

REPORT NO.
139395

PAGE NO. 1

TEST DATE:
23-AUG-94

OIL CONSERVATION DIVISION

S T A R

RECEIVED

Schlumberger Testing Data Report

194 OCT 3 PM 2 52

Pressure Data Report

Schlumberger

COMPANY: FORCENERGY

WELL: SHOE BAR 14 STATE COM #2

TEST IDENTIFICATION

Test Type OH DST
Test No. ONE
Formation SAN ANDRES
Test Interval (ft) 5040 to 5127
Depth Reference GL

WELL LOCATION

Field WILDCAT
County LEA
State NEW MEXICO
Sec/Twn/Rng 14-17S-35E
Elevation (ft) 3927

HOLE CONDITIONS

Total Depth (MD/TVD) (ft) 5127/5127
Hole Size (in) 8.50
Casing/Liner I.D. (in) 9.625 @ 4937
Perf'd Interval/Net Pay (ft) .. / 23
Shot Density/Diameter (in) ...

MUD PROPERTIES

Mud Type FRESH WATER
Mud Weight (lb/gal) 8.5
Mud Resistivity (ohm.m) 3.5 @ 75F
Filtrate Resistivity (ohm.m)..
Filtrate Chlorides (ppm) 1500

INITIAL TEST CONDITIONS

Initial Hydrostatic (psi) 2176.94
Gas Cushion Type
Surface Pressure (psi)
Liquid Cushion Type
Cushion Length (ft)

TEST STRING CONFIGURATION

Pipe Length (ft)/I.D. (in) ... 4068 / 3.64
Collar Length (ft)/I.D. (in) .. 934 / 2.25
Packer Depths (ft) 5034, 5040,
Bottomhole Choke Size (in) ... 1.00
Gauge Depth (ft)/Type 5057/SB-20297

NET PIPE RECOVERY

Volume	Fluid Type	Properties
.5 bbl	GAS CUT OIL	API 33.3@60F
1.8 bbl	WATER	Rw4.0@75F 1300ppm

NET SAMPLE CHAMBER RECOVERY

Volume	Fluid Type	Properties
0 cuft	Gas	
250 cc	Oil	API 29.0@60F
1900 cc	Water	Rw3.7@75F 1400ppm
Pressure:0		GOR:0 GLR:0

INTERPRETATION RESULTS

Model of Behavior
Fluid Type Used for Analysis..
Reservoir Pressure (psi)
Transmissibility (md.ft/cp) ..
Effective Permeability (md) ..
Skin Factor/Damage Ratio
Storativity Ratio, Omega
Interporos.Flow Coef..Lambda..
Distance to an Anomaly (ft) ..
Radius of Investigation (ft)..
Potentiometric Surface (ft) ..

ROCK/FLUID/WELLBORE PROPERTIES

Oil Density (deg. API)
Basic Solids (%)
Gas Gravity
GOR (scf/STB)
Water Cut (%)
Viscosity (cp)
Total Compressibility (1/psi).
Porosity (%) 10
Reservoir Temperature (F) 110
Form.Vol.Factor (bbl/STB)

PRODUCTION RATE DURING TEST: Data Report

COMMENTS:

DST #1 was mechanically successful. The formation produced 465' of fluid. Thank you for using SCHLUMBERGER.

RECEIVED

SEP 26 1994

OFFICE

WELL TEST INTERPRETATION REPORT #:139395		PAGE: 2,
CLIENT : FORCENERGY		24-AUG-94
REGION :CSD	SEQUENCE OF EVENTS	FIELD:WILDCAT
DISTRICT:HOBBS		ZONE :SAN ANDRES
BASE :MIDLAND		WELL :SHOE BAR #2
ENGINEER:KIRK BEASLEY		LOCATION:14-17S-35E

DATE	TIME (HR:MIN)	DESCRIPTION	ET (MINS)	BHP (PSIA)	WHP (PSIG)
23-AUG	20:22	SET PACKER	-2		
		OPEN TO BUBBLE HOSE ONLY			
	20:24	START FLOW	0	51	
	20:25		1		3"
	20:27	BOTTOM OF BUCKET	3		
	20:29	END FLOW	5	63	
	20:33	Cycled Tool	9		
	20:34	START FLOW	10	79	1*
	20:37		13		1.5*
	20:38	END FLOW & START SHUTIN	14	81	2*
	20:43	OPEN ON 1/4" CHOKE	19		
	21:38	END SHUTIN	74	1852	0
		OPEN TO BUBBLE HOSE ONLY			
	21:40	START FLOW	76	106	
	21:41		77		4.5"
	21:43	BOTTOM OF BUCKET	79		
	21:45	OPEN ON 1/4" CHOKE	81		1.5*
	21:50	BLOW DECREASING	86		1*
	21:55		91		.5*
	22:00		96		4 OZ
	22:15		111		2"
	22:25		121		1"
	22:40	END FLOW & START SHUTIN	136	218	1"
24-AUG	00:40	END SHUTIN	256	1771	
	00:41	PULLED LOOSE	257		

RECEIVED

SEP 26 1994

OFFICE

LOG LOG PLOT

COMPANY : FORCENERGY

WELL : SHOE BAR 14 STATE COM #2

FIELD REPORT NO. 139395

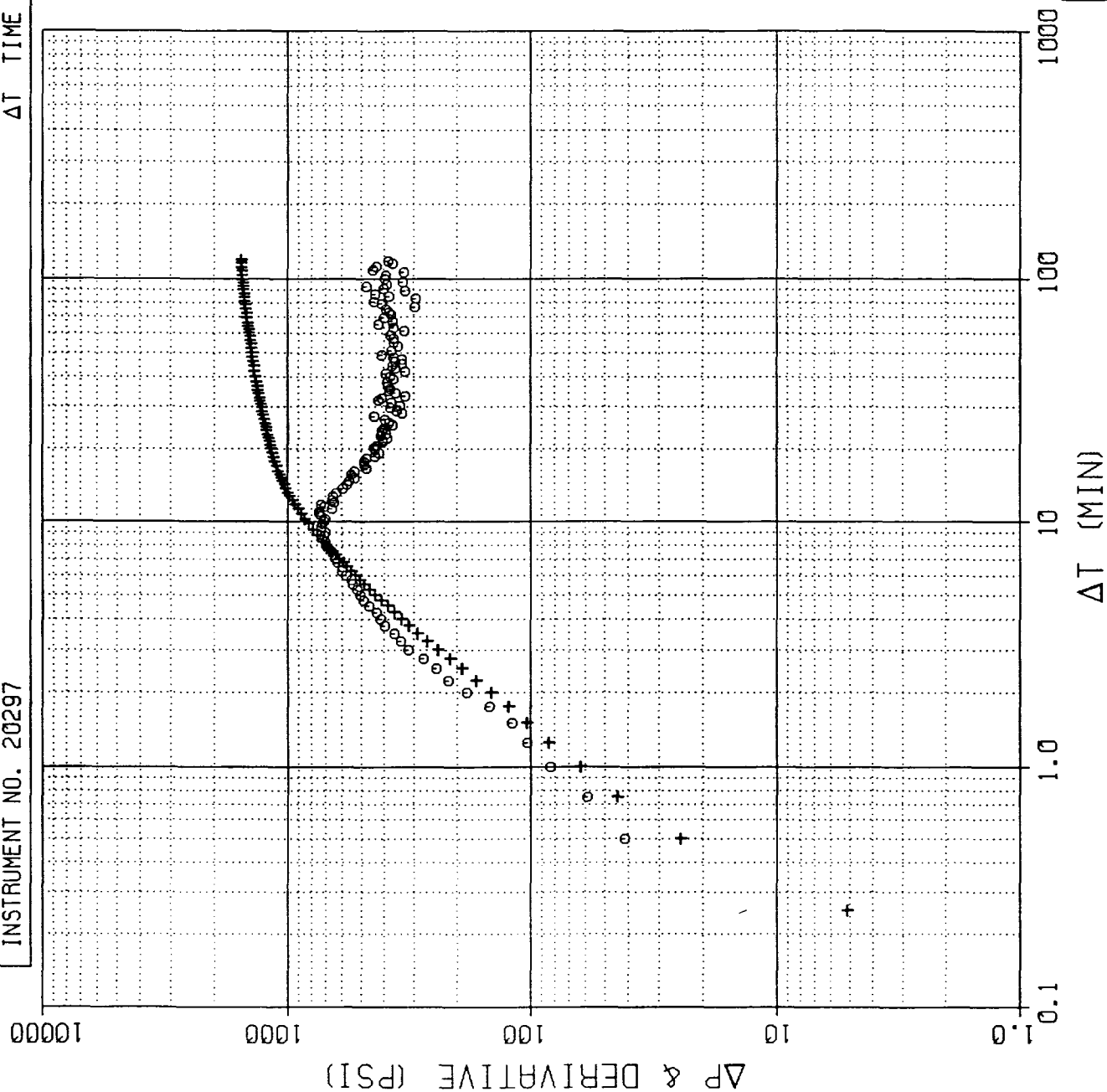
INSTRUMENT NO. 20297

SHUTIN #2 : PRODUCING TIME (Tp): 68.0 MIN

FINAL FLOW PRESSURE (Pwf): 218 PSIA

PLOT ELAPSED TIME RANGE: 160.2 TO 279.7 MIN

ΔT TIME RANGE: 0.2 TO 119.7 MIN

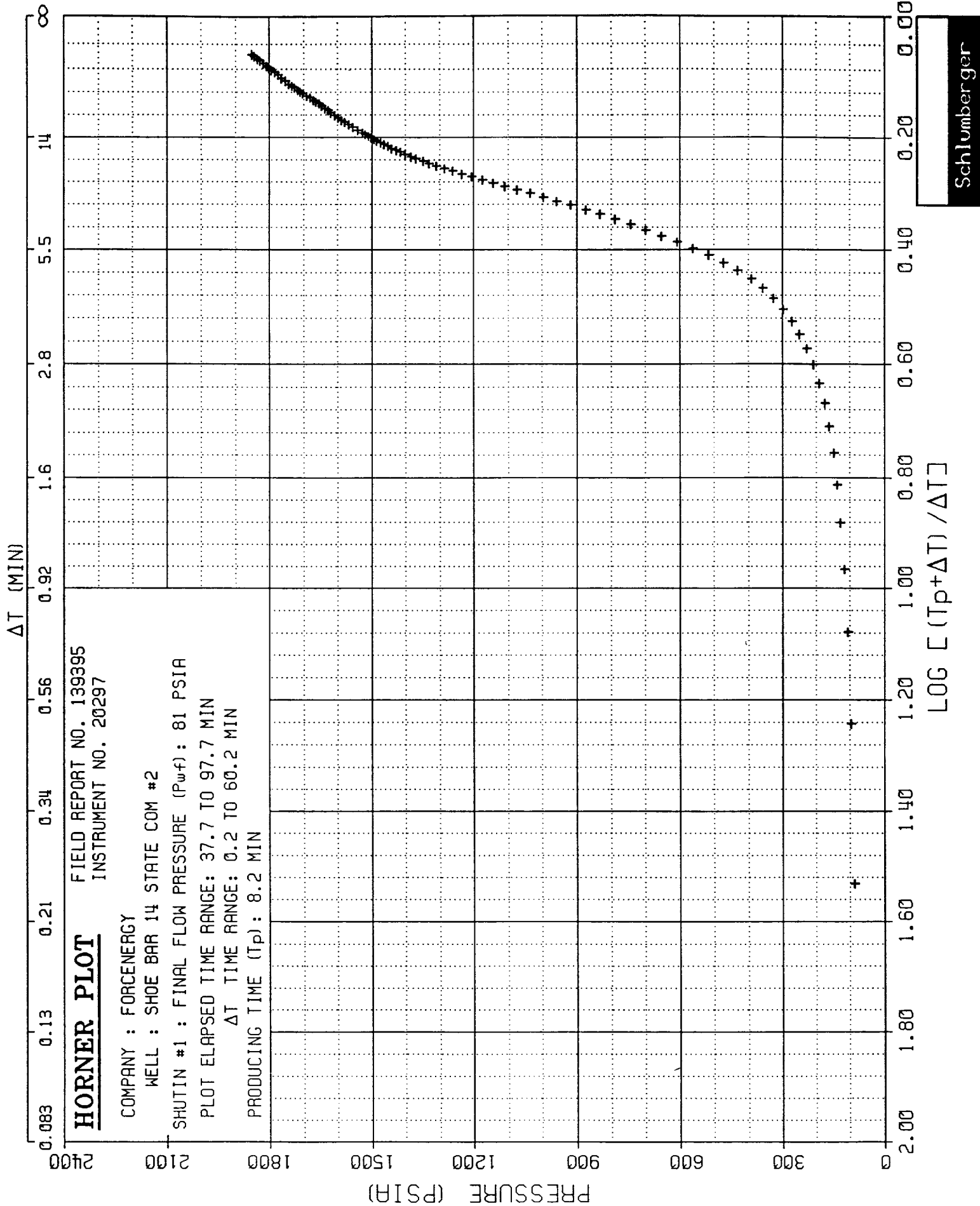


Schlumberger

RECEIVED

SEP 26 1994

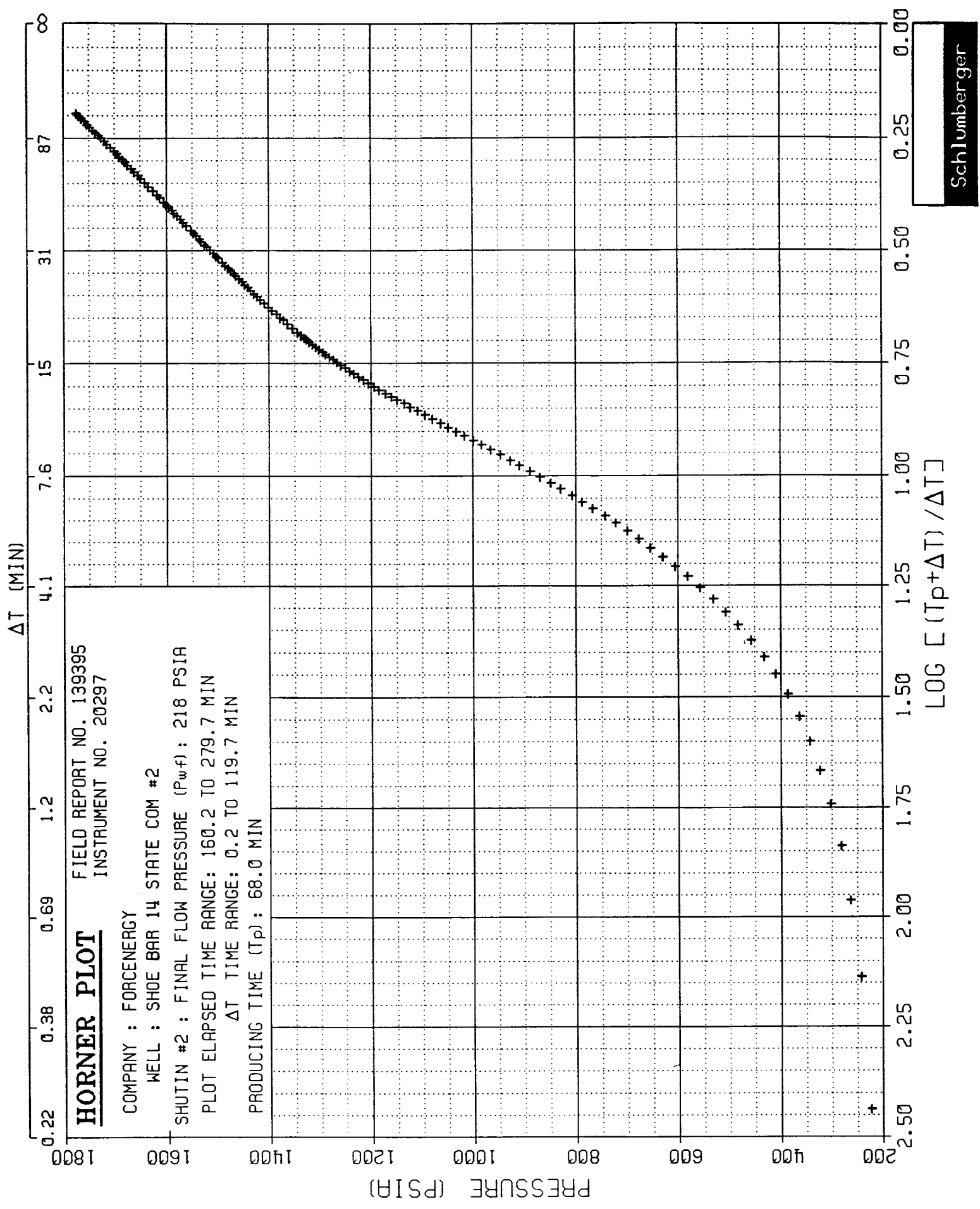
**JOHN HODGE
OFFICE**



RECEIVED

SEP 26 1994

OFFICE



RECEIVED

SEP 26 1994

**THE HONORABLE
OFFICE**

BOTTOMHOLE PRESSURE LOG

FIELD REPORT NO. 139395

COMPANY : FORCENERGY

INSTRUMENT NO. 20297

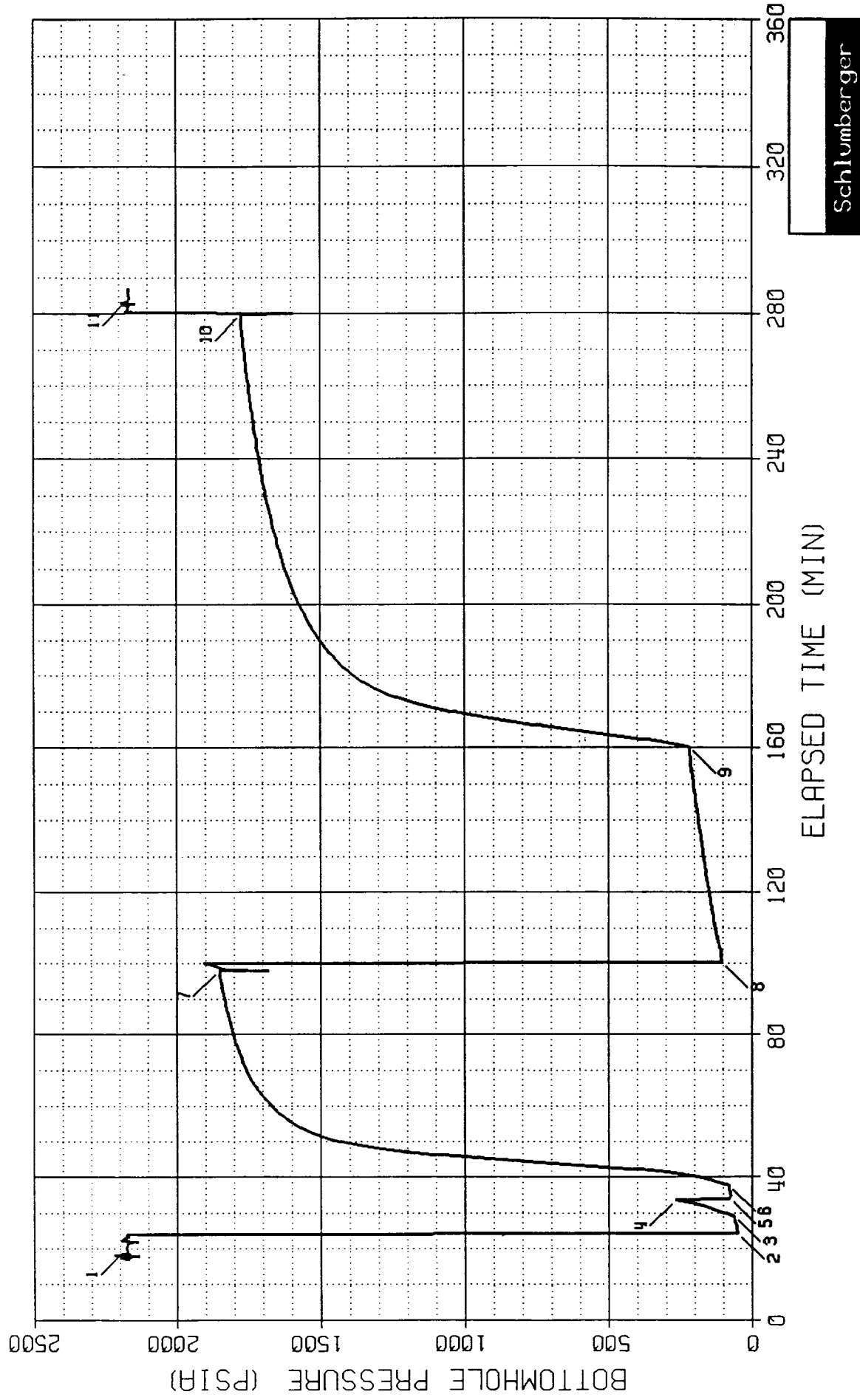
WELL : SHOE BAR 14 STATE COM #2

DEPTH : 5057 FT

CAPACITY : 11014 PSI

PORT OPENING : INSIDE

Electronic Pressure Data



RECEIVED

SEP 26 1994

OFFICE

BOTTOMHOLE TEMPERATURE LOG

FIELD REPORT NO. 139395

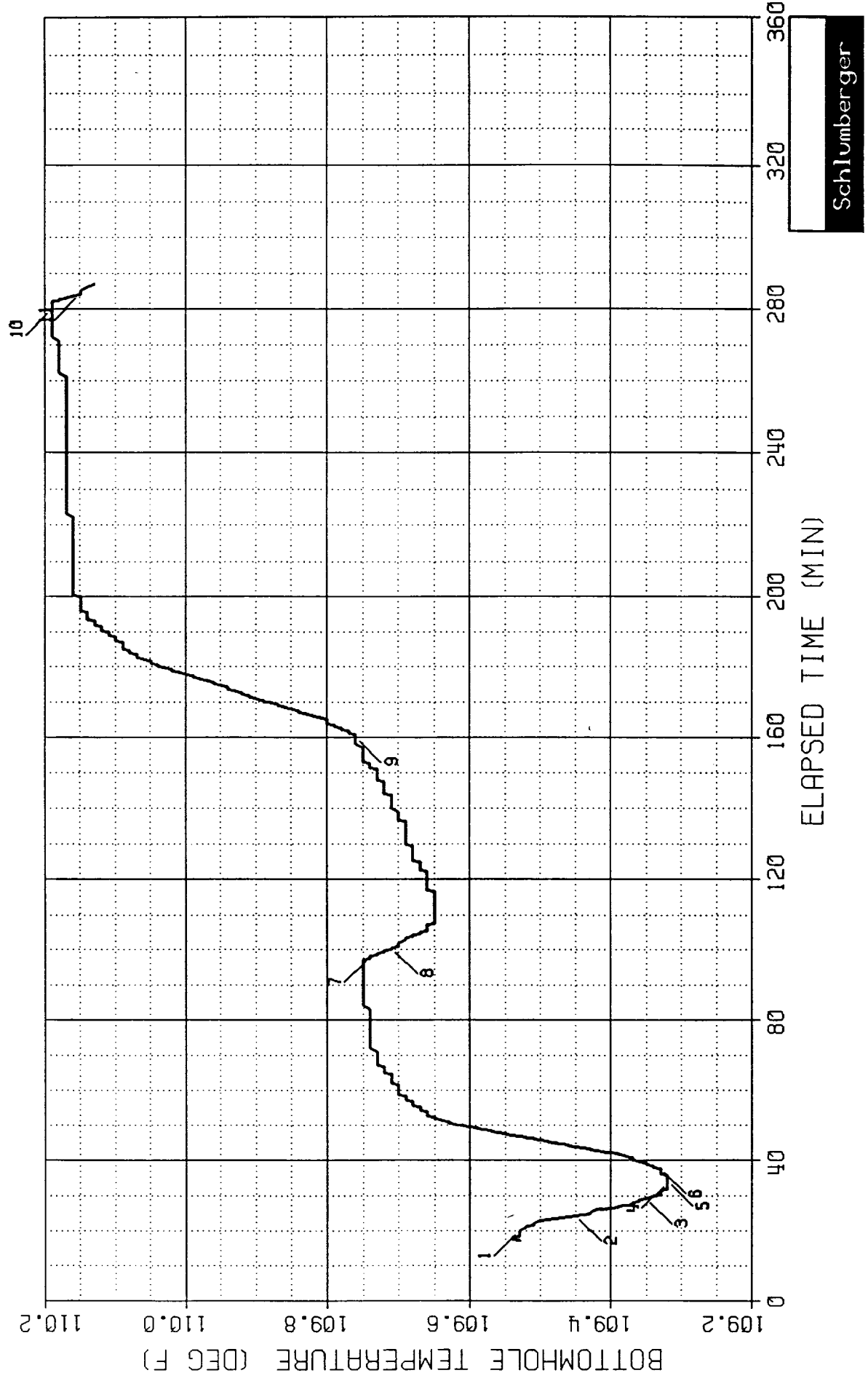
COMPANY : FORCENERGY

INSTRUMENT NO. 20297

WELL : SHOE BAR 14 STATE COM #2

DEPTH : 5057 FT

Electronic Temperature Data



RECEIVED

SEP 26 1994

U.S. DEPT. OF JUSTICE
OFFICE OF THE ATTORNEY GENERAL

 ** WELL TEST DATA PRINTOUT **

COMPANY: FORCENERGY
 WELL: SHOE BAR 14 STATE COM #2

FIELD REPORT NO. 139395
 INSTRUMENT NO. 20297

RECORDER CAPACITY: 11014 PSI PORT OPENING: INSIDE DEPTH: 5057 FT

LABEL POINT INFORMATION

	TIME OF DAY	DATE		ELAPSED TIME, MIN	BOT HOLE PRESSURE PSIA	BOT HOLE TEMP. DEG F
#	HH:MM:SS	DD-MMM	EXPLANATION			
1	20:20:00	23-AUG	HYDROSTATIC MUD	20.00	2176.94	109.53
2	20:24:15	23-AUG	START FLOW	24.25	50.91	109.45
3	20:29:00	23-AUG	END FLOW	29.00	62.74	109.35
4	20:33:30	23-AUG	CYCLED TOOL	33.50	265.62	109.32
5	20:34:00	23-AUG	START FLOW	34.00	78.80	109.32
6	20:37:30	23-AUG	END FLOW & START SHUT-IN	37.50	81.27	109.33
7	21:37:45	23-AUG	END SHUT-IN	97.75	1852.48	109.74
8	21:40:15	23-AUG	START FLOW	100.25	105.81	109.71
9	22:40:00	23-AUG	END FLOW & START SHUT-IN	160.00	218.07	109.76
10	0:39:45	24-AUG	END SHUT-IN	279.75	1770.65	110.19
11	0:44:00	24-AUG	HYDROSTATIC MUD	284.00	2163.83	110.15

SUMMARY OF FLOW PERIODS

PERIOD	START ELAPSED TIME, MIN	END ELAPSED TIME, MIN	DURATION MIN	START PRESSURE PSIA	END PRESSURE PSIA	INITIAL PRESSURE PSIA
1	24.25	29.00	4.75	50.91	62.74	50.91
2	34.00	37.50	3.50	78.80	81.27	78.80
3	100.25	160.00	59.75	105.81	218.07	105.81

SUMMARY OF SHUTIN PERIODS

PERIOD	START ELAPSED TIME, MIN	END ELAPSED TIME, MIN	DURATION MIN	START PRESSURE PSIA	END PRESSURE PSIA	FINAL FLOW PRESSURE PSIA	PRODUCING TIME, MIN
1	37.50	97.75	60.25	81.27	1852.48	81.27	8.25
2	160.00	279.75	119.75	218.07	1770.65	218.07	68.00

RECEIVED

SEP 26 1994

**FOR RECORDS
OFFICE**

TEST PHASE: FLOW PERIOD # 1

TIME OF DAY	DATE	ELAPSED TIME, MIN	DELTA TIME, MIN	BOT HOLE TEMP. DEG F	BOT HOLE PRESSURE PSIA
HH:MM:SS	DD-MMM				
20:24:15	23-AUG	24.25	0.00	109.45	50.91
20:29:00	23-AUG	29.00	4.75	109.35	62.74

TEST PHASE: FLOW PERIOD # 2

TIME OF DAY	DATE	ELAPSED TIME, MIN	DELTA TIME, MIN	BOT HOLE TEMP. DEG F	BOT HOLE PRESSURE PSIA
HH:MM:SS	DD-MMM				
20:34:00	23-AUG	34.00	0.00	109.32	78.80
20:37:30	23-AUG	37.50	3.50	109.33	81.27

TEST PHASE: SHUTIN PERIOD # 1

FINAL FLOW PRESSURE = 81.27 PSIA
PRODUCING TIME = 8.25 MIN

TIME OF DAY	DATE	ELAPSED TIME, MIN	DELTA TIME, MIN	BOT HOLE TEMP. DEG F	BOT HOLE PRESSURE PSIA	DELTA P PSI	LOG HORNER TIME
HH:MM:SS	DD-MMM						
20:37:30	23-AUG	37.50	0.00	109.33	81.27	0.00	
20:38:30	23-AUG	38.50	1.00	109.34	115.76	34.49	0.9661
20:39:30	23-AUG	39.50	2.00	109.36	160.40	79.13	0.7097
20:40:30	23-AUG	40.50	3.00	109.37	226.52	145.25	0.5740
20:41:30	23-AUG	41.50	4.00	109.39	324.33	243.06	0.4861
20:42:30	23-AUG	42.50	5.00	109.41	471.88	390.61	0.4232
20:43:30	23-AUG	43.50	6.00	109.44	652.79	571.52	0.3757
20:44:30	23-AUG	44.50	7.00	109.47	831.03	749.76	0.3382
20:45:30	23-AUG	45.50	8.00	109.50	995.15	913.88	0.3078
20:46:30	23-AUG	46.50	9.00	109.52	1141.86	1060.59	0.2825
20:47:30	23-AUG	47.50	10.00	109.55	1260.76	1179.49	0.2613
20:49:30	23-AUG	49.50	12.00	109.61	1414.36	1333.09	0.2272
20:51:30	23-AUG	51.50	14.00	109.64	1501.65	1420.38	0.2012
20:53:30	23-AUG	53.50	16.00	109.66	1559.70	1478.43	0.1806
20:55:30	23-AUG	55.50	18.00	109.68	1602.40	1521.13	0.1639
20:57:30	23-AUG	57.50	20.00	109.69	1635.35	1554.08	0.1500
20:59:30	23-AUG	59.50	22.00	109.70	1662.55	1581.28	0.1383
21:01:30	23-AUG	61.50	24.00	109.70	1685.26	1603.99	0.1283
21:03:30	23-AUG	63.50	26.00	109.71	1708.22	1626.95	0.1197
21:05:30	23-AUG	65.50	28.00	109.72	1727.66	1646.39	0.1121
21:07:30	23-AUG	67.50	30.00	109.73	1742.48	1661.21	0.1055
21:13:00	23-AUG	73.00	35.50	109.74	1773.96	1692.69	0.0907
21:18:00	23-AUG	78.00	40.50	109.74	1796.74	1715.47	0.0805
21:23:00	23-AUG	83.00	45.50	109.74	1814.68	1733.41	0.0724
21:28:00	23-AUG	88.00	50.50	109.75	1828.86	1747.59	0.0657
21:33:00	23-AUG	93.00	55.50	109.75	1841.74	1760.47	0.0602
21:37:45	23-AUG	97.75	60.25	109.74	1852.48	1771.21	0.0557

TEST PHASE: FLOW PERIOD # 3

TIME OF DAY	DATE	ELAPSED TIME, MIN	DELTA TIME, MIN	BOT HOLE TEMP. DEG F	BOT HOLE PRESSURE PSIA
HH:MM:SS	DD-MMM				
21:40:15	23-AUG	100.25	0.00	109.71	105.81
21:55:15	23-AUG	115.25	15.00	109.65	138.95
22:11:00	23-AUG	131.00	30.75	109.69	170.27

RECEIVED

SEP 26 1994

OFFICE

TEST PHASE: FLOW PERIOD # 3

TIME OF DAY	DATE	ELAPSED TIME, MIN	DELTA TIME, MIN	BOT HOLE TEMP. DEG F	BOT HOLE PRESSURE PSIA
22:26:00	23-AUG	146.00	45.75	109.72	196.79
22:40:00	23-AUG	160.00	59.75	109.76	218.07

TEST PHASE: SHUTIN PERIOD # 2

FINAL FLOW PRESSURE = 218.07 PSIA
PRODUCING TIME = 68.00 MIN

TIME OF DAY	DATE	ELAPSED TIME, MIN	DELTA TIME, MIN	BOT HOLE TEMP. DEG F	BOT HOLE PRESSURE PSIA	DELTA P PSI	LOG HORNER TIME
22:40:00	23-AUG	160.00	0.00	109.76	218.07	0.00	
22:41:00	23-AUG	161.00	1.00	109.77	280.71	62.64	1.8388
22:42:00	23-AUG	162.00	2.00	109.78	361.98	143.91	1.5441
22:43:00	23-AUG	163.00	3.00	109.79	456.41	238.34	1.3741
22:44:00	23-AUG	164.00	4.00	109.80	556.80	338.73	1.2553
22:45:00	23-AUG	165.00	5.00	109.80	652.58	434.51	1.1644
22:46:00	23-AUG	166.00	6.00	109.82	742.13	524.06	1.0911
22:47:00	23-AUG	167.00	7.00	109.84	828.07	610.00	1.0300
22:48:00	23-AUG	168.00	8.00	109.85	908.20	690.13	0.9777
22:49:00	23-AUG	169.00	9.00	109.87	981.67	763.60	0.9322
22:50:00	23-AUG	170.00	10.00	109.89	1048.60	830.53	0.8921
22:52:00	23-AUG	172.00	12.00	109.92	1159.44	941.37	0.8239
22:54:00	23-AUG	174.00	14.00	109.94	1240.92	1022.85	0.7677
22:56:00	23-AUG	176.00	16.00	109.97	1301.43	1083.36	0.7202
22:58:00	23-AUG	178.00	18.00	110.01	1347.62	1129.55	0.6792
23:00:00	23-AUG	180.00	20.00	110.04	1384.49	1166.42	0.6435
23:02:00	23-AUG	182.00	22.00	110.06	1415.61	1197.54	0.6118
23:04:00	23-AUG	184.00	24.00	110.08	1440.95	1222.88	0.5836
23:06:00	23-AUG	186.00	26.00	110.09	1463.74	1245.67	0.5582
23:08:00	23-AUG	188.00	28.00	110.10	1485.20	1267.13	0.5351
23:10:00	23-AUG	190.00	30.00	110.11	1503.06	1284.99	0.5141
23:15:00	23-AUG	195.00	35.00	110.14	1541.30	1323.23	0.4688
23:20:00	23-AUG	200.00	40.00	110.15	1572.21	1354.14	0.4314
23:25:00	23-AUG	205.00	45.00	110.16	1598.82	1380.75	0.3999
23:30:00	23-AUG	210.00	50.00	110.16	1621.75	1403.68	0.3729
23:35:00	23-AUG	215.00	55.00	110.16	1640.48	1422.41	0.3495
23:40:00	23-AUG	220.00	60.00	110.16	1659.06	1440.99	0.3291
23:45:00	23-AUG	225.00	65.00	110.17	1673.99	1455.92	0.3109
23:50:00	23-AUG	230.00	70.00	110.17	1688.47	1470.40	0.2948
23:55:00	23-AUG	235.00	75.00	110.17	1701.16	1483.09	0.2803
0:00:00	24-AUG	240.00	80.00	110.17	1710.73	1492.66	0.2672
0:05:00	24-AUG	245.00	85.00	110.17	1721.35	1503.28	0.2553
0:10:00	24-AUG	250.00	90.00	110.17	1730.96	1512.89	0.2444
0:15:00	24-AUG	255.00	95.00	110.17	1741.47	1523.40	0.2345
0:20:00	24-AUG	260.00	100.00	110.17	1748.22	1530.15	0.2253
0:25:00	24-AUG	265.00	105.00	110.18	1755.99	1537.92	0.2169
0:30:00	24-AUG	270.00	110.00	110.18	1762.52	1544.45	0.2090
0:35:00	24-AUG	275.00	115.00	110.19	1770.28	1552.21	0.2018
0:39:45	24-AUG	279.75	119.75	110.19	1770.65	1552.58	0.1953

RECEIVED

SEP 26 1994

**JUL HODDS
OFFICE**

WELL TEST INTERPRET: ON REPORT #:139395		PAGE: 12, 24-AUG-94
CLIENT : FORCENERGY	DISTRIBUTION OF REPORTS	FIELD:WILDCAT
REGION :CSD DISTRICT:HOBBS BASE :MIDLAND ENGINEER:KIRK BEASLEY		ZONE :SAN ANDRES WELL :SHOE BAR #2 LOCATION:14-17S-35E

SCHLUMBERGER has sent copies of this report to the following:

=====

FORCENERGY
2730 SW 3rd AVENUE
SUITE 800
MIAMI, FL 33129
(3 copies)

MADDOX OIL PROPERTIES
214 W. TEXAS
SUITE 716
MIDLAND, TX 79701
(1 copy)

J. M. HUBER & CO.
1900 WEST LOOP SOUTH
SUITE 1600
HOUSTON, TX 77027
Attn: MS BARBARA OLDEN
(3 copies)

Any interpretations or recommendations are opinions and necessarily based on inferences and empirical factors and assumptions, which are not infallible. Accordingly, Schlumberger (Flopetrol Johnston) cannot and does not warrant the accuracy of correctness of any interpretation or measurement. Under no circumstances should any interpretation or measurement be relied upon as the sole basis for any drilling, completion, well treatment or production decision or any procedure involving risk to the safety of any drilling venture, drilling rig or its crew or any other individual. The Customer has full responsibility for all drilling, completion, well treatment, and production procedure, and all other activities relating to the drilling or production operation.

FORM# 11.00-102590

SCHLUMBERGER

RECEIVED

SEP 26 1994

OFFICE

Forcenergy

Gas Exploration Inc. OIL CONSERVATION DIVISION
RECEIVED



July 21, 1994

'94 JUL 28 AM 8 1

Phillips Petroleum Company
4001 Pembroke
Odessa, TX 79762

Attention: Paul Hall

Re: AFE No. 94-W2134-04-E
Shoe Bar 14 State Com No. 2
1,600 Ft. FNL and 1,800 Ft. FEL
Section 14, T14S - R35E
Lea County, New Mexico

Gentlemen:

Enclosed for your review are two (2) copies of Forcenergy's AFE No. 94-W2134-04-E requesting your approval to drill and complete a 13,000 ft. test well of the Atoka and Morrow formations at South Shoe Bar Field.

Also enclosed is a copy of the Force Pooling Order issued by the New Mexico Oil Conservation Division which dedicates your acreage in Section 14 to the adopted spacing unit.

If you are in agreement with Forcenergy's proposal to drill the Shoe Bar 14 State Com No. 2 well, please sign and return one (1) copy of the enclosed AFE. Your prompt response by facsimile is requested. Forcenergy intends to commence drilling operations on or before August 1, 1994.

Sincerely,

FORCENERGY GAS EXPLORATION, INC.

Christopher N. Wolfarth
Exploitation Engineer

CNW/yf

enclosures: AFE No. 94-W2134-04-E
OCD Force Pooling Order

HEADQUARTERS

Forcenergy Center
2730 SW 3rd Avenue
Suite 800
Miami, Florida 33129-2237

TELEPHONE
305/856-8500
FAX
305/856-4300

REGIONAL OFFICE

Lakeway Three
3838 North Causeway Boulevard
Suite 2860
Metairie, Louisiana 70002

TELEPHONE
504/838-7022
FAX
504/838-7017

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. 10992
ORDER NO. R-10153

APPLICATION OF FORCENERGY GAS EXPLORATION, INC. FOR
COMPULSORY POOLING, AND AN UNORTHODOX GAS WELL LOCATION, LEA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION

This cause came on for hearing at 8:15 a.m. on June 9, 1994, and July 7, 1994, at Santa Fe, New Mexico, before Examiners Jim Morrow and David R. Catanach, respectively.

NOW, on this 19th day of July, 1994, the Division Director, having considered the testimony, the record and the recommendations of the Examiners, 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, Forcenergy Gas Exploration, Inc., seeks an order pooling all mineral interests from the surface to the base of the Morrow formation, underlying the E/2 of Section 14, Township 17 South, Range 35 East, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated South Shoe Bar-Atoka Gas Pool and the Undesignated South Shoe Bar-Morrow Gas Pool.

(3) The applicant proposes to dedicate this pooled unit to its Shoe Bar 14 State Com Well No.2 to be drilled at an unorthodox gas well location 1600 feet from the South line and 1800 feet from the East line (Unit J) of said Section 14. 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 the operator of the well and a charge for risk involved in drilling and completing said well.

Case No. 10992
Order No. R-10153
Page 2

(4) The applicant is an interest owner in the E/2 of said Section 14 and has the right to develop the minerals underlying the aforementioned spacing unit.

(5) The proposed location is unorthodox for both the South Shoe Bar-Morrow and Atoka Gas Pools. Division General Rule 104 C(2)(b) is applicable in both pools and provides for 320-acre spacing with wells not closer than 660 feet to side boundaries nor closer than 1980 feet to end boundaries nor closer than 330 feet to quarter-quarter section lines.

(6) The applicant's engineering witness testified that the unorthodox location was selected primarily as an Atoka completion attempt using seismic, geologic, and offset well performance data. An Atoka isopach map was submitted showing that the well should encounter maximum formation thickness at the proposed location.

(7) The applicant's land witness testified that the working interest owners of 240 acres have agreed to pool their interest. Texaco owns 40 acres. They have indicated they will not commit their interest but will not object to compulsory pooling. Phillips Petroleum owns the remaining 40 acres; they are discussing voluntary participation.

(8) An AFE was submitted showing total drilling and completion cost of \$1,338,725.

(9) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent 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 320-acre unit.

(10) The applicant should be designated the operator of the subject well to be drilled at the aforementioned unorthodox gas well location.

(11) 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.

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

Case No. 10992
Order No. R-10153
Page 3

(13) 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.

(14) 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.

(15) At the time of the hearing, the applicant proposed that the reasonable monthly fixed charges for supervision while drilling and producing said well should be initially set at \$6050 and \$605, respectively, and that any such overhead charges included in this order contain provisions for an annual adjustment based on accepted industry practices.

(16) \$6050 per month while drilling and \$605 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); this charge should be adjusted annually based upon the percentage increase or decrease in average weekly earnings of crude petroleum and gas production workers; the operator should be authorized to withhold from production the proportionate share of 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.

(18) 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, 1994, the order pooling said unit should become null and void and of no further effect whatsoever.

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

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

Case No. 10992
Order No. R-10153
Page 4

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 E/2 of section 14, Township 17 South, Range 35 East, NMPM, 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 developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated South Shoe Bar-Atoka Gas Pool and the Undesignated South Shoe Bar Morrow Gas Pool.

(2) Said unit is to be dedicated to the applicant's Shoe Bar 14 State Com Well No.2 to be drilled at an unorthodox gas well location 1600 feet from the South line and 1800 feet from the East line (Unit J) of said Section 14. Said unorthodox gas well location is hereby approved.

PROVIDED HOWEVER, the operator of said unit shall commence the drilling of said well on or before the 1st day of October, 1994, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the above described area.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 1st day of October, 1994, Decretory Paragraph Nos. (1) and (2) 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 Decretory Paragraph Nos. (1) and (2) of this order should not be rescinded.

(3) Forcenergy Gas Exploration Inc. 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.

Case No. 10992
Order No. R-10153
Page 5

(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 an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(7) 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.

(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; and
- (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) \$6050 per month while drilling and \$605 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); provided that this rate shall be adjusted on the first day of April of each year following the effective date of this order; that 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 preceding calendar year as shown by The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; 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.

(11) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and 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 interest.

(13) All proceeds from production from the subject well which are not disbursed for any reason shall 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.

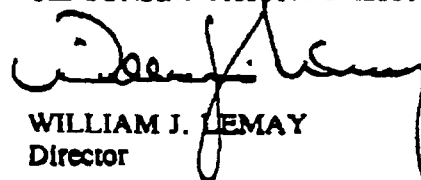
(14) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(15) The operator of the subject well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-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.

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

FORCENERGY GAS EXPLORATION, INC.

AFE - EXPLORATORY

AFE NO. 94-W2134-04-E	<input checked="" type="checkbox"/> ORIGINAL <input type="checkbox"/> REVISION	<input checked="" type="checkbox"/> BUDGETED <input type="checkbox"/> NOT BUDGETED	PROPOSED WELL DEPTH 13,000 FT.
--------------------------	-----------------------------------------------------------------------------------	---------------------------------------------------------------------------------------	--------------------------------------

WELL NAME AND LOCATION 1,600 Ft. FSL and 1,800 Ft. FEL of Section 14 T17S - R35E in Lea County, New Mexico	FIELD Shoe Bar (Atoka)
---------------------------------------------------------------------------------------------------------------	---------------------------

DESCRIPTION OF WORK
Drill and Complete a 13,000 Ft. Test Well of the Atoka and Morrow Formations via Turnkey Bid.

ACCT#	ITEM DESCRIPTION	DRILLING COSTS	COMPLETION COSTS	TOTAL COSTS
1.820.18	BITS AND CORE BARRELS	Turnkey	\$1,500	\$1,500
1.820.11	BOAT AND DIVER COSTS			
1.820.12	CASING TOOLS, CREWS AND TONGS	Turnkey		
1.820.15	CEMENT AND SERVICES	Turnkey		
1.820.14	CHEMICALS AND INJECTANTS	Turnkey		
1.820.90	COMMUNICATION (Telephone, FAX)	\$2,500	\$500	\$3,000
I 1.820.65	COMPANY LABOR AND EXPENSE			
1.820.63	COMPLETION RIG 10 DAYS @ \$ 1,500/DAY		\$15,000	\$15,000
N 1.820.20	CONTRACT DRILLING 4 DAYS @ \$ 6,000/DAY	\$24,000		\$24,000
1.820.25	CONTRACT DRILLING (TURNKEY BID)	\$655,500		\$655,500
T 1.820.16	CONSULTING FEES	\$2,500		\$2,500
1.820.28	CONTRACT LABOR	Turnkey	\$2,500	\$2,500
A 1.820.17	CORE ANALYSIS AND CORING			
1.820.19	CREW QUARTERS & CATERING (FGE Trailer House)	\$2,000	\$1,000	\$3,000
N 1.820.21	DRILLING MUD AND CHEMICALS	Turnkey	\$7,500	\$7,500
1.820.22	ELECTRICAL LOGGING & SURVEYS	\$35,475	\$7,085	\$42,560
G 1.820.23	ENGINEERING AND SUPERVISION 45 Days @\$500 /Day	\$22,500	\$5,000	\$27,500
1.820.37	FORMATION TESTING (2 DST's)	\$10,530		\$10,530
I 1.820.24	GRAVEL PACKING / SAND FRAC			
1.820.26	HELICOPTER COSTS			
B 1.820.27	INSURANCE	Turnkey		
1.820.45	MISCELLANEOUS AND CONTINGENCIES		\$18,000	\$18,000
L 1.820.58	MOBILIZATION / DEMOBILIZATION	\$25,000	\$2,000	\$27,000
1.820.50	MUD LOGGING	\$15,525		\$15,525
E 1.820.30	OVERHEAD	\$6,050		\$6,050
1.820.67	PAYROLL BURDEN			
1.820.72	PERFORATIONS		\$11,350	\$11,350
1.820.29	PERMITS AND SURVEYING	\$2,000	\$500	\$2,500
1.820.97	PLUG AND ABANDON COSTS	\$50,000		\$50,000
1.820.13	POWER AND FUEL	Turnkey		
1.820.42	RENTAL TOOLS AND EQUIPMENT	Turnkey	\$27,500	\$27,500
1.820.40	ROAD, DIRT WORK, PIT, AND RESTORATION	\$20,000	\$10,000	\$30,000
1.800.15	SITE AND TITLE WORK	\$10,000		\$10,000
1.820.72	STIMULATIONS		\$13,275	\$13,275
1.820.55	TRUCKING & RAIL FREIGHT	Turnkey	\$10,000	\$10,000
1.820.80	WATER AND WATERHAULING	Turnkey	\$6,000	\$6,000
TOTAL INTANGIBLE COST		\$883,580	\$138,710	\$1,022,290

ACCT#	ITEM DESCRIPTION	DRILLING COSTS	COMPLETION COSTS	TOTAL COSTS
1.840.20	CASING - CONDUCTOR QTY. 60 FT. SIZE 20 INCH	Turnkey		\$0.
1.840.20	CASING - DRIVE PIPE 450 FT. 13-3/8 INCH	Turnkey		\$0
1.840.20	CASING - INTERMEDIATE			\$0
T 1.840.20	CASING - PRODUCTION 13,000 FT. 5-1/2 INCH *		\$172,500	\$172,500
1.840.20	CASING - SURFACE 4,950 FT. 9-5/8 INCH	Turnkey		\$0
A 1.840.15	BOTTOMHOLE PUMP			\$0
1.840.11	DRILLING LINER			\$0
N 1.840.25	ENGINES AND MOTORS			\$0
1.840.30	FLOWLINES		\$2,500	\$2,500
G 1.840.12	MISCELLANEOUS AND CONTINGENCIES (10%)		\$26,085	\$26,085
1.840.13	PACKERS		\$9,000	\$9,000
I 1.840.14	PIPELINES			\$0
1.840.85	PRODUCTION TUBING 12,500 FT. 2-7/8 INCH		\$75,000	\$75,000
B 1.840.55	RODS - SUCKER, PONY, & POLISHED			\$0
1.840.60	SEPARATORS AND HEATER TREATERS		\$5,150	\$5,150
L 1.840.65	STORAGE FACILITIES			\$0
1.840.50	SUBSURFACE PUMPING UNIT			\$0
E 1.840.80	TANK BATTERIES		\$8,700	\$8,700
1.840.45	VALVES AND FITTINGS		\$2,500	\$2,500
1.840.90	WELLHEAD AND PUMP (2-9/16" x 10M Tree)		\$15,000	\$15,000
TOTAL TANGIBLE COST		\$0	\$316,435	\$316,435

* Turnkey includes purchase cost of casing, rig time, cementing to 4,500 ft. and services.

TOTAL COST

\$883,580

\$455,145

\$1,338,725

COMPANY	OWNERSHIP	AMOUNT	APPROVAL	DATE
Forcenergy Gas Exploration, Inc.	100.00%	\$1,338,725		6/3/94

Forcenergy

Gas Exploration Inc.

July 21, 1994



Texaco Exploration and Production
4601 DTC Boulevard
Suite 914 DOB
Denver, Colorado 80237

Attention: Ron Lanning

Re: AFE No. 94-W2134-04-E
Shoe Bar 14 State Com No. 2
1,600 Ft. FNL and 1,800 Ft. FEL
Section 14, T14S - R35E
Lea County, New Mexico

Gentlemen:

Enclosed for your review are two (2) copies of Forcenergy's AFE No. 94-W2134-04-E requesting your approval to drill and complete a 13,000 ft. test well of the Atoka and Morrow formations at South Shoe Bar Field.

Also enclosed is a copy of the Force Pooling Order issued by the New Mexico Oil Conservation Division which dedicates your acreage in Section 14 to the adopted spacing unit.

If you are in agreement with Forcenergy's proposal to drill the Shoe Bar 14 State Com No. 2 well, please sign and return one (1) copy of the enclosed AFE. Your prompt response by facsimile is requested. Forcenergy intends to commence drilling operations on or before August 1, 1994.

Sincerely,

FORCENERGY GAS EXPLORATION, INC.

Christopher N. Wolfarth
Exploitation Engineer

CNW/yf

enclosures: AFE No. 94-W2134-04-E
OCD Force Pooling Order

HEADQUARTERS

Forcenergy Center
2730 SW 3rd Avenue
Suite 800
Miami, Florida 33129-2237

TELEPHONE
305/856-8500
FAX
305/856-4300

REGIONAL OFFICE

Lakeway Three
3838 North Causeway Boulevard
Suite 2860
Metairie, Louisiana 70002

TELEPHONE
504/838-7022
FAX
504/838-7017

**CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.**

LAWYERS

MICHAEL R. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDANPATRICIA A. MATTHEWS
MICHAEL H. FOLSEWENT
DAVID B. LAWRENCE
TANYA M. TRUJILLOJACK M. CAMPBELL
OF COUNSELJEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 988-8043**TELECOPIER COVER SHEET**Date: 7/21/94TO: Chris WolfarthFROM: William F. CarrTELECOPIER NUMBER: 305-856-4300TOTAL PAGES (including this cover sheet): 7DOCUMENT: OCD ORDEROPERATOR: Martha CLIENT/MATTER #: 536

PLEASE CALL:

☐ TO CONFIRM RECEIPT ☐ AFTER REVIEW

MESSAGE: _____

IF THERE ARE ANY PROBLEMS WITH OUR TRANSMISSION,
PLEASE CALL OPERATOR AT (505) 988-4421.THIS DOCUMENT IS INTENDED ONLY FOR THE USE OF THE INDIVIDUAL OR
ENTITY TO WHOM IT IS ADDRESSED, AND MAY CONTAIN INFORMATION THAT
IS PRIVILEGED AND CONFIDENTIAL, OR THAT CONSTITUTES WORK PRODUCT
AND IS EXEMPT FROM DISCLOSURES UNDER APPLICABLE LAW.IF YOU ARE NOT THE INTENDED RECIPIENT OR THE EMPLOYEE OR AGENT OF
THE INTENDED RECIPIENT, YOU ARE HEREBY NOTIFIED THAT ANY USE,
DISSEMINATION, DISTRIBUTION OR COPYING OF THE COMMUNICATION IS
STRICTLY PROHIBITED. IF YOU HAVE RECEIVED THIS COMMUNICATION IN
ERROR, PLEASE NOTIFY US BY TELEPHONE AND DESTROY THE DOCUMENT.

THANK YOU.

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. 10992
ORDER NO. R-10153

APPLICATION OF FORCENERGY GAS EXPLORATION, INC. FOR
COMPULSORY POOLING, AND AN UNORTHODOX GAS WELL LOCATION, LEA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION

This cause came on for hearing at 8:15 a.m. on June 9, 1994, and July 7, 1994, at Santa Fe, New Mexico, before Examiners Jim Morrow and David R. Catanach, respectively.

NOW, on this 19th day of July, 1994, the Division Director, having considered the testimony, the record and the recommendations of the Examiners, 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, Forcenergy Gas Exploration, Inc., seeks an order pooling all mineral interests from the surface to the base of the Morrow formation, underlying the E/2 of Section 14, Township 17 South, Range 35 East, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated South Shoe Bar-Atoka Gas Pool and the Undesignated South Shoe Bar-Morrow Gas Pool.
- (3) The applicant proposes to dedicate this pooled unit to its Shoe Bar 14 State Com Well No.2 to be drilled at an unorthodox gas well location 1600 feet from the South line and 1800 feet from the East line (Unit J) of said Section 14. 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 the operator of the well and a charge for risk involved in drilling and completing said well.

Case No. 10992
Order No. R-10153
Page 2

(4) The applicant is an interest owner in the E/2 of said Section 14 and has the right to develop the minerals underlying the aforementioned spacing unit.

(5) The proposed location is unorthodox for both the South Shoe Bar-Morrow and Atoka Gas Pools. Division General Rule 104 C(2)(b) is applicable in both pools and provides for 320-acre spacing with wells not closer than 660 feet to side boundaries nor closer than 1980 feet to end boundaries nor closer than 330 feet to quarter-quarter section lines.

(6) The applicant's engineering witness testified that the unorthodox location was selected primarily as an Atoka completion attempt using seismic, geologic, and offset well performance data. An Atoka isopach map was submitted showing that the well should encounter maximum formation thickness at the proposed location.

(7) The applicant's land witness testified that the working interest owners of 240 acres have agreed to pool their interest. Texaco owns 40 acres. They have indicated they will not commit their interest but will not object to compulsory pooling. Phillips Petroleum owns the remaining 40 acres; they are discussing voluntary participation.

(8) An AFE was submitted showing total drilling and completion cost of \$1,338,725.

(9) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent 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 320-acre unit.

(10) The applicant should be designated the operator of the subject well to be drilled at the aforementioned unorthodox gas well location.

(11) 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.

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

(13) 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.

(14) 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.

(15) At the time of the hearing, the applicant proposed that the reasonable monthly fixed charges for supervision while drilling and producing said well should be initially set at \$6050 and \$605, respectively, and that any such overhead charges included in this order contain provisions for an annual adjustment based on accepted industry practices.

(16) \$6050 per month while drilling and \$605 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); this charge should be adjusted annually based upon the percentage increase or decrease in average weekly earnings of crude petroleum and gas production workers; the operator should be authorized to withhold from production the proportionate share of 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.

(18) 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, 1994, the order pooling said unit should become null and void and of no further effect whatsoever.

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

(20) The operator of the well and unit should notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-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 E/2 of section 14, Township 17 South, Range 35 East, NMPM, 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 developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated South Shoe Bar-Atoka Gas Pool and the Undesignated South Shoe Bar Morrow Gas Pool.

(2) Said unit is to be dedicated to the applicant's Shoe Bar 14 State Com Well No.2 to be drilled at an unorthodox gas well location 1600 feet from the South line and 1800 feet from the East line (Unit J) of said Section 14. Said unorthodox gas well location is hereby approved.

PROVIDED HOWEVER, the operator of said unit shall commence the drilling of said well on or before the 1st day of October, 1994, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the above described area.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 1st day of October, 1994, Decretory Paragraph Nos. (1) and (2) 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 Decretory Paragraph Nos. (1) and (2) of this order should not be rescinded.

(3) Forcenergy Gas Exploration Inc. 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 an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(7) 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.

(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; and
- (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) \$6050 per month while drilling and \$605 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); provided that this rate shall be adjusted on the first day of April of each year following the effective date of this order; that 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 preceding calendar year as shown by The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; 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.

(11) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and 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 interest.

(13) All proceeds from production from the subject well which are not disbursed for any reason shall 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.

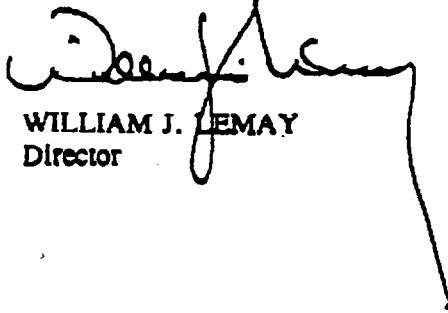
(14) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(15) The operator of the subject well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-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.

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, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

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

July 20, 1994

CAMBELL, CARR, BERGE
& SHERIDAN
Attorneys at Law
P. O. Box 2208
Santa Fe, New Mexico 87504

RE: CASE NO. 10992
ORDER NO. R-10153

Dear Sir:

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

Sincerely,

Sally E. Martinez
Sally E. Martinez
Administrative Secretary

cc: BLM - Carlsbad
Taxation & Revenue

OIL CONSERVATION DIVISION
ARTESIA, NEW MEX. 88210

TO: David Catanach
FROM: Jim Morroa
DATE: 7-6-94

NUMBER OF SHEETS (INCLUDING TRANSMITTAL SHEET)

2

IF YOU HAVE ANY PROBLEMS WITH THIS TRANSMISSION, PLEASE CALL 505-748-1283.

FAX NUMBER (505) 748-9720

David - see change in paragraph (7)
of draft order in Case 10992

TUE 06 04 MED 14:37

505 748 9720

HM
P.01

NMOCD Case 10992
Order R-
Page No. 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 Decretory Paragraph No.s (1) and (2) of this order should not be rescinded.

(3) Forcenergy Gas Exploration Inc. 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 cost to the operator in lieu of paying his share of reasonable well cost 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 cost; provided however, 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.

(7) Within 60 days following determination of reasonable will 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} ~~estimated~~ well costs exceed ~~reasonable~~ 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 the 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 time the schedule of estimated well costs is furnished to him; and