KELLAHIN,	Kellahin	and	AUBREY
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W. Thomas Kellahin Karen Aubrey

Jason Kellahin Of Counsel Attorneys at Law El Patio - 117 North Guadalupe Post Office Box 2265 Santa Fé, New Mexico 87504-2265

Telephone 982-4285 Area Code 505 Fax: 505/982-2047

August 15, 1989

HAND-DELIVERED

Mr. William J. LeMay Oil Conservation Division Post Office Box 2088 Santa Fe, New Mexico 87501

Re: OGS Operating Company, Inc. for Compulsory Pooling and an Unorthodox Well Location Roosevelt, New Mexico

Dear Mr. LeMay:

On behalf of OGS Operating Company, Inc. we would appreciate you setting the enclosed application for a public hearing on the Division's Examiner docket now scheduled for September 6, 1989.

By copy of this letter to all parties to be pooled, we are notifying them by certified mail, return-receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application. In addition, they are advised that the entry of a compulsory pooling order will affect their rights to share in the production form the subject well.

Very truly yours, W. Thomas Kal lahin

WTK/rs Encl.

cc: Thom O'Brien - OGS Operating Company "Certified Return-Receipt Requested" all parties to be pooled RECEIVED

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AUG 1 5 1989

OIL CONSERVATION DIVISION

Dase 9749

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION RECEIVED

AUG 1 5 1989

IN THE MATTER OF THE APPLICATION OF OGS OPERATING COMPANY, INC. FOR COMPULSORY POOLING AND UNORTHODOX LOCATION, ROOSEVELT COUNTY, NEW MEXICO

APPLICATION

COMES NOW, OGS OPERATING COMPANY, INC., by and through its attorneys, Kellahin, Kellahin & Aubrey and in accordance with Section 70-2-17(c) NMSA (1978) applies to the New Mexico Oil Conservation Division for an unorthodox location and for an order pooling all mineral interest underlying the following described acreage in Section 15, T8S, R37E, Roosevelt County, New Mexico, in the following described manner:

N/2 of said section to form a standard 320-acre spacing and proration unit for any gas production from the Bluitt-San Andres Associated Pool, and E/2NE/4 of said section to form a standard 80-acre spacing and proration unit for any oil production from the Bluitt-San Andres Associated Pool.

The above described unit is to be dedicated to a well to be drilled to base of the Bluitt-San Andres Associated gas pool at a standard gas well location 990 feet from the North line and 990 feet form the East line of said Section 15. However, this location will be an unorthodox oil well location for said pool. 1. Applicant, OGS Operating Company, Inc. is a working interest owner in the N/2 of said Section 15.

2. Applicant has sought a voluntary agreement for the formation of a N/2 spacing unit for gas and a E/2NE/4 spacing unit for oil for the drilling, completing and production of the subject well but has been unable to obtain a voluntary agreement from the following parties:

a) A. J. Hammer Estate: 0.15625% Mary Hammer Deanna Christensen David M. Hammer Robert J. Hammer Mary K. Hammer

> 454 South Main Street Springfield, MO 65806

106 East Virginia Effingham, ILL 62401

Box 482 Effingham, Ill 62401

b) Tom L. Ingram: 13.5% Box 1757 Roswell, New Mexico 88202

3. Pursuant to the Division notice requirements, Applicant has notified all parties to be pooled of this application for compulsory pooling and the Applicant's request for a hearing before the Division to be set on September 6, 1989.

4. In order to obtain its just and equitable share of the potential production underlying the above tract, Applicant needs an order pooling the mineral interest involved in order to protect Applicant's correlative rights and prevent waste. WHEREFORE, Applicant prays that this application be set for hearing before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order approving the unorthodox location and pooling the mineral interest described herein. Applicant further prays that it be named operator of the well, and that the order make provisions for Applicant to recover out of production its costs of drilling, completing and equipping the subject well, costs of operation, including costs of supervision, and a risk factor in the amount of 200% for the drilling and completing of the well, for such other and further relief as may be proper.

Respectfully submitted,

By: Thomas Rel lahin

Kellahin, Kellahin & Aubrey Post Office Box 2265 Santa Fe, New Mexico 87504

(505) 982-4285

KELLAHIN, KELLAHIN and AUBREY

W. Thomas Kellahin Karen Aubrey

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OIL CONSERVATION DIVISION

Case 9749

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STATE OF NEW MEXICO

OIL CONSERVATION DIVISION

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF OGS OPERATING COMPANY, INC. FOR COMPULSORY POOLING AND UNORTHODOX LOCATION, ROOSEVELT COUNTY, NEW MEXICO

CASE NO. 9749

1

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Jason Kellahin Of Counsel KELLAHIN, KELLAHIN and AUBREY Attorneys at Law

El Patio - 117 North Guadalupe Post Office Box 2265 Santa Fé, New Mexico 87504-2265 Telephone 982-4285 Area Code 505 Fax: 505/982-2047

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Case 9749

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AUG 1 5 1989

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF OGS OPERATING COMPANY, INC. FOR COMPULSORY POOLING AND UNORTHODOX LOCATION, ROOSEVELT COUNTY, NEW MEXICO

CASE NO. 9749

APPLICATION

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2. Applicant has sought a voluntary agreement for the formation of a N/2 spacing unit for gas and a E/2NE/4 spacing unit for oil for the drilling, completing and production of the subject well but has been unable to obtain a voluntary agreement from the following parties:

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4. In order to obtain its just and equitable share of the potential production underlying the above tract, Applicant needs an order pooling the mineral interest involved in order to protect Applicant's correlative rights and prevent waste.

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. 9749 ORDER NO. R-____

APPLICATION OF OGS OPERATING COMPANY, INC. FOR COMPULSORY POOLING AND AN UNORTHODOX OIL WELL LOCATION, ROOSEVELT COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 6, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this ______ day of September, 1989, 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, OGS Operating Company, Inc., seeks an order pooling all mineral interests in the Bluitt-San Andres Associated Pool, underlying either the N/2 of Section 15, Township 8 South, Range 37 East, forming a standard 320-acre gas spacing and proration unit for said pool if gas is encountered or the E/2 NE/4 of said Section 15, forming a standard 80-acre oil spacing and proration unit for said pool if oil is encountered.

(3) Either unit to be dedicated to a well to be drilled 990 feet from the North and East lines (Unit A) of said Section 15, which is a non-standard oil well location and an unorthodox gas well location.

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

(5) 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 oil or gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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

(7) 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 this share of reasonable well costs out of production.

(8) 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 _____ percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

(10) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(11) **\$**______ per month while drilling and **\$**______ 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 nonconsenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) All proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

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

(14) 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.

(15) 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, in the Bluitt-San Andres Associated Pool, underlying either the N/2 of Section 15, Township 8 south, Range 37 East NMPM, Roosevelt County, New Mexico, forming a standard 320-acre gas spacing and proration unit for said pool or the E/2 SE/4 of said Section 15, forming a standard 80-acre oil spacing and proration unit for said pool if oil is encountered are hereby pooled and are to be dedicated to a well to be drilled at an unorthodox gas well location 990 from the North and East lines (Unit A) of said Section 15. This location is standard for an oil well location.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the ______ day of ______, 1989, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Bluitt-San Andres Associated Pool.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the day of _____, 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.

<u>PROVIDED FURTHER THAT</u>, 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) OGS Operating Company, Inc. is hereby designated the operator of the subject well and unit.

(3) After the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) Within 30 days from the date of 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.

(5) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if 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.

(6) 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 the to operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) 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, ______ 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.

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

(9) **\$** per month while drilling and **\$** 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 required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) Any unleased mineral interest shall be considered seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) All proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Roosevelt 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.

(13) 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.

(14) 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 force-pooling provisions of this order.

(15) 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

SEAL

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF OGS OPERATING COMPANY, INC. FOR COMPULSORY POOLING ROOSEVELT COUNTY, NEW MEXICO

CASE NO. 9749

CERTIFICATE OF MAILING

AND

COMPLIANCE WITH ORDER R-8054

In accordance with Division Rule 1207 (Order R-8054) Τ hereby certify that on August 15, 1989, I caused to be mailed by certified mail, return-receipt requested, notice of this hearing and a copy of the application for the above referenced case along with the cover letter, at least twenty days prior to the hearing set for October 4, 1989 to the parties shown in the application as evidenced by the attached copy of the return receipt cards.

Thomas Rellahin

SUBSCRIBED AND SWORN TO before me this 21st day of September, 1989.

K. Monto Notary Public

BEFORE EXAMINER STOGNER Oil Conservation Divis 065 Exhibit No. Case No. 97

My Commission Expires:

July 25, 1993

Exhibit "A"

Great Western Drilling Company 509 N. Loraine P.O. Box 1659 Midland, TX 79701

Hugh A. Moore P.O. Box 51453 Lafayette, LA 70505

George R. and Bettijo H. White P.O. Box 52346 Lafayette, LA 70505

A.B. and Janet D. Sam P.O. Box 1736 Midland, TX 79702

Morris Mizel 1986 Partners 6560 East 41st Street Tulsa, OK 74145

The Wiser Oil Company Box 192 Sisterville, W. VA 26175

Earl A. Latimer 1802 West 4th Street Roswell, NM 88202

Murphy Operating Corporation United Bank Plaza Suite 300 400 N. Pennsylvania Ave. Box 2164 Roswell, NM 88201

Tom L. and Joan L. Ingram Box 1757 Roswell, NM 88202

J.E. and Drusilla C. Cieszinski Box 3047 Roswell, NM 88201 Walter Duncan, Inc. 100 Park Avenue Bldg. Suite 1200 Oklahoma City, OK 73102

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A.J. Hammer Estate: Mary Hammer Deanna Christensen David M. Hammer Robert J. Hammer Mary K. Hammer

> 454 South Main Street Springfield, MO 65806

106 East Virginia Effingham, IL 62401

Box 482 Effingham, IL 62401

SENDER: Complete Items 1 and X when additional services are dealed, and complete Items of dealers, in the "RETURN TQ" Space on the reverse side. Failure to do this will prevent this prevent being returned to you. The return receipt fee will prevent dealers and addresses of a diditional fee will prevent the reverse side. Failure to do this will prevent the reverse side. Failure to do this will prevent the reverse side. Failure to do this will prevent the reverse side. Failure to do this will prevent the reverse side. Failure to do this will prevent the reverse side. Failure to do this will prevent the reverse side. Failure to do this will prevent the reverse side. Failure to do this will prevent the reverse side. Failure to do this will prevent the reverse side. Failure to do this will prevent the reverse side. Failure to do this will prevent the reverse side. Failure to do this will prevent the reverse side. Failure to do this will prevent the reverse side. Failure to do this will prevent the reverse side. Failure to do this will prevent the reverse side. Failure to do this will prevent the reverse side. Failure to do this will prevent the reverse side. Failure to do the will prevent the reverse side. Failure to do the will prevent the reverse address of a Addresse address and see addresse for eagent and prevent and fee paid. WIK DOGS I P Signature - Address - Address (ONLY V reverses in all - Between and fee paid) Note of Delivery - J. Between and fee paid. Form 3811, Mar. 1988 • U.S.G.P.O. 1959-212-865 DOMESTIC RETURN RECEIPT	 SENDER: Complete items 1 and 2 when additional agrices are desired, and complete items of desires in the "RETURN TO" Space on the reveils aide. Failure to do this will prevent this beginned to you. The return receipt fee will provide you ite name desired to: items of delivery, for additional reservice is provide you are sended to: items of delivery for additional reservice is provide you are provid
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SENDER: Complete items 1 and 2 when additional services are desired, and complete items for additional services are valiable. Consult postmatter for the dete of delivery, for additional services is exallable. Consult postmatter for generative delivery, for additional services is exallable. Consult postmatter for generative delivery, for additional services is addresses is exallable. Consult postmatter for generative delivery, for additional services is addresses is addresses. 3. Article Addressed to: 1. Article Number 9. O. BOX 51453 1. Article Number 1. Hugh A. MOORE 9. O. BOX 51453 1. Affayette, LA 70505 1. Article Number 9. Signature - Address 1. A failed line insured 1. Signature - Address 0.5 Signature - Adgres 8. Signature - Adgress 0.15 L 7. Date of Delivery 0.15 L <	 SENDER: Complete items 1 and 2 when additional services are desired, and complete items for definers 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 for additional services in equated. Article Addressed to: Article Addressed to: Best tern Drilling CO P.O. Box 1659 Midland, TX 79701 Article Number Signature - Address Signature - Address Signature - Address Step of Delivery Step of Delivery Signature - Address Step - 6 1089 Max. 1988 U.S.G.P.O. 1988-212-865
1 and 2 when additional services are desired, and complete items IN-TO' Space on the reverse side. Failure to do this will prevent this ditional fees the following services are available. Consult postmaster ditional services are available. Consult postmaster ditional sees 's address. date, and addressee's address. 2. Restricted Delivery (Extra charge) a.charge) 4. Article Number P 155 2 P 155 278 652 3 70505 Image: Image	services are desired, and complete items provide you the name of the person delivered greed. Consult postmaster greed. 2. Consult postmaster greed. 2. Restricted Delivery (Extra charge) 4. Article Number D 155 2.78 651 Registered R

PS Form 3811, Mar. 1988 * U.S.Q.P.O. 1988-212-865	8. Signature & Agent X A Delivery 5-3/-90	WTK OGS IFP or ag 5. Signature - Address 8. A X	3. Atticle Addressed to: A.B. & Janet D. Sam P.O. Box 1736 Midland, TX 79702	SENDER: Complete Items 1 and 2 when additional services are desired, and complete items for your address in the "RETURN TO" Space on the réverse 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 test and the date of delivery of additional envice(s) requested.	PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865	6. Signature - Agent X Mula W. Shuth 7. Date of Delivery S-C. P	WTK/OGS/9749 or 5. Signature - Address - X -	George R. & Bettiejo White P.O. Box 52346 Lafayette, LA 70505	 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 rese and check box(es) for additional service(s) requested. A provide you whom delivered, date, and addressee's address. Chart charge) A provide Addressed to:
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PS Form 3800, June 1985

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. 9749 Order No. R-9034

APPLICATION OF OGS OPERATING COMPANY, INC. FOR COMPULSORY POOLING AND AN UNORTHODOX OIL WELL LOCATION, ROOSEVELT COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 4, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this <u>3rd</u> day of November, 1989, 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, OGS Operating Company, Inc., seeks an order pooling all mineral interests in the Bluitt-San Andres Associated Pool, underlying either the N/2 of Section 15, Township 8 South, Range 37 East, NMPM, Roosevelt County, New Mexico, forming a standard 320-acre gas spacing and proration unit for said pool if gas is encountered or the E/2 NE/4 of said Section 15, forming a standard 80-acre oil spacing and proration unit for said pool if oil is encountered.

(3) The applicant has the right to drill and proposes to drill a well at a well location 990 feet from the North and East lines (Unit A) of said Section 15, which is a standard gas well location for the 320-acre unit and a non-standard location for the 80-acre unit. -2-Case No. 9749 Order No. R-9034

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

(5) The rules and regulations governing the Bluitt-San Andres Associated Pool (Division Order No. R-5353, as amended) require oil wells to be spaced on 80-acre units with oil wells to be located within 150 feet of the center of a quarter-quarter section and that gas wells be spaced on 320-acre units with gas wells to be located not closer than 990 feet to the quarter section line nor closer than 330 feet to any quarter-quarter section line.

(6) Said rules make the drilling of a well to the San Andres formation in the E/2 NE/4 of said Section 15 impossible to be standard for both an oil and a gas well.

(7) No interested or affected party appeared or objected to the unorthodox well location request of this application.

(8) 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 units the opportunity to recover or receive without unnecessary expense his just and fair share of the oil or gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within either of said units.

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

(10) 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.

(11) 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.

(12) 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. -3-Case No. 9749 Order No. R-9034

(13) 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.

(14) \$3000.00 per month while drilling and \$300.00 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 nonconsenting 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.

(15) 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.

(16) 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 January 1, 1990, the order pooling said unit should become null and void and of no further effect whatsoever.

(17) 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.

(18) 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, in the Bluitt-San Andres Associated Pool, underlying all or the appropriate part of the N/2 of Section 15, Township 8 South, Range 37 East, NMPM, Roosevelt County, New Mexico, are hereby pooled to form either a standard 320-acre gas spacing and proration unit for said pool if gas is encountered or, in the alternative, the E/2 NE/4 of said Section 15, to form a -4-Case No. 9749 Order No. R-9034

standard 80-acre oil spacing and proration unit for said pool if oil is encountered, to be dedicated to a well to be drilled at a location 990 feet from the North and East lines (Unit A) of said Section 15 which is a standard gas well location for the 320-acre unit and an unorthodox oil well location for the 80-acre unit.

PROVIDED HOWEVER THAT, the operator of whichever unit is dedicated shall commence the drilling of said well on or before the 1st day of January, 1990, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Bluitt-San Andres Associated Pool.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 1st day of January, 1990, 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.

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) OGS Operating Company, Inc. is hereby designated the operator of the subject well and respective unit.

(3) 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 respective unit an itemized schedule of estimated well costs.

(4) 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.

(5) 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 -5-Case No. 9749 Order No. R-9034

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.

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) 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.

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

(9) \$3000.00 per month while drilling and \$300.00 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 required for operating such well, not in excess of what are reasonable, attributable to each nonconsenting working interest. -6-Case No. 9749 Order No. R-9034

(10) 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.

(11) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) All proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Roosevelt 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.

(13) 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.

(14) The operator of the well on the respective 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.

(15) 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