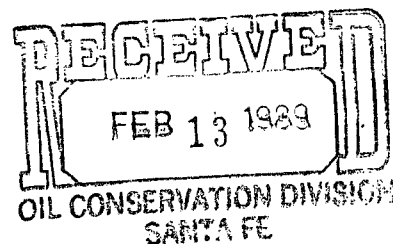
STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
HOBBS DISTRICT OFFICE

GARREY CARRUTHERS  
GOVERNOR

1-13-89

POST OFFICE BOX 1980  
HOBBS, NEW MEXICO 88241-1980  
(505) 393-6161

OIL CONSERVATION DIVISION  
P. O. BOX 2088  
SANTA FE, NEW MEXICO 87501



RE: Proposed:

MC \_\_\_\_\_  
DHC \_\_\_\_\_  
NSL X \_\_\_\_\_  
NSP \_\_\_\_\_  
SWD \_\_\_\_\_  
WFX \_\_\_\_\_  
PMX \_\_\_\_\_

Gentlemen:

I have examined the application for the:

Exxon Corp. N.M. FH St Com #1-F 32-20-33  
Operator Lease & Well No. Unit S-T-R

and my recommendations are as follows:

Force Pool. (NSL) + Potash area (warren recs)  
R-8790

Yours very truly,

Jerry Sexton  
Supervisor, District 1

/ed