

JAMES BRUCE
ATTORNEY AT LAW

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SANTA FE, NEW MEXICO 87501

(505) 982-2043 (PHONE)
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December 17, 2002

Hand Delivered

Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

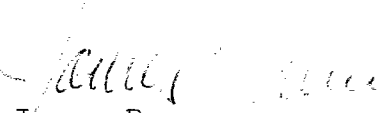
Case 12987

Dear Florene:

Enclosed are an original and one copy of an application for compulsory pooling, together with a proposed advertisement, filed on behalf of Mewbourne Oil Company. Please set this matter for the January 9, 2003 Examiner hearing. Thank you.

The application and advertisement are also on the enclosed disk.

Very truly yours,


James Bruce

Attorney for Mewbourne Oil Company

PARTIES BEING POOLED

Boys and Girls Club of America
1230 West Peachtree Street N.W.
Atlanta, Georgia 30309

Attention: Anand Mehta

Elks National Foundation
2750 North Lakeview Avenue
Chicago, Illinois 60614

Attention: James O'Kelly

University of New Mexico
Scholes Hall, Room 252
Albuquerque, New Mexico 87131

Attention: Kim Murphy

Timothy T. Leonard
P.O. Box 2625
Eagle Pass, Texas 78853

Robert J. Leonard and Marion
M. Leonard, Trustees of
the Leonard Trust
P.O. Box 400
Roswell, New Mexico 88202

Molly M. Azopardi
P.O. Box 620
Wimberly, Texas 78676

Juan G. Ruiz
c/o Mike A. Padilla
1225 North Thorne Avenue
Fresno, California 93728

Bill C. Ruiz
P.O. Box 161
Sultana, California 93666

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF MEWBOURNE OIL
COMPANY FOR COMPULSORY POOLING
AND AN UNORTHODOX OIL WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

No. 12987

APPLICATION

Pursuant to Division Rule 1207.A(1)(b), Mewbourne Oil Company applies for an order pooling all mineral interests from the surface to the base of the Atoka formation underlying the S½ of Section 35, Township 23 South, Range 28 East, N.M.P.M., Eddy County, New Mexico, and approving an unorthodox oil well location, and in support thereof, states:

1. Applicant is a working interest owner in the S½ of Section 35, and has the right to drill a well thereon.

2. Applicant proposes to drill its Layla "35" Fee Com. Well No. 1, at an unorthodox oil well location/orthodox gas well location 1650 feet from the south line and 1241 feet from the east line of the section (Unit I), to a depth sufficient to test the Atoka formation (approximately 12,150 feet subsurface), and seeks to dedicate the following acreage to the well:

(a) The NE¼SE¼ of Section 35 to form a standard 40 acre oil spacing and proration unit for any formations and/or pools developed on 40 acre spacing within that vertical extent, including the Undesignated Malaga-Bone Spring Pool;

(b) The N½SE¼ of Section 35 to form a standard 80 acre oil spacing and proration unit for any formations and/or pools developed on 80 acre spacing within that vertical extent, including the Undesignated South Culebra Bluff-Bone Spring

Pool;

(c) The SE¼ of Section 35 to form a standard 160 acre gas spacing and proration unit for any formations and/or pools developed on 160 acre spacing within that vertical extent; and

(d) The S½ of Section 35 to form a standard 320 acre gas spacing and proration unit for any formations and/or pools developed on 320 acre spacing within that vertical extent, including the Undesignated South Culebra Bluff-Wolfcamp Gas Pool, Undesignated South Culebra Bluff-Strawn Gas Pool, and South Culebra Bluff-Atoka Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the S½ of Section 35 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral leasehold interest owners in the S½ of Section 35, pursuant to NMSA 1978 §70-2-17.

5. Pursuant to Division Rule 1207.A(b), the following information is submitted in support of this application:

(a) No opposition is expected because the owners have been contacted regarding the proposed well, but have simply not responded.

(b) A map outlining the spacing unit being pooled, and marking the location of the subject well, is attached hereto as Exhibit A. Applicant seeks to dedicate to the well the acreage and formations described in paragraph (2) above. Certain formations are oil-bearing, and certain formations are gas bearing.

(c) The parties being pooled, and their last known addresses, are as follows:

Boys and Girls Club of America
1230 West Peachtree Street N.W.
Atlanta, Georgia 30309
Attention: Anand Mehta (0.03906%)

University of New Mexico
Scholes Hall, Room 252
Albuquerque, New Mexico 87131
Attention: Kim Murphy (0.03906%)

Timothy T. Leonard
P.O. Box 2625
Eagle Pass, Texas 78853 (0.06510%)

Robert J. Leonard and Marion
M. Leonard, Trustees of
the Leonard Trust
P.O. Box 400
Roswell, New Mexico 88202 (0.06510%)

Molly M. Azopardi
P.O. Box 620
Wimberly, Texas 78676 (0.06510%)

Juan G. Ruiz
c/o Mike A. Padilla
1225 North Thorne Avenue
Fresno, California 93728 (0.13020%)

Bill C. Ruiz
P.O. Box 161
Sultana, California 93666 (0.13020%)

The parties own the undivided interests in the S½ of Section 35 set forth after their names.

The above names were determined by a diligent search of all public records in Eddy County, including phone records and computer records. Copies of the correspondence with the parties being pooled is attached hereto as Exhibit B.

(d) A structure and isopach map of the prospect are attached as Exhibits C and D. The main objective is the Atoka sand. Based upon well control, the primary zone is probably present at the proposed location, but there is a significant risk of pressure depletion. Thus, applicant requests that a risk penalty of cost plus 200% be assessed against any interest owner who does not voluntarily join in the well.

(e) A copy of the Authorization for Expenditure for the well is attached hereto as Exhibit E. The well costs are fair and reasonable, and are comparable to those of other wells of this depth drilled in this area of Eddy County.

(f) Overhead charges of \$6000/month for a drilling well, and \$600/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by applicant and other operators in this area for wells of this depth.

6. The well location is based on the best location for a well in the Atoka formation, the primary zone of interest. This location places the well at an unorthodox oil well location, and applicant requests approval of such location.

7. The pooling of all interests underlying the S½ of Section 35, and approval of the unorthodox location, will prevent waste and


protect correlative rights.

WHEREFORE, Applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the S½ of Section 35 from the surface to the base of the Atoka formation;
- B. Approving the unorthodox oil well location;
- C. Designating applicant as operator of the well;
- D. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- F. Setting a penalty for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

APPLICANT REQUESTS THAT IN THE ABSENCE OF OBJECTION THIS MATTER BE TAKEN UNDER ADVISEMENT.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Mewbourne Oil Company

VERIFICATION

STATE OF TEXAS

ss.

COUNTY OF MIDLAND

Larry Cunningham, being duly sworn upon his oath, deposes and states that: He is a landman for Mewbourne Oil Company, and is authorized to make this verification on its behalf; he has read the foregoing application and knows the contents thereof; and the same is true and correct to the best of his knowledge, information, and belief.


Larry Cunningham

Subscribed and sworn to before me this 16 day of December, 2002 by Larry Cunningham.

Notary Public

My Commission Expires:

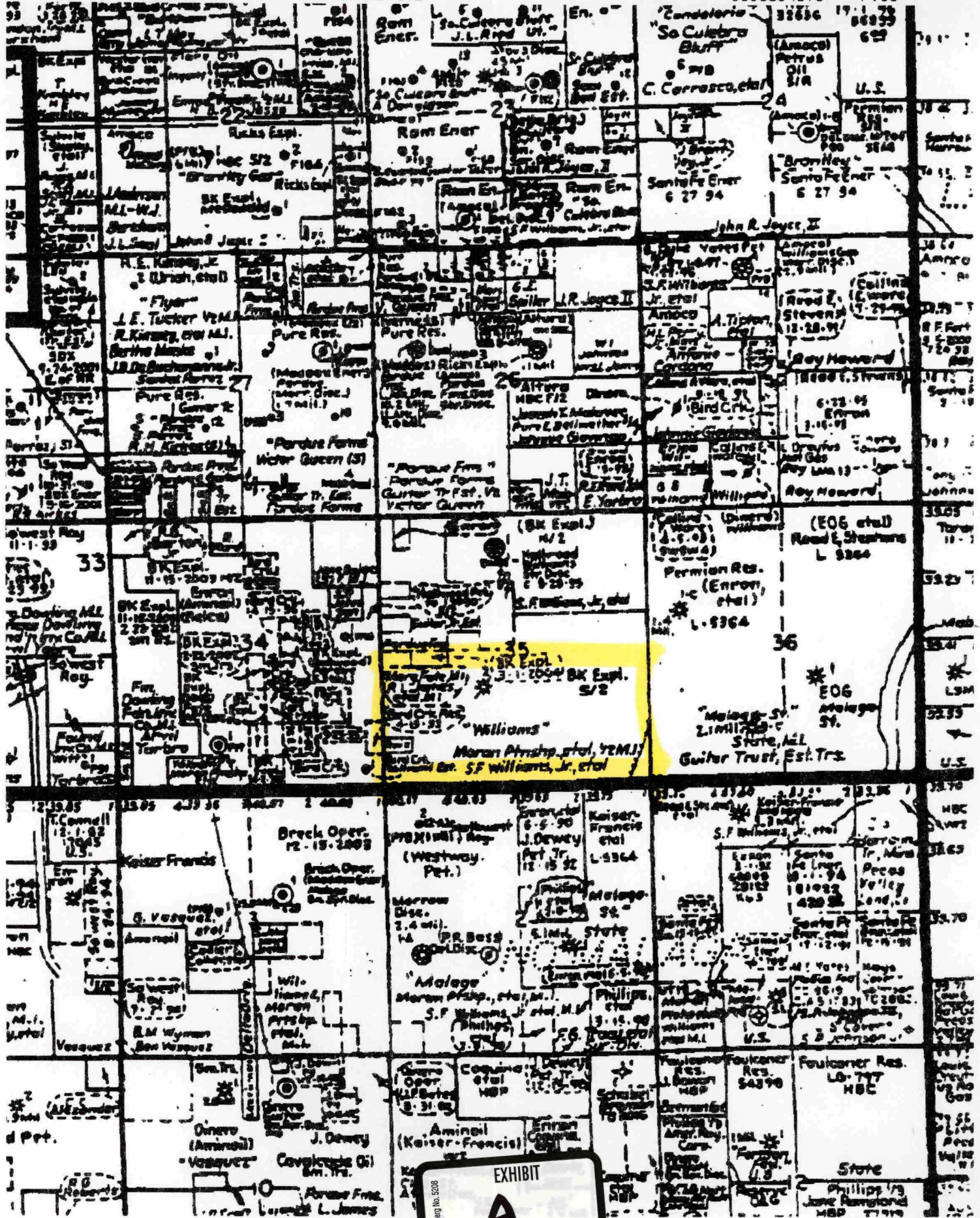


EXHIBIT
A

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

August 12, 2002

[Certified Mail No. 8491]

Boys & Girls Club of America
1230 West Peachtree St., N.W.
Atlanta, GA 30309-3447
Attn: Anand Mehta
Chief Financial Officer

Re: Layla 35 Com. #1 Well
S/2 of Section 35-23S-28E
Eddy County, New Mexico

Dear Mineral Interest Owners:

Mewbourne Oil Company (Mewbourne) hereby proposes the drilling of a well to a depth sufficient to adequately test the Aloka formation, anticipated total depth being 12,150'. Furthermore, Mewbourne shall evaluate to its satisfaction, all other formations encountered at lesser depths in the drilling of said well. The S/2 of the captioned Section 35 will be dedicated as the proration unit for the well. Your mineral interest is estimated to be 0.125 net acres. Your interest in the proposed well would be 0.03906%.

This well will be located approximately 1650' FSL & 1241' FEL of Section 35-23S-28E, Eddy County, New Mexico. Our AFE is enclosed for your review. Should you desire to participate to the full extent of your interest in the drilling, testing and completing of this proposed well, please return an executed copy of the AFE to the undersigned at your earliest convenience.

Upon receipt of your executed AFE or by prior written request we will forward our Joint Operating Agreement for your review and execution.

In the event you do not wish to participate, Mewbourne respectfully requests you elect one of the following options as to your interest.

1. Farmout all of your interest in the S/2 Section 35 for a period of one year to Mewbourne under the following general terms:
 - (a) If any well drilled, deepened, completed or recompleted under the terms of our farmout agreement results in oil and/or gas production on a proration unit that includes your acreage, Mewbourne will earn an assignment of 100% of your rights and interest, free of any liens or encumbrances, in the proration unit assigned to each well to a depth of 100' below the total depth drilled for each well.



Layla 35 Com. #1 Well
Eddy County, New Mexico

November 26, 2002
Page -2-

- (b) Upon completion of the initial test well as a producer or dry hole, Mewbourne would have the recurring option, but not the obligation, to commence additional wells on New Mexico Oil Conservation approve proration units that include your acreage to establish oil and/or gas production under the captioned lands or land pooled therewith. If any such option is exercised by Mewbourne, Mewbourne agrees to allow not more than 180 days to elapse between the completion of one well and the commencement of operations for any next well.
 - (c) You will retain an overriding royalty interest equal to the difference, if any, between 25% of all oil and gas produced and the total of all royalty interests, overriding royalty interests and other similar lease burdens or lawful claims upon production to which your leases may be currently subject, so that Mewbourne will be assigned a 75% net revenue interest in your lease(s). Such overriding royalty interest retained by you shall be subject to proportionate reduction.
2. Grant a three year Oil and Gas Lease to Mewbourne covering all your interest in the captioned land for \$200.00 per net acre and retaining a 3/16th royalty. All interests would be subject to proportionate reduction.

As we anticipate drilling the captioned well by year end, your earliest response to this proposal would be greatly appreciated.

Should you have any questions, please do not hesitate to call.

Sincerely,

MEWBOURNE OIL COMPANY



Larry Cunningham
District Landman

LC/gb

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

August 12, 2002

[Certified Mail No. 8569]

Elks National Foundation
2750 North Lakeview Ave.
Chicago, IL 60614-1889
Attn: Mr. James O'Kelly

Re: Layla 35 Com. #1 Well
S/2 of Section 35-23S-28E
Eddy County, New Mexico

Dear Mineral Interest Owners:

Mewbourne Oil Company (Mewbourne) hereby proposes the drilling of a well to a depth sufficient to adequately test the Atoka formation, anticipated total depth being 12,150'. Furthermore, Mewbourne shall evaluate to its satisfaction, all other formations encountered at lesser depths in the drilling of said well. The S/2 of the captioned Section 35 will be dedicated as the proration unit for the well. Your mineral interest is estimated to be 1.25 net acres. Your interest in the proposed well would be 0.39062%.

This well will be located approximately 1650' FSL & 1241' FEL of Section 35-23S-28E, Eddy County, New Mexico. Our AFE is enclosed for your review. Should you desire to participate to the full extent of your interest in the drilling, testing and completing of this proposed well, please return an executed copy of the AFE to the undersigned at your earliest convenience.

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MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

August 12, 2002

[Certified Mail No. 8552]

University of New Mexico
Scholes Hall, Room 252
Albuquerque, NM 87131-3181
Attn: Kim Murphy
Director of Real Estate

Re. Layla 35 Com. #1 Well
S/2 of Section 35-23S-28E
Eddy County, New Mexico

Dear Mineral Interest Owners:

Mewbourne Oil Company (Mewbourne) hereby proposes the drilling of a well to a depth sufficient to adequately test the Atoka formation, anticipated total depth being 12,150'. Furthermore, Mewbourne shall evaluate to its satisfaction, all other formations encountered at lesser depths in the drilling of said well. The S/2 of the captioned Section 35 will be dedicated as the proration unit for the well. Your mineral interest is estimated to be 0.125 net acres. Your interest in the proposed well would be 0.03906%.

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MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

August 12, 2002

[Certified Mail No. 8545]

Timothy T. Leonard
P.O. Box 2625
Eagle Pass, TX 78853

Re: Layla 35 Com. #1 Well
S/2 of Section 35-23S-28E
Eddy County, New Mexico

Dear Mineral Interest Owners:

Mewbourne Oil Company (Mewbourne) hereby proposes the drilling of a well to a depth sufficient to adequately test the Atoka formation, anticipated total depth being 12,150'. Furthermore, Mewbourne shall evaluate to its satisfaction, all other formations encountered at lesser depths in the drilling of said well. The S/2 of the captioned Section 35 will be dedicated as the proration unit for the well. Your mineral interest is estimated to be 0.208333 net acres. Your interest in the proposed well would be 0.0651%.

This well will be located approximately 1650' FSL & 1241' FEL of Section 35-23S-28E, Eddy County, New Mexico. Our AFE is enclosed for your review. Should you desire to participate to the full extent of your interest in the drilling, testing and completing of this proposed well, please return an executed copy of the AFE to the undersigned at your earliest convenience.

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MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

August 12, 2002

[Certified Mail No. 8538]

Robert J. Leonard and Marion M.
Leonard, Trustees of the Leonard Trust
P.O. Box 400
Roswell, NM 88202

Re: Layla 35 Com. #1 Well
S/2 of Section 35-23S-28E
Eddy County, New Mexico

Dear Mineral Interest Owners:

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MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

August 12, 2002

[Certified Mail No. 8521]

Molly M. Azopardi
P.O. Box 620
Wimberly, TX 78676

Re: Layla 35 Com. #1 Well
S/2 of Section 35-23S-28E
Eddy County, New Mexico

Dear Mineral Interest Owners:

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MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

August 12, 2002

[Certified Mail No. 8514]

Juan G. Ruiz
c/o Mike A. Padilla
1225 N. Thorne Ave.
Fresno, CA 93728

Re: Layla 35 Com. #1 Well
S/2 of Section 35-23S-28E
Eddy County, New Mexico

Dear Mineral Interest Owners:

Mewbourne Oil Company (Mewbourne) hereby proposes the drilling of a well to a depth sufficient to adequately test the Atoka formation, anticipated total depth being 12,150'. Furthermore, Mewbourne shall evaluate to its satisfaction, all other formations encountered at lesser depths in the drilling of said well. The S/2 of the captioned Section 35 will be dedicated as the proration unit for the well. Your mineral interest is estimated to be 0.4166665 net acres. Your interest in the proposed well would be 0.1302%.

This well will be located approximately 1650' FSL & 1241' FEL of Section 35-23S-28E, Eddy County, New Mexico. Our AFE is enclosed for your review. Should you desire to participate to the full extent of your interest in the drilling, testing and completing of this proposed well, please return an executed copy of the AFE to the undersigned at your earliest convenience.

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MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

August 12, 2002

[Certified Mail No. 8507]

Bill C. Ruiz
P.O. Box 161
Sultana, CA 93666

Re Layla 35 Com. #1 Well
S/2 of Section 35-23S-28E
Eddy County, New Mexico

Dear Mineral Interest Owners:

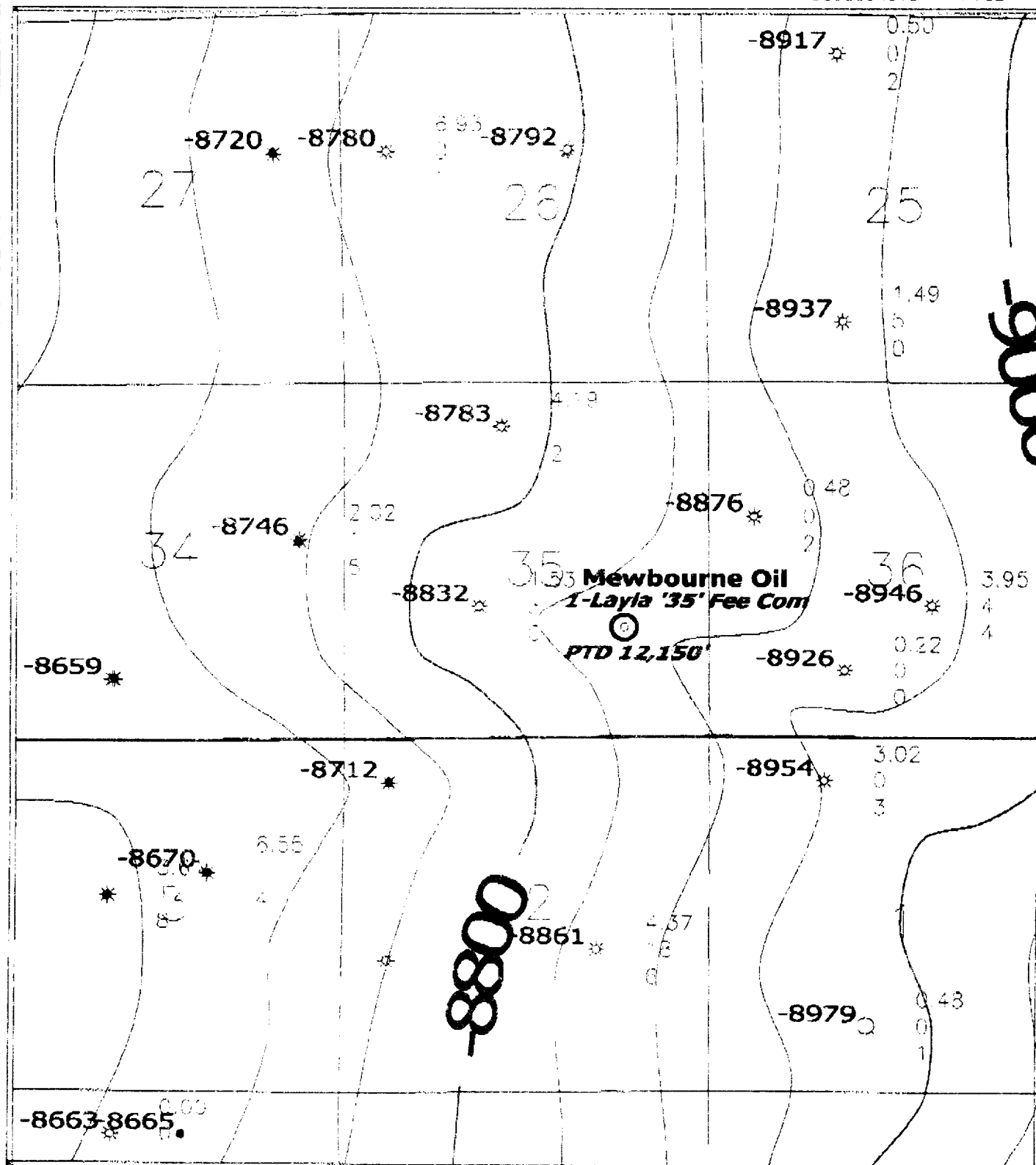
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Only Wells deeper than 10,000 shown

Mewbourne Oil Company		
Mewbourne Oil Co. #1 Layla '35' Fee Com		
Structure		
Top of Aloka Lime		
Scale	0-50'	12/4/2002
Scale	1:2400	

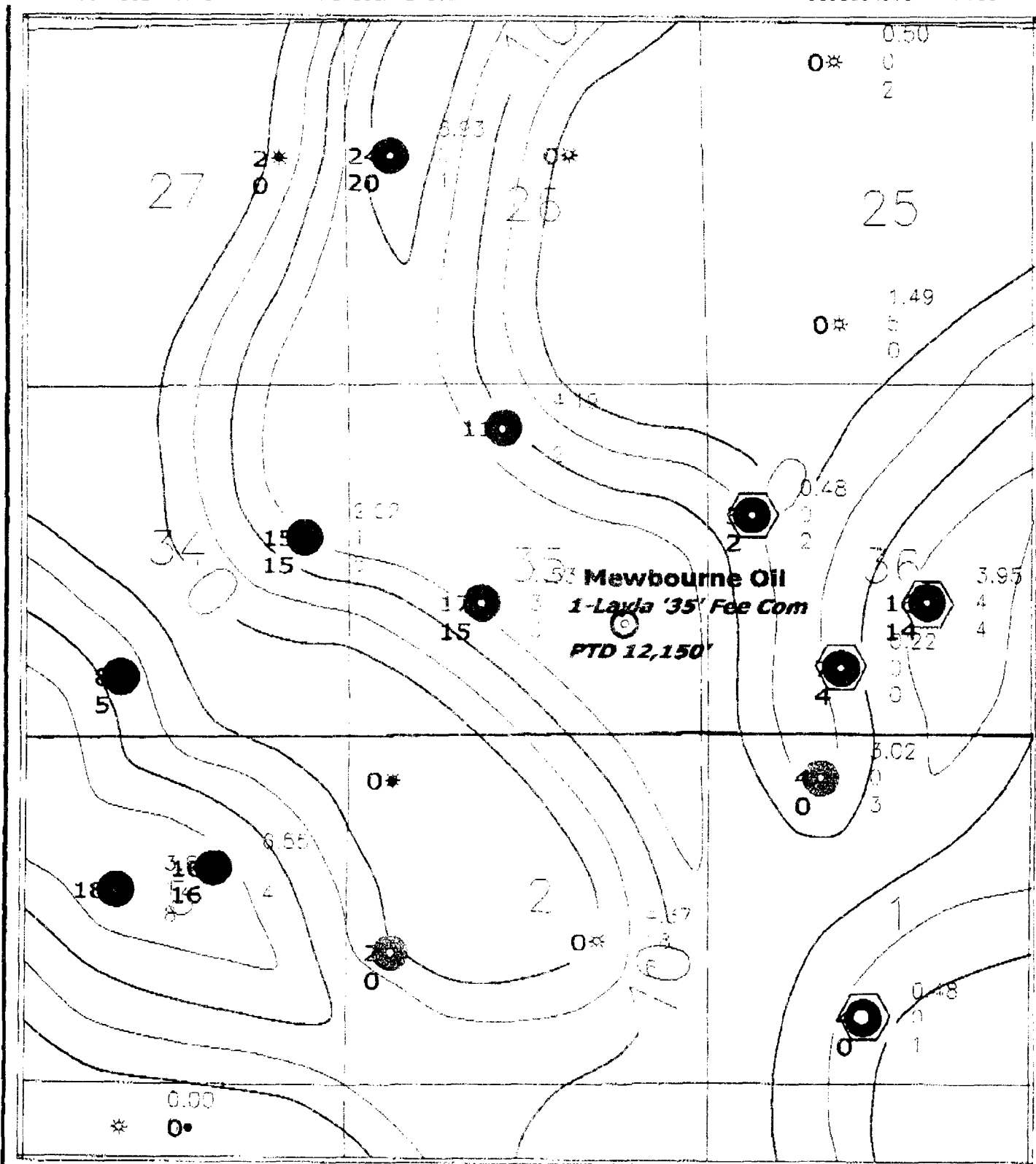
Scale 1:24000



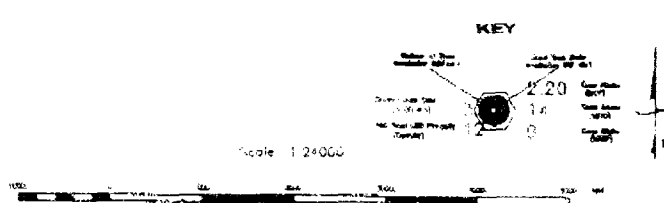
Blumberg No. 5203

EXHIBIT

C



- LEGEND**
- Zone Productive
 - Zone Calculated Productive
 - ⊙ Zone Tight
 - ⊗ Zone Wet
 - ⊕ Zone Commingled w/other Atoka
 - Zone Production Tested
 - △ Zone Drillstem Tested
 - Atoka Producing Well



Only Wells deeper than 10,000 shown

Mewbourne Oil Company		
Mewbourne Oil Co. #1 Layla '35' Fee Com		
Isopach		
Atoka Culebra Sand		
Wells	0-5	12/10/1988
Scale	1:24,000	

EXHIBIT
D

NEWBOURNE OIL COMPANY AUTHORIZATION FOR EXPENDITURE

Prospect: Clap.	Well Name & No.: Layla "35"	Com #1	
Field: Bait Draw Atoka	Location: N/2 SE/4		
Section: 35	Block: 	Township: 23S	Range: 28E
County: Eddy	State: NM	Proposed Depth: 12,150'	

DESCRIPTION		Cost To Casing Point AFE NO.	Completion Cost AFE NO.
INTANGIBLE COST 180			
300	Permits and Surveys	\$1,500	\$1,000
301	Location, Roads and Damages	\$20,000	\$2,000
302	Footage or Turnkey Drilling		
303	Day Work (40 days @ \$8000 + 2 days after TD)	\$320,000	\$16,000
304	Fuel, Water and Other	\$46,000	\$6,000
305	Completion / Workover Rig		\$20,000
306	Mud and Chemicals	\$40,000	\$1,000
307	Cementing	\$15,000	\$20,000
308	Logging and Wireline (includes RFT)	\$25,000	\$18,000
309	Casing-Tubing Services	\$8,000	\$8,500
310	Mud Logging 30 days	\$21,000	
311	Testing		\$1,000
312	Treating		\$75,000
313	Coring		
314	Fishing Services		
320	Transportation (includes Rig Mobilization)	\$25,000	\$1,000
321	Welding and Construction Labor	\$2,000	\$3,500
322	Contract Supervision	\$3,000	
330	Equipment Rental (H2G Sep. PVT Rot Head)	\$18,000	\$3,000
334	Well / Lease Legal / Tax	\$5,000	\$1,000
335	Well / Lease Insurance	\$17,500	
350	Intangible Supplies (1 17 1/2, 2 12 1/4 & 4-8 3/4" bits)	\$40,000	\$1,000
360	Pipeline ROW and Easements		\$1,500
367	Pipeline Interconnect		
376	Company Supervision	\$24,000	\$3,500
380	Overhead Fixed Rate	\$8,000	\$5,000
398	Well Abandonment	\$12,000	-\$12,000
399	Contingencies	\$64,700	\$8,800
Total Intangibles		\$711,700	\$183,800
TANGIBLE COST 181			
797	Conductor Casing 40' 20" (included in location cost)		
797	Surface Casing 507 13 3/8", 48# H-40, ST&C	\$8,300	
787	Intermediate Casing 4300 9 5/8" 40# J55/N80, LT&C	\$57,000	
797	Production Casing 12,150 5 1/2" 17# HCP115/N80 LTC		\$92,000
797	Production Casing		
786	Tubing 12,000 ± 7/8 6 5/8" L80 EUE		\$44,000
860	Drilling Head	\$5,000	
866	Tubing Head		\$7,500
870	Upper Section		\$12,000
875	Sucker Rods		
880	Packet, Pump & Other Subsurface		\$4,500
883	Gas Lift Valve & System		
884	Plunger Lift System		
856	Pumping Unit & Prime Mover + Electricity		
866	Pumps		
890	Tanks - Sless		\$8,000
891	Tanks - Other		\$4,000
894	Separation Equipment - Fired		\$12,000
895	Separation Equipment - Non-Fired		
896	Gas Treating Equipment		
896	Metering Equipment		\$2,500
900	Line Pipe - Gas Gathering and Transportation		\$9,000
901	Line Pipe - Production		\$1,500
906	Valves		
906	Miscellaneous Fittings & Accessories		\$10,000
910	Production Equipment Installation		\$15,000
922	Pipeline Construction		\$21,000
Total Tangibles		\$70,300	\$240,000
SUBTOTAL		\$782,000	\$423,800
TOTAL WELL COST		\$1,205,800	

Date prepared: August 1, 2002

Prepared by: F. Lathan

Company Approval: *M. L. White*

Date Approved: 08/01/02

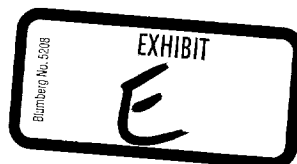
Joint Owner Approval:

Joint Owner Interest:

Joint Owner Amount:

Lease 35-1-003

TOTAL P. 11



PROPOSED ADVERTISEMENT

Case 12987 : Application of Mewbourne Oil Company for compulsory pooling and an unorthodox oil well location, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Atoka formation underlying the following described acreage in Section 35, Township 23 South, Range 28 East, NMPM, and in the following manner: The S $\frac{1}{2}$ of Section 35 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, including but not limited to the Undesignated South Culebra Bluff-Wolfcamp Gas Pool, Undesignated South Culebra Bluff-Strawn Gas Pool, and South Culebra Bluff-Atoka Gas Pool; the SE $\frac{1}{4}$ of Section 35 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within that vertical extent; the NE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 35 to form a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing within that vertical extent, including but not limited to the Undesignated South Culebra Bluff-Bone Spring Pool; and the NE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 35 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within that vertical extent, including but not limited to the Undesignated Malaga-Bone Spring Pool. The unit is to be dedicated to applicant's Layla "35" Fee Com. Well No. 1, to be drilled at an unorthodox oil well location/orthodox gas well location 1650 feet from the south line and 1241 feet from the east line (Unit I) of Section 35. Also to be considered will be the cost of drilling and completing the 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 the risk involved in drilling and completing the well. The unit is located approximately 2 $\frac{1}{2}$ miles northeast of Malaga, New Mexico. **IN THE ABSENCE OF OBJECTION THIS MATTER WILL BE TAKEN UNDER ADVISEMENT.**