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June 23, 2000

Via Fax and U.S. Mail

Lori Wrottenbery  
Oil Conservation Commission  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

Re: Case No. 12299 (de novo); Redwolf/Maralex

Dear Ms. Wrottenbery:

Enclosed are portions of the two Cross Timbers orders I referred to this morning.

Very truly yours,



James Bruce

Attorney for Maralex Resources, Inc.

cc: William F. Carr w/encl. (via fax)

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. 12142  
ORDER NO. R-11169

APPLICATION OF CROSS TIMBERS OIL COMPANY FOR COMPULSORY  
POOLING AND AN UNORTHODOX OIL WELL LOCATION, SAN JUAN  
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on April 1, 1999 at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 28th day of April, 1999, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.
- (2) Division Cases No. 12142 and 12143 were consolidated at the time of the hearing for the purpose of testimony.
- (3) The applicant, Cross Timbers Oil Company ("Cross Timbers"), seeks an order pooling all mineral interests from the base of the Pictured Cliffs formation to the base of the Dakota formation underlying the following described acreage in Section 32, Township 28 North, Range 10 West, NMPM, San Juan County, New Mexico:
  - (a) the W/2 to form a standard 320-acre stand-up gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within that vertical extent, which presently include the Basin-Dakota Gas Pool;

(12) The evidence indicates that the proposed location is offset in all directions by Dakota production, and that the probability of encountering a productive Dakota formation is high. Therefore the charge for risk involved in the drilling of the well should be reduced to 150 percent.

(13) Any non-consenting working interest owner who does not pay its share of estimated well costs should have withheld from production its share of the reasonable well costs plus an additional 150 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(14) 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.

(15) Following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated well 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.

(16) Reasonable charges for supervision (combined fixed rates) should be fixed at \$5,000.00 per month while drilling and \$350.00 per month while producing. The operator should be authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(17) All proceeds from production from the well that 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.

(18) If the operator of the pooled unit fails to commence drilling the well to which the units are dedicated on or before July 31, 1999, or if all the parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order should become of no effect.

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

**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. 12143  
ORDER NO. R-11170**

**APPLICATION OF CROSS TIMBERS OIL COMPANY FOR COMPULSORY  
POOLING AND AN UNORTHODOX OIL WELL LOCATION, SAN JUAN  
COUNTY, NEW MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing at 8:15 a.m. on April 1, 1999 at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 20th day of April, 1999, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

**FINDS THAT:**

- (1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.
- (2) Division Cases No. 12142 and 12143 were consolidated at the time of the hearing for the purpose of testimony.
- (3) The applicant, Cross Timbers Oil Company ("Cross Timbers"), seeks an order pooling all mineral interests from the base of the Pictured Cliffs formation to the base of the Dakota formation underlying the following described acreage in Section 21, Township 28 North, Range 10 West, NMPM, San Juan County, New Mexico:
  - (a) the W/2 to form a standard 320-acre stand-up gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within that vertical extent, which presently include the Basin-Dakota Gas Pool;

(12) The evidence indicates that the proposed location is offset in all directions by Dakota production, and that the probability of encountering a productive Dakota formation is high. Therefore the charge for risk involved in the drilling of the well should be reduced to 150 percent.

(13) Any non-consenting working interest owner who does not pay its share of estimated well costs should have withheld from production its share of the reasonable well costs plus an additional 150 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(14) 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.

(15) Following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated well 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.

(16) Reasonable charges for supervision (combined fixed rates) should be fixed at \$5,000.00 per month while drilling and \$350.00 per month while producing. The operator should be authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(17) All proceeds from production from the well that 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.

(18) If the operator of the pooled unit fails to commence drilling the well to which the units are dedicated on or before July 31, 1999, or if all the parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order should become of no effect.

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