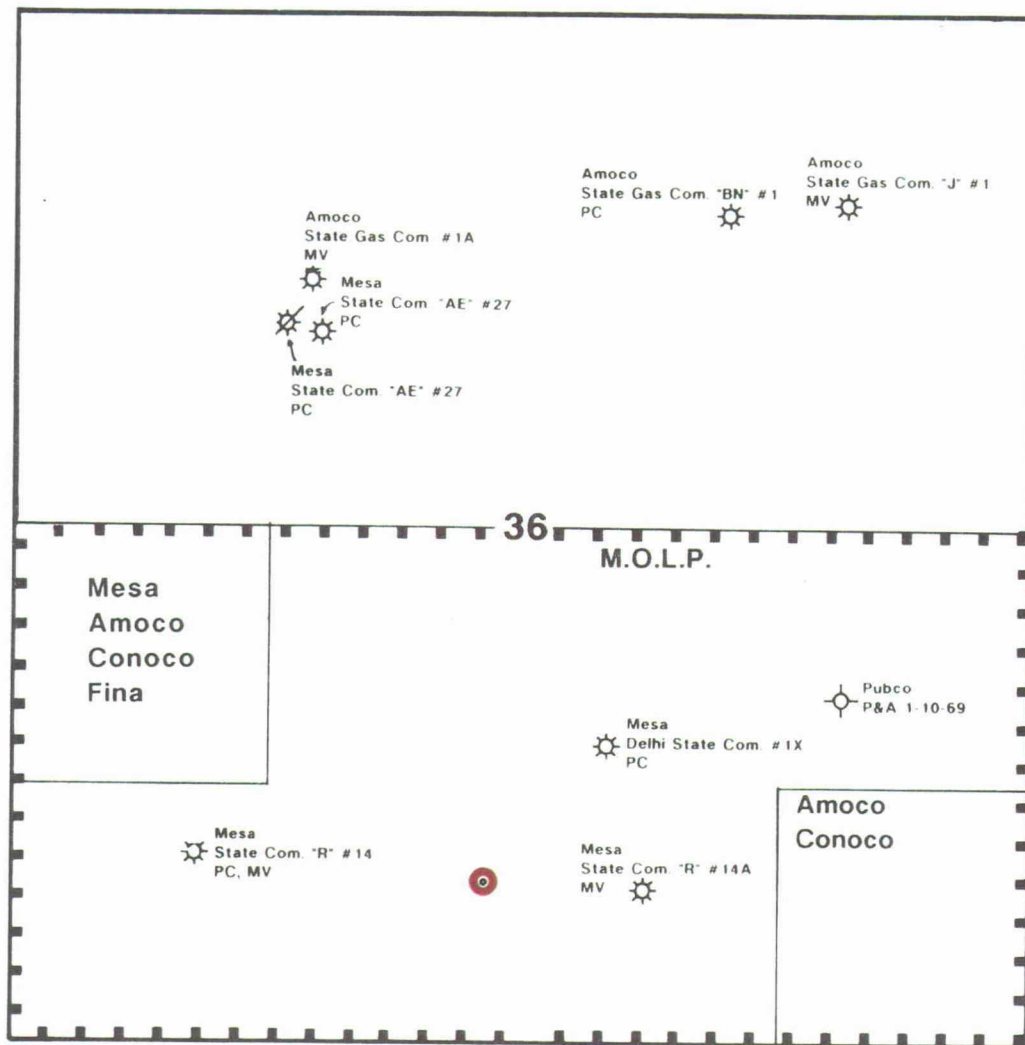


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Scale 1"= 1000'

Exhibits 1 through 8

M.O.L.P. 83.60%
Amoco 7.71%
Conoco 7.71%
Fina .97%

■ ■ ■ Indicates Proposed
Proration Unit



MESA LIMITED PARTNERSHIP

SAN JUAN BASIN
APPLICATION FOR COMPULSORY POOLING

CASE NO. 9983

July 11, 1990

FC State Com. #7

830' FSL, 2490' FWL

Section 36, T30N-R9W

San Juan County, New Mexico

Exhibit 1

FC State Com #7

1. Working interest owners committed to well and their percentages:

Mesa Operating Limited Partnership	83.60%
Fina Oil and Chemical Company	.97%

2. Working interest owners being pooled and their percentages:

Amoco Production Company	7.71%
Conoco, Inc.	7.72%



April 6, 1990

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Amoco Production Company
P. O. Box 800
Denver CO 80201-0800

Attention Michael Cuba

Gentlemen:

Subject: Well Proposal
Mesa's Turley Prospect
FC State Com #7
S/2 Section 36-T30N-R9W
San Juan County NM

Mesa Operating Limited Partnership hereby proposes the drilling of an approximate 2560' Fruitland Coal well to be located 1405' FSL and 2720' FWL of Section 36-T30N-R9W. Mesa's estimated cost for the drilling of this well is \$77,000 for a dry hole and \$395,700 for a completed well.

Enclosed herewith is Mesa's AFE/Cost Estimate and an Operating Agreement which Mesa is proposing to be used to govern the drilling of this well. Upon Amoco's election to participate in the drilling of the subject well, please return a signed copy of the AFE/Cost Estimate and two executed copies of the signature page to the enclosed Operating Agreement.

Due to the number of wells Mesa plans to drill in 1990 to qualify for the Section 29 gas credit, it may be necessary for Mesa to commence "force pooling" proceedings to insure Mesa can adhere to its drilling schedule.

Mesa looks forward to receiving an expeditious reply from Amoco relative to this drilling proposal.

If you have any questions or would like to discuss this matter further, please contact me.

Very truly yours,

Mark W. Seale
Landman

Enclosures

BEFORE EXAMINER STOGNER OIL CONSERVATION DIVISION
EXHIBIT NO. <u>2</u>
CASE NO. <u>9983</u>



April 6, 1990

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Conoco, Inc.
P. O. Box 460
Hobbs NM 88240

Attention Land Department

Gentlemen:

Subject: Well Proposal
Mesa's Turley Prospect
FC State Com #7
S/2 Section 36-T30N-R9W
San Juan County NM

Mesa Operating Limited Partnership hereby proposes the drilling of an approximate 2560' Fruitland Coal well to be located 1405' FSL and 2720' FWL of Section 36-T30N-R9W. Mesa's estimated cost for the drilling of this well is \$77,000 for a dry hole and \$395,700 for a completed well.

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Mesa looks forward to receiving an expeditious reply from Amoco relative to this drilling proposal.

If you have any questions or would like to discuss this matter further, please contact me.

Very truly yours,

Mark W. Seale
Landman

Enclosures

A.A.P.L. FORM 610-1982

MODEL FORM OPERATING AGREEMENT

FC State Com #7

OPERATING AGREEMENT

DATED

March 15 , 19 90 ,

OPERATOR MESA OPERATING LIMITED PARTNERSHIP

CONTRACT AREA Turley

T30N-R09W

Section 36: S/2

COUNTY OR PARISH OF San Juan STATE OF New Mexico

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OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between MESA OPERATING LIMITED PARTNERSHIP, hereinafter designated and referred to as "Operator", and the signatory party or parties other than Operator, sometimes hereinafter referred to individually herein as "Non-Operator", and collectively as "Non-Operators".

WITNESSETH:

WHEREAS, the parties to this agreement are owners of oil and gas leases and/or oil and gas interests in the land identified in Exhibit "A", and the parties hereto have reached an agreement to explore and develop these leases and/or oil and gas interests for the production of oil and gas to the extent and as hereinafter provided,

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.
DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them:

- A. The term "oil and gas" shall mean oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.
- B. The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas leases covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.
- C. The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Contract Area which are owned by parties to this agreement.
- D. The term "Contract Area" shall mean all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".
- E. The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Contract Area or as fixed by express agreement of the Drilling Parties.
- F. The term "drillsite" shall mean the oil and gas lease or interest on which a proposed well is to be located.
- G. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.
- H. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

ARTICLE II.
EXHIBITS

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

- ☒ A. Exhibit "A", shall include the following information:
 - (1) Identification of lands subject to this agreement,
 - (2) Restrictions, if any, as to depths, formations, or substances,
 - (3) Percentages or fractional interests of parties to this agreement,
 - (4) Oil and gas leases and/or oil and gas interests subject to this agreement,
 - (5) Addresses of parties for notice purposes.
- ☐ B. Exhibit "B", Form of Lease.
- ☒ C. Exhibit "C", Accounting Procedure.
- ☒ D. Exhibit "D", Insurance.
- ☒ E. Exhibit "E", Gas Balancing Agreement.
- ☒ F. Exhibit "F", Non-Discrimination and Certification of Non-Segregated Facilities.
- ☐ G. Exhibit "G", Tax Partnership.

If any provision of any exhibit, except Exhibits "E" and "G", is inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

ARTICLE IV
continued

☒ Option No. 2: Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A". Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with leases or oil and gas interests contributed by such party. Operator shall be responsible for the preparation and recording of pooling designations or declarations as well as the conduct of hearings before governmental agencies for the securing of spacing or pooling orders. This shall not prevent any party from appearing on its own behalf at any such hearing.

No well shall be drilled on the Contract Area until after (1) the title to the drillsite or drilling unit has been examined as above provided, and (2) the title has been approved by the examining attorney or title has been accepted by all of the parties who are to participate in the drilling of the well.

B. Loss of Title:

1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a reduction of interest from that shown on Exhibit "A", the party contributing the affected lease or interest shall have ninety (90) days from final determination of title failure to acquire a new lease or other instrument curing the entirety of the title failure, which acquisition will not be subject to Article VIII.B., and failing to do so, this agreement, nevertheless, shall continue in force as to all remaining oil and gas leases and interests; and,

(a) The party whose oil and gas lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development or operating costs which it may have theretofore paid or incurred, but there shall be no additional liability on its part to the other parties hereto by reason of such title failure;

(b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has been lost, but the interests of the parties shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Contract Area by the amount of the interest lost;

(c) If the proportionate interest of the other parties hereto in any producing well theretofore drilled on the Contract Area is increased by reason of the title failure, the party whose title has failed shall receive the proceeds attributable to the increase in such interest (less costs and burdens attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well;

(d) Should any person not a party to this agreement, who is determined to be the owner of any interest in the title which has failed, pay in any manner any part of the cost of operation, development, or equipment, such amount shall be paid to the party or parties who bore the costs which are so refunded;

(e) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the party or parties whose title failed in the same proportions in which they shared in such prior production; and,

(f) No charge shall be made to the joint account for legal expenses, fees or salaries, in connection with the defense of the interest claimed by any party hereto, it being the intention of the parties hereto that each shall defend title to its interest and bear all expenses in connection therewith.

2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well payment, minimum royalty or royalty payment, is not paid or is erroneously paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, which acquisition will not be subject to Article VIII.B., the interests of the parties shall be revised on an acreage basis, effective as of the date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in the Contract Area on account of ownership of the lease or interest which has terminated. In the event the party who failed to make the required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

(a) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis, up to the amount of unrecovered costs;

(b) Proceeds, less operating expenses, thereafter accrued attributable to the lost interest on an acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which, in the absence of such lease termination, would be attributable to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said portion of the oil and gas to be contributed by the other parties in proportion to their respective interests; and,

(c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the interest lost, for the privilege of participating in the Contract Area or becoming a party to this agreement.

3. Other Losses: All losses incurred, other than those set forth in Articles IV.B.1. and IV.B.2. above, shall be joint losses and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of the Contract Area.

ARTICLE V. OPERATOR

A. Designation and Responsibilities of Operator:

MESA OPERATING LIMITED PARTNERSHIP shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from gross negligence or willful misconduct.

B. Resignation or Removal of Operator and Selection of Successor:

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns an interest hereunder in the Contract Area, or is no longer capable of serving as Operator, Operator shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selected by the parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. The successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A"; provided, however, if an Operator which has been removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of the Operator that was removed.

C. Employees:

The number of employees used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed shall be determined by Operator, and all such employees shall be the employees of Operator.

D. Drilling Contracts:

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature.

ARTICLE VI. DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the _____ day of _____, 19____, Operator shall commence the drilling of a well for oil and gas at the following location:

1405' FSL and 2720' FWL
Township 30 North, Range 9 West
San Juan County NM

and shall thereafter continue the drilling of the well with due diligence to a depth of 2560' to the Fruitland Coal formation

unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth.

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.

ARTICLE VI

continued

If, in Operator's judgment, the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the well as a dry hole, the provisions of Article VI.E.1. shall thereafter apply.

B. Subsequent Operations:

1. Proposed Operations: Should any party hereto desire to drill any well on the Contract Area other than the well provided for in Article VI.A., or to rework, deepen or plug back a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities, the party desiring to drill, rework, deepen or plug back such a well shall give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days after receipt of the notice within which to notify the party wishing to do the work whether they elect to participate in the cost of the proposed operation. If a drilling rig is on location, notice of a proposal to rework, plug back or drill deeper may be given by telephone and the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday and legal holidays. Failure of a party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. Any notice or response given by telephone shall be promptly confirmed in writing.

If all parties elect to participate in such a proposed operation, Operator shall, within ninety (90) days after expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case may be), actually commence the proposed operation and complete it with due diligence at the risk and expense of all parties hereto; provided, however, said commencement date may be extended upon written notice of same by Operator to the other parties, for a period of up to thirty (30) additional days if, in the sole opinion of Operator, such additional time is reasonably necessary to obtain permits from governmental authorities, surface rights (including rights-of-way) or appropriate drilling equipment, or to complete title examination or curative matter required for title approval or acceptance. Notwithstanding the force majeure provisions of Article XI, if the actual operation has not been commenced within the time provided (including any extension thereof as specifically permitted herein) and if any party hereto still desires to conduct said operation, written notice proposing same must be resubmitted to the other parties in accordance with the provisions hereof as if no prior proposal had been made.

2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI.B.1. or VII.D.1. (Option No. 2) elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this Article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, within ninety (90) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case may be) actually commence the proposed operation and complete it with due diligence. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (a) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (b) designate one (1) of the Consenting Parties as Operator to perform such work. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise the Consenting Parties of the total interest of the parties approving such operation and its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after receipt of such notice, shall advise the proposing party of its desire to (a) limit participation to such party's interest as shown on Exhibit "A" or (b) carry its proportionate part of Non-Consenting Parties' interests, and failure to advise the proposing party shall be deemed an election under (a). In the event a drilling rig is on location, the time permitted for such a response shall not exceed a total of forty-eight (48) hours (inclusive of Saturday, Sunday and legal holidays). The proposing party, at its election, may withdraw such proposal if there is insufficient participation and shall promptly notify all parties of such decision.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well and restore the surface location at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this Article results in a producer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk.

ARTICLE VI

continued

and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well and share of production therefrom until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold, (after deducting production taxes, excise taxes, royalty, overriding royalty and other interests not excepted by Article III.D. payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

150

a) ~~100%~~ ^{150%} of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus ~~100%~~ ^{150%} of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this Article, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to such Non-Consenting Party had it participated in the well from the beginning of the operations; and

b) 300 % of that portion of the costs and expenses of drilling, reworking, deepening, plugging back, testing and completing, after deducting any cash contributions received under Article VIII.C., and 300 % of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

An election not to participate in the drilling or the deepening of a well shall be deemed an election not to participate in any reworking or plugging back operation proposed in such a well, or portion thereof, to which the initial Non-Consent election applied that is conducted at any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment account. Any such reworking or plugging back operation conducted during the recoupment period shall be deemed part of the cost of operation of said well and there shall be added to the sums to be recouped by the Consenting Parties one hundred percent ^{fifty} ~~100~~ % of that portion of the costs of the reworking or plugging back operation which would have been chargeable to such Non-Consenting Party had it participated therein. If such a reworking or plugging back operation is proposed during such recoupment period, the provisions of this Article VI.B. shall be applicable as between said Consenting Parties in said well.

During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all production, severance, excise, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production not excepted by Article III.D.

In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value, less cost of salvage.

successful

Within sixty (60) days after the completion of any operation under this Article, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the party conducting the operations for the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of oil and gas produced during any month, Consenting Parties shall use industry accepted methods such as, but not limited to, metering or periodic well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased in determining when the interest of such Non-Consenting Party shall revert to it as above provided; and if there is a credit balance, it shall be paid to such Non-Consenting Party.

ARTICLE VI
continued

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it, and, from and after such reversion, such Non-Consenting Party shall own the same interest in such well, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, reworking, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and the Accounting Procedure attached hereto.

Notwithstanding the provisions of this Article VI.B.2., it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Contract Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

The provisions of this Article shall have no application whatsoever to the drilling of the initial well described in Article VI.A. except (a) as to Article VII.D.1. (Option No. 2), if selected, or (b) as to the reworking, deepening and plugging back of such initial well after it has been drilled to the depth specified in Article VI.A. if it shall thereafter prove to be a dry hole or, if initially completed for production, ceases to produce in paying quantities.

3. **Stand-By Time:** When a well which has been drilled or deepened has reached its authorized depth and all tests have been completed, and the results thereof furnished to the parties, stand-by costs incurred pending response to a party's notice proposing a reworking, deepening, plugging back or completing operation in such a well shall be charged and borne as part of the drilling or deepening operation just completed. Stand-by costs subsequent to all parties responding, or expiration of the response time permitted, whichever first occurs, and prior to agreement as to the participating interests of all Consenting Parties pursuant to the terms of the second grammatical paragraph of Article VI.B.2, shall be charged to and borne as part of the proposed operation, but if the proposal is subsequently withdrawn because of insufficient participation, such stand-by costs shall be allocated between the Consenting Parties in the proportion each Consenting Party's interest as shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all Consenting Parties.

4. **Sidetracking:** Except as hereinafter provided, those provisions of this agreement applicable to a "deepening" operation shall also be applicable to any proposal to directionally control and intentionally deviate a well from vertical so as to change the bottom hole location (herein called "sidetracking"), unless done to straighten the hole or to drill around junk in the hole or because of other mechanical difficulties. Any party having the right to participate in a proposed sidetracking operation that does not own an interest in the affected well bore at the time of the notice shall, upon electing to participate, tender to the well bore owners its proportionate share (equal to its interest in the sidetracking operation) of the value of that portion of the existing well bore to be utilized as follows:

(a) If the proposal is for sidetracking an existing dry hole, reimbursement shall be on the basis of the actual costs incurred in the initial drilling of the well down to the depth at which the sidetracking operation is initiated.

(b) If the proposal is for sidetracking a well which has previously produced, reimbursement shall be on the basis of the well's salvable materials and equipment down to the depth at which the sidetracking operation is initiated, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning.

In the event that notice for a sidetracking operation is given while the drilling rig to be utilized is on location, the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday and legal holidays; provided, however, any party may request and receive up to eight (8) additional days after expiration of the forty-eight (48) hours within which to respond by paying for all stand-by time incurred during such extended response period. If more than one party elects to take such additional time to respond to the notice, stand-by costs shall be allocated between the parties taking additional time to respond on a day-to-day basis in the proportion each electing party's interest as shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all the electing parties. In all other instances the response period to a proposal for sidetracking shall be limited to thirty (30) days.

C. TAKING PRODUCTION IN KIND:

Each party shall take in kind or separately dispose of its proportionate share of all oil and gas produced from the Contract Area, exclusive of production which may be used in development and producing operations and in preparing and treating oil and gas for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. Any party taking its share of production in kind shall be

ARTICLE VI
continued

required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.

Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment directly from the purchaser thereof for its share of all production.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such oil or sell it to others at any time and from time to time, for the account of the non-taking party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of oil shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year.

In the event one or more parties' separate disposition of its share of the gas causes split-stream deliveries to separate pipelines and/or deliveries which on a day-to-day basis for any reason are not exactly equal to a party's respective proportionate share of total gas sales to be allocated to it, the balancing or accounting between the respective accounts of the parties shall be in accordance with any gas balancing agreement between the parties hereto, whether such an agreement is attached as Exhibit "E", or is a separate agreement.

D. Access to Contract Area and Information:

Each party shall have access to the Contract Area at all reasonable times, at its sole cost and risk to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator, upon request, shall furnish each of the other parties with copies of all forms or reports filed with governmental agencies, daily drilling reports, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available samples of any cores or cuttings taken from any well drilled on the Contract Area. The cost of gathering and furnishing information to Non-Operator, other than that specified above, shall be charged to the Non-Operator that requests the information.

E. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled or deepened pursuant to Article VI.B.2., any well which has been drilled or deepened under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after receipt of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling or deepening such well. Any party who objects to plugging and abandoning such well shall ~~have the right to take over the well and conduct further operations in search of oil and/or gas subject to the provisions of Article VI.B.~~

2. Abandonment of Wells that have Produced: Except for any well in which a Non-Consent operation has been conducted hereunder for which the Consenting Parties have not been fully reimbursed as herein provided, any well which has been completed as a producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. If, within thirty (30) days after receipt of notice of the proposed abandonment of any well, all parties do not agree to the abandonment of such well, those wishing to continue its operation from the interval(s) of the formation(s) then open to production shall tender to each of the other parties its proportionate share of the value of the well's salvageable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, or fitness for use of the equipment and material, all of its interest in the well and related equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. If the interest of the abandoning party is or includes an oil and gas interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the interval or intervals of the formation or formations then open to production, for a term of one (1) year and so long thereafter as oil and/or gas is produced from the interval or intervals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit

ARTICLE VI

continued

"B". The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interests in the remaining portion of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. Upon request, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well. Upon proposed abandonment of the producing interval(s) assigned or leased, the assignor or lessor shall then have the option to repurchase its prior interest in the well (using the same valuation formula) and participate in further operations therein subject to the provisions hereof.

3. Abandonment of Non-Consent Operations: The provisions of Article VI.E.1. or VI.E.2. above shall be applicable as between Consenting Parties in the event of the proposed abandonment of any well excepted from said Articles; provided, however, no well shall be permanently plugged and abandoned unless and until all parties having the right to conduct further operations therein have been notified of the proposed abandonment and afforded the opportunity to elect to take over the well in accordance with the provisions of this Article VI.E.

ARTICLE VII.

EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render the parties liable as partners. **It is not the intention of the parties that this contract is made or intended for the benefit of any third person.**

B. Liens and Payment Defaults:

Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil and/or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon at the rate provided in Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the state, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Non-Operator's share of oil and/or gas until the amount owed by such Non-Operator, plus interest, has been paid. Each purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like lien and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

If any party fails or is unable to pay its share of expense within sixty (60) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. Each party so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

C. Payments and Accounting:

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in Exhibit "C". Operator shall keep an accurate record of the joint account hereunder, showing expenses incurred and charges and credits made and received.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an ~~estimated statement of such estimated expense, together with an~~ invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual expense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

D. Limitation of Expenditures:

1. Drill or Deepen: Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the drilling or deepening shall include:

ARTICLE VII
continued

☒ **Option No. 1:** All necessary expenditures for the drilling or deepening, testing, completing and equipping of the well, including necessary tankage and/or surface facilities.

☐ **Option No. 2:** All necessary expenditures for the drilling or deepening and testing of the well. When such well has reached its authorized depth, and all tests have been completed, and the results thereof furnished to the parties, Operator shall give immediate notice to the Non-Operators who have the right to participate in the completion costs. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect to participate in the setting of casing and the completion attempt. Such election, when made, shall include consent to all necessary expenditures for the completing and equipping of such well, including necessary tankage and/or surface facilities. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the completion attempt. If one or more, but less than all of the parties, elect to set pipe and to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening or plugging back" as contained in Article VI.B.2. shall be deemed to include "completing") shall apply to the operations thereafter conducted by less than all parties.

2. Rework or Plug Back: Without the consent of all parties, no well shall be reworked or plugged back except a well reworked or plugged back pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the reworking or plugging back of a well shall include all necessary expenditures in conducting such operations and completing and equipping of said well, including necessary tankage and/or surface facilities.

3. Other Operations: Without the consent of all parties, Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Twenty-five thousand Dollars (\$ 25,000.00) except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares an authority for expenditure (AFE) for its own use, Operator shall furnish any Non-Operator so requesting an information copy thereof for any single project costing in excess of Fifteen thousand Dollars (\$ 15,000.00), but less than the amount first set forth above in this paragraph.

E. Rentals, Shut-in Well Payments and Minimum Royalties:

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the provisions of Article IV.B.2.

Operator shall notify Non-Operator of the anticipated completion of a shut-in gas well, or the shutting in or return to production of a producing gas well, at least five (5) days (excluding Saturday, Sunday and legal holidays), or at the earliest opportunity permitted by circumstances, prior to taking such action, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operator, the loss of any lease contributed hereto by Non-Operator for failure to make timely payments of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

F. Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests contributed by such Non-Operator. If the assessed valuation of any leasehold estate is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such leasehold estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the joint account shall be made and paid by the parties hereto in accordance with the tax value generated by each party's working interest. Operator shall bill the other parties for their proportionate shares of all tax payments in the manner provided in Exhibit "C".

If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C".

Each party shall pay or cause to be paid all production, severance, excise, gathering and other taxes imposed upon or with respect to the production or handling of such party's share of oil and/or gas produced under the terms of this agreement.

ARTICLE VII
continued

G. Insurance:

At all times while operations are conducted hereunder, Operator shall comply with the workmen's compensation law of the state where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be as provided in Exhibit "C". Operator shall also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the workmen's compensation law of the state where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event automobile public liability insurance is specified in said Exhibit "D", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's automotive equipment.

ARTICLE VIII.
ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

The leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole or in part unless all parties consent thereto.

However, should any party desire to surrender its interest in any lease or in any portion thereof, and the other parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not consenting to such surrender. If the interest of the assigning party is or includes an oil and gas interest, the assigning party shall execute and deliver to the party or parties not consenting to such surrender an oil and gas lease covering such oil and gas interest for a term of one (1) year and so long thereafter as oil and/or gas is produced from the land covered thereby, such lease to be on the form attached hereto as Exhibit "B". Upon such assignment or lease, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the interest assigned or leased and the operation of any well attributable thereto, and the assigning party shall have no further interest in the assigned or leased premises and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The party assignee or lessee shall pay to the party assignor or lessor the reasonable salvage value of the latter's interest in any wells and equipment attributable to the assigned or leased acreage. The value of all material shall be determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment or lease is in favor of more than one party, the interest shall be shared by such parties in the proportions that the interest of each bears to the total interest of all such parties.

Any assignment, lease or surrender made under this provision shall not reduce or change the assignor's, lessor's or surrendering party's interest as it was immediately before the assignment, lease or surrender in the balance of the Contract Area; and the acreage assigned, leased or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

B. Renewal or Extension of Leases:

If any party secures a renewal of any oil and gas lease subject to this agreement, all other parties shall be notified promptly, and shall have the right for a period of thirty (30) days following receipt of such notice in which to elect to participate in the ownership of the renewal lease, insofar as such lease affects lands within the Contract Area, by paying to the party who acquired it their several proper proportionate shares of the acquisition cost allocated to that part of such lease within the Contract Area, which shall be in proportion to the interests held at that time by the parties in the Contract Area.

If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal lease. Any renewal lease in which less than all parties elect to participate shall not be subject to this agreement.

Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest therein by the acquiring party.

The provisions of this Article shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subject to the provisions of this agreement.

The provisions in this Article shall also be applicable to extensions of oil and gas leases.

C. Acreage or Cash Contributions:

While this agreement is in force, if any party contracts for a contribution of cash towards the drilling of a well or any other operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions

ARTICLE VIII
continued

said Drilling Parties shared the cost of drilling the well. Such acreage shall become a separate Contract Area and, to the extent possible, be governed by provisions identical to this agreement. Each party shall promptly notify all other parties of any acreage or cash contributions it may obtain in support of any well or any other operation on the Contract Area. The above provisions shall also be applicable to optional rights to earn acreage outside the Contract Area which are in support of a well drilled inside the Contract Area.

If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder, such consideration shall not be deemed a contribution as contemplated in this Article VIII.C.

D. Maintenance of Uniform Interest:

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Contract Area and in wells, equipment and production unless such disposition covers either:

1. the entire interest of the party in all leases and equipment and production; or
2. an equal undivided interest in all leases and equipment and production in the Contract Area.

Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement and shall be made without prejudice to the right of the other parties.

If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion, may require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interest within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

E. Waiver of Rights to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest therein.

~~**F. Preferential Right to Purchase:**~~

~~Should any party desire to sell all or any part of its interests under this agreement, or its rights and interests in the Contract Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent company, or to a subsidiary of a parent company, or to any company in which any one party owns a majority of the stock.~~

ARTICLE IX.
INTERNAL REVENUE CODE ELECTION

This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provision herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No such party shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from operations hereunder can be adequately determined without the computation of partnership taxable income.

ARTICLE X.
CLAIMS AND LAWSUITS

Operator may settle any single uninsured third party damage claim or suit arising from operations hereunder if the expenditure does not exceed Ten Thousand and no/100----- Dollars \$10,000.00, and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expenses of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties participating in the operation from which the claim or suit arises. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, such party shall immediately notify all other parties, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.
FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure", as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

ARTICLE XII.
NOTICES

All notices authorized or required between the parties and required by any of the provisions of this agreement, unless otherwise specifically provided, shall be given in writing by mail or telegram, postage or charges prepaid, or by telex or telecopier and addressed to the parties to whom the notice is given at the addresses listed on Exhibit "A". The originating notice given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed, and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the mail or with the telegraph company, with postage or charges prepaid, or sent by telex or telecopier. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties.

ARTICLE XIII.
TERM OF AGREEMENT

This agreement shall remain in full force and effect as to the oil and gas leases and/or oil and gas interests subject hereto for the period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any lease or oil and gas interest contributed by any other party beyond the term of this agreement.

☐ Option No. 1: So long as any of the oil and gas leases subject to this agreement remain or are continued in force as to any part of the Contract Area, whether by production, extension, renewal or otherwise.

☒ Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in production of oil and/or gas in paying quantities, this agreement shall continue in force so long as any such well or wells produce, or are capable of production, and for an additional period of 90 days from cessation of all production; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling, reworking, deepening, plugging back, testing or attempting to complete a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil and/or gas from the Contract Area, this agreement shall terminate unless drilling, deepening, plugging back or reworking operations are commenced within 90 days from the date of abandonment of said well.

It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the conservation laws of the state in which the Contract Area is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations, and orders.

B. Governing Law:

This agreement and all matters pertaining hereto, including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. If the Contract Area is in two or more states, the law of the state of New Mexico shall govern.

C. Regulatory Agencies:

Nothing herein contained shall grant, or be construed to grant, Operator the right or authority to waive or release any rights, privileges, or obligations which Non-Operators may have under federal or state laws or under rules, regulations or orders promulgated under such laws in reference to oil, gas and mineral operations, including the location, operation, or production of wells, on tracts offsetting or adjacent to the Contract Area.

With respect to operations hereunder, Non-Operators agree to release Operator from any and all losses, damages, injuries, claims and causes of action arising out of, incident to or resulting directly or indirectly from Operator's interpretation or application of rules, rulings, regulations or orders of the Department of Energy or predecessor or successor agencies to the extent such interpretation or application was made in good faith. Each Non-Operator further agrees to reimburse Operator for any amounts applicable to such Non-Operator's share of production that Operator may be required to refund, rebate or pay as a result of such an incorrect interpretation or application, together with interest and penalties thereon owing by Operator as a result of such incorrect interpretation or application.

Non-Operators authorize Operator to prepare and submit such documents as may be required to be submitted to the purchaser of any crude oil sold hereunder or to any other person or entity pursuant to the requirements of the "Crude Oil Windfall Profit Tax Act of 1980", as same may be amended from time to time ("Act"), and any valid regulations or rules which may be issued by the Treasury Department from time to time pursuant to said Act. Each party hereto agrees to furnish any and all certifications or other information which is required to be furnished by said Act in a timely manner and in sufficient detail to permit compliance with said Act.

ARTICLE XV.
OTHER PROVISIONS

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 15th day of March 19 90.

OPERATOR

MESA OPERATING LIMITED PARTNERSHIP
By: Pickens Operating Co., General Partner

By: Richard W. Petrie
Richard W. Petrie
Manager-Land & Acquisitions *ms*

NON-OPERATORS

AMOCO PRODUCTION COMPANY

By: _____

CONOCO, INC.

By: _____

FINA OIL AND CHEMICAL COMPANY

By: Thomas M. Wadsworth
Thomas M. Wadsworth
Attorney-in-Fact *RED*
AMERICAN ROYALTY PRODUCING COMPANY

By: _____

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of _____ day of _____ 19____.

OPERATOR

MESA OPERATING LIMITED PARTNERSHIP
By: Pickens Operating Co., General Partner

By: _____
Richard W. Petrie
Manager-Land & Acquisitions

NON-OPERATORS

AMOCO PRODUCTION COMPANY

By: _____
CONOCO, INC.

FINA OIL & CHEMICAL COMPANY

By: _____

AMERICAN ROYALTY PRODUCING COMPANY

By: _____

EXHIBIT "A"

Attached to and made a part of that certain Operating Agreement dated March 15, 1990, by and between Mesa Operating Limited Partnership as Operator and Amoco Production Company, Conoco, Inc. and Fina Oil & Chemical Company as Non-Operators.

(1) Identification of lands subject to agreement:

Township 30 North, Range 9 West
Section 36: S/2
San Juan County, New Mexico

(2) Restriction, if any, as to depths or formations: Fruitland Coal

(3) Percentages or fractional interest of parties to this agreement:

Mesa Operating Limited Partnership	83.60%
Amoco Production Company	7.71%
Conoco, Inc.	7.72%
Fina Oil & Chemical Company	.97%

(4) Addresses:

Mesa Operating Limited Partnership
P. O. Box 2009
Amarillo TX 79189-2009

Amoco Production Company
P. O. Box 800
Denver CO 80201-0800

Conoco, Inc.
Box 460
Hobbs NM 88240

Fina Oil & Chemical Company
P. O. Box 2990
Midland TX 79702

EXHIBIT

" C "

Attached to and made a part of that certain Operating Agreement dated March 15, 1990
by and between Mesa Operating Limited Partnership, as Operator, and
Amoco Production Company, Conoco, Inc., Fina Oil & Chemical Company, American
Royalty Producing Company, as Non-Operators.

ACCOUNTING PROCEDURE JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the Parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

A. Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation within fifteen (15) days after receipt of the billing or by the first day of the month for which the advance is required, whichever is later. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

B. Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the prime rate in effect at Texas Commerce Bank, Houston, Texas on the first day of the month in which delinquency occurs plus 1% or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

5. Audits

- A. A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct a joint audit in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator. The audits shall not be conducted more than once each year without prior approval of Operator, except upon the resignation or removal of the Operator, and shall be made at the expense of those Non-Operators approving such audit.
- B. The Operator shall reply in writing to an audit report within 180 days after receipt of such report.

6. Approval By Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Ecological and Environmental

Costs incurred for the benefit of the Joint Property as a result of governmental or regulatory requirements to satisfy environmental considerations applicable to the Joint Operations. Such costs may include surveys of an ecological or archaeological nature and pollution control procedures as required by applicable laws and regulations.

2. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

3. Labor

- A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.
- (2) Salaries of First Level Supervisors in the field.
- (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the overhead rates.
- (4) Salaries and wages of Technical Employees either temporarily or permanently assigned to and directly employed in the operation of the Joint Property if such charges are excluded from the overhead rates.
- B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3A of this Section II. Such costs under this Paragraph 3B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 3A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
- C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II.
- D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3A of this Section II.

4. Employee Benefits

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II shall be Operator's actual cost not to exceed the percent most recently recommended by the Council of Petroleum Accountants Societies.

5. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

6. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

- A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store where like material is normally available or railway receiving point nearest the Joint Property unless agreed to by the Parties.

- B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store where like material is normally available, or railway receiving point nearest the Joint Property unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.
- C. In the application of subparagraphs A and B above, the option to equalize or charge actual trucking cost is available when the actual charge is \$400 or less excluding accessorial charges. The \$400 will be adjusted to the amount most recently recommended by the Council of Petroleum Accountants Societies.

7. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 10 of Section II and Paragraph i, ii, and iii, of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

8. Equipment and Facilities Furnished By Operator

- A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on gross investment less accumulated depreciation not to exceed twelve percent (12%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.
- B. In lieu of charges in paragraph 8A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

9. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

10. Legal Expense

Costs and expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, and the costs and expenses incurred in connection with hearings and other matters before governmental bodies and agencies and costs and expenses incurred in examining and curing title, except that no charge for services of Operator's legal staff shall be made.

11. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the Joint Account shall be made and paid by the Parties hereto in accordance with the tax value generated by each party's working interest.

12. Insurance (See Exhibit "D" attached)

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Worker's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

13. Abandonment and Reclamation

Costs incurred for abandonment of the Joint Property, including costs required by governmental or other regulatory authority.

14. Communications

Cost of acquiring, leasing, installing, operating, repairing and maintaining communication systems, including radio and microwave facilities directly serving the Joint Property. In the event communication facilities/systems serving the Joint Property are Operator owned, charges to the Joint Account shall be made as provided in Paragraph 8 of this Section II.

15. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III and which is of direct benefit to the Joint Property and is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

- i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

(X) Fixed Rate Basis. Paragraph 1A. or "See Schedule I Attached hereto and made a part hereof"
 () Percentage Basis. Paragraph 1B

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 3A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

- ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property:

() shall be covered by the overhead rates, or
 (X) shall not be covered by the overhead rates.

- iii. The salaries, wages and Personal Expenses of Technical Employees and/or costs of professional consultant services and contract services of technical personnel either temporarily or permanently assigned to and directly employed in the operation of the Joint Property:

(X) shall be covered by the overhead rates, or
 () shall not be covered by the overhead rates.

A. Overhead - Fixed Rate Basis

- (1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 3831
 (Prorated for less than a full month)

Producing Well Rate \$ 382

- (2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

- (1) Charges for drilling wells shall begin on the date the well is spudded and terminate on the date the drilling rig, completion rig, or other units used in completion of the well is released, whichever is later, except that no charge shall be made during suspension of drilling or completion operations for fifteen (15) or more consecutive calendar days.
- (2) Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive work days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig or other units used in workover, commence through date of rig or other unit release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive calendar days.

(b) Producing Well Rates

- (1) An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
 - (2) Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
 - (3) An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
 - (4) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well. This one-well charge shall be made whether or not the well has produced except when drilling well rate applies.
 - (5) All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.
- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. 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 calendar year preceding 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, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

B. Overhead - Percentage Basis

- (1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (_____ %) of the cost of development of the Joint Property exclusive of costs provided under Paragraph 10 of Section II and all salvage credits.

(b) Operating

_____ Percent (_____ %) of the cost of operating the Joint Property exclusive of costs provided under Paragraphs 2 and 10 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

(2) Application of Overhead - Percentage Basis shall be as follows:

For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, deepening, or any remedial operations on any or all wells involving the use of drilling rig and crew capable of drilling to the producing interval on the Joint Property; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as operating.

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for overhead based on the following rates for any Major Construction project in excess of \$25,000.00:

- A. 5 % of first \$100,000 or total cost if less, plus
- B. 3 % of costs in excess of \$100,000 but less than \$1,000,000, plus
- C. 2 % of costs in excess of \$1,000,000.

*

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells and artificial lift equipment shall be excluded.

3. Catastrophe Overhead

To compensate Operator for overhead costs incurred in the event of expenditures resulting from a single occurrence due to oil spill, blowout, explosion, fire, storm, hurricane, or other catastrophes as agreed to by the Parties, which are necessary to restore the Joint Property to the equivalent condition that existed prior to the event causing the expenditures, Operator shall either negotiate a rate prior to charging the Joint Account or shall charge the Joint Account for overhead based on the following rates:

- A. 5 % of total costs through \$100,000; plus
- B. 3 % of total costs in excess of \$100,000 but less than \$1,000,000; plus
- C. 2 % of total costs in excess of \$1,000,000.

Expenditures subject to the overheads above will not be reduced by insurance recoveries, and no other overhead provisions of this Section III shall apply.

4. Amendment of Rates

The overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

*When design and engineering is furnished by third party contractors and charged to the Joint Account, the construction overhead charges on projects in excess of \$25,000.00 shall be 1-1/2% of total cost.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all Material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reasons, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following basis:

A. New Material (Condition A)

(1) Tubular Goods Other than Line Pipe

- (a) Tubular goods, sized 2-3/8" OD and larger, except line pipe shall be priced at the current market price based on the average monthly spot market price as determined by Pipe Logix, Inc. which is published in the American Metal Market Magazine effective on the date of movement plus transportation cost to be calculated by using the Oil Field Haulers Association's published interstate 30,000 pound truck rate from the nearest reliable supply store to the Joint Property which handles such material.
- (b) For grades which are special to one mill only shall be priced at the actual cost of that material plus transportation cost to be calculated by using the Oil Field Haulers Association's published interstate 30,000 pound truck rate from the nearest reliable supply store to the Joint Property which handles such material.
- (c) Special end finish tubular goods shall be priced at the actual cost of that material plus transportation cost to be calculated by using the Oil Field Haulers Association's published interstate 30,000 pound truck rate from the nearest reliable supply store to the Joint Property which handles such material.
- (d) Macaroni tubing (size less than 2-3/8 inch OD) shall be priced at the actual cost of that material plus transportation cost to be calculated by using the Oil Field Haulers Association's published interstate truck rate per weight of the tubing transferred from the nearest reliable supply store to the Joint Property which handles such material.

(2) Line Pipe

- (a) Line pipe movements (except size 24 inch OD and larger with walls 3/4 inch and over) 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above.

- (b) Line pipe movements (except size 24 inch OD and larger with walls 3/4 inch and over) less than 30,000 pounds shall be priced under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above.
- (c) Line pipe 24 inch OD and over and 3/4 inch wall and larger shall be priced under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above.
- (3) Other Material shall be priced at the actual cost of that material, plus transportation costs to be calculated by using Oil Field Haulers Association's published interstate 30,000 pound truck rates from the nearest reliable supply store to the Joint Property which handles such material.
- (4) Unused new Material moved from the Joint Property shall be priced as provided above in Paragraph 2 A (1) and (2).

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

- (1) Material moved to the Joint Property

At seventy-five percent (75%) of current new price, as determined by Paragraph A.

- (2) Material used on and moved from the Joint Property

- (a) At seventy-five percent (75%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as new Material or

- (b) At sixty-five percent (65%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as used material.

- (3) Material not used on and moved from the Joint Property

At seventy-five percent (75%) of current new price as determined by Paragraph A.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material

- (1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph A. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

- (2) Condition D

Material, excluding junk, no longer suitable for its original purpose, but usable for some other purpose shall be priced on a basis commensurate with its use. Operator may dispose of Condition D Material under procedures normally used by Operator without prior approval of Non-Operators.

- (a) Casing, tubing, or drill pipe used as line pipe shall be priced as Grade A and B seamless line pipe of comparable size and weight. Used casing, tubing or drill pipe utilized as line pipe shall be priced at used line pipe prices.

- (b) Casing, tubing or drill pipe used as higher pressure service lines than standard line pipe, e.g. power oil lines, shall be priced under normal pricing procedures for casing, tubing, or drill pipe. Upset tubular goods shall be priced on a non upset basis.

(3) Condition E

Junk shall be priced at prevailing prices. Operator may dispose of Condition E Material under procedure normally utilized by Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

- (1) Loading or unloading costs may be charged to the Joint Account at the rate of twenty-five cents (25¢) per hundred weight on all tubular goods movements, in lieu of actual loading or unloading costs sustained at the stocking point. The above rate shall be adjusted as of the first day of April each year following January 1, 1985 by the same percentage increase or decrease used to adjust overhead rates in Section III, Paragraph 1.A(3). Each year, the rate calculated shall be rounded to the nearest cent and shall be the rate in effect until the first day of April next year. Such rate shall be published each year by the Council of Petroleum Accountants Societies.
- (2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Adjustments to the Joint Account resulting from the reconciliation of a physical inventory shall be made within six months following the taking of the inventory. Inventory adjustments shall be made by Operator to the Joint Account for overages and shortages, but, Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special inventories may be taken whenever there is any sale, change of interest, or change of Operator in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory. In cases involving a change of Operator, all Parties shall be governed by such inventory.

4. Expense of Conducting Inventories

- A. The expense of conducting periodic inventories shall not be charged to the Joint Account unless agreed to by the Parties.
- B. The expense of conducting special inventories shall be charged to the Parties requesting such inventories, except inventories required due to change of Operator shall be charged to the Joint Account.

SCHEDULE I

Attached to and made a part of Joint Operating Agreement dated March 15, 1990
by and between Mesa Operating Limited Partnership, as Operator, and Amoco
Production Company, Conoco, Inc., Fina Oil & Chemical Company, American Royalty Producing
Company as Non-Operators.

The Combined Fixed Rates, as heretofore provided under Section III, Paragraph A. of the COPAS Accounting Procedure to which this schedule is attached, shall be in lieu of all charges to the Joint Account for the indirect costs and expenses incurred by Operator in providing the joint operations with the producing and development functions and services hereinafter identified as Compensation for Administrative, Supervision, Office Services and Warehousing costs.

The following reflects a representative abridged listing of the functions and/or services which shall be considered as included in the Operator's District Expense and Warehousing, and should serve as a guide for similar functions intended to be covered by the Combined Fixed Rates even though some of the functions may be contract services performed by third parties.

Salaries, Benefits and Related Costs of Field, Area and/or District:

Managers and/or Superintendents

Foreman - Superintendent

Drilling - (Except when permitted as a direct charge under
Para. 1.ii, Sec. III)

Production - (Except when permitted as a direct charge under
Para. 1.ii, Sec. III)

Construction - (Except when permitted as a direct charge under
Para. 1.ii, Sec. III)

Production Engineers - (Except when permitted as a direct charge
under Para. 1.ii, Sec. III)

Production Geologists - (Except when permitted as a direct charge
under Para. 1.ii, Sec. III)

Other Technical Employees - (Except when permitted as a direct
charge under Para. 1.ii, Sec. III)

Office Stenographers

Office Clerks

Time Keeping

Preparation of Boat, Automotive and Other Vehicle Reports

Local Purchasing (Field Orders)

Preparation and Coding of Invoices

Preparation of Material Requisitions

Preparation of Field Transfers

Preparation of Field Receiving Reports

Posting of Production Reports

Preparation of Over and Short Reports

Reading and Integration of Charts

Preparation of Field Gas Production and Consumption Report

Preparation of Field Office Reports to State and Federal

Regulatory Bodies

Miscellaneous Routine Field Office Clerical Duties

Field Office Inventory Men

Conducting Physical Inventories

Preparation of Field Inventory Records

Office Equipment, Supplies, Stationery and Forms

Maps, Photostats and Blueprints, when required for general
District Use.

Rentals

Rentals paid for buildings, office and storage space used by
District employees.

Rentals paid in connection with sites for District production
offices, camps, warehouses and other facilities used specifically
for District purposes.

Ad Valorem Taxes

Taxes paid on buildings and equipment charged to Operator's
Field, Area, and/or District investment accounts.

Insurance

Net cost of all types of insurance, including workmen's compensation and public liability insurance; when such insurance is applicable to District.

The following reflects a representative abridged listing of the functions and/or services which shall be considered as included in the Operator's Administrative Overhead, and should serve as a guide for similar functions intended to be covered by the combined Fixed Rates even though some of the functions may be contract services performed by third parties.

General Management

General Operating Administration

Drilling Managers and/or Superintendents and Office Staffs
Production Managers and/or Superintendents and Office Staffs
Civil Engineers - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)
Reservoir Analysis and Engineering
Petroleum Engineers - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)
Negotiation of Production and Residue Gas Sales
Negotiation of Major Gas Sales
Preparation and Negotiation of Joint Operation Agreements
Preparation of General Production Records
Traveling and Transportation Expense of Home, Division, Area, Region, or similar Administrative Office Employees

General Accounting and Services

Checking of invoices
Preparation of Paychecks
Responsibility of Account Distribution or Coding
Payment of Vendor's Invoices
Maintaining Property Investment Records
Preparation of Joint Interest Billing
Preparation of Royalty Checks
Machine Accounting and Data Processing Functions
Photostat and Other Reproduction Service
Ad Valorem Tax Service and/or Counsel
Systems and Procedures
Internal Auditing

Communications Expense - Telephone, telegraph and teletype service rendered to the district; also operating expenses of radio communication systems which serve the district and which are not chargeable to any particular lease or facility operation. The costs applicable to communication service and/or equipment directly employed on and serving the joint property shall be direct charge to the joint property.

Area and/or District Office Utility Services

Local Field, Area and/or District Recreation Facilities

Safety Meetings and/or Dinners

Area and/or District Office Safety Equipment

First Aid Supplies

Physical and Medical Examinations - Cost of pre-employment and medical examinations of personnel to be employed in the district, including costs of annual or periodic examinations and immunizations.

Transportation, including freight and express costs when such costs are incurred directly in the operation and/or maintenance of district offices, buildings, and facilities.

Traveling Expense of district employees when such expense is for the sole benefit of the district. Traveling and personal expenses of district employees attending oil show, API meetings, and company training schools, etc., which are for the primary

benefit of the Operator shall be borne solely by the Operator.

Moving Expenses - Costs of moving and transfer of district employees including relocation expenses such as real estate fees, closing cost, compensation for loss on sale of home, carpeting and draperies, etc., when transferred within or into the district. Costs incurred for the primary benefit of the Operator, such as transfer of trainees, shall be borne solely by the Operator.

Memberships, dues and Subscriptions for Field, Area and/or District Personnel.

Depreciation on Operator's wholly-owned Field, Area, and/or District production offices, equipment, buildings, camps, roads, fences, canals, docks, marine terminals, and slips etc., used for District purposes.

Repair and Maintenance on Operator's wholly-owned Field, Area, and/or District production offices, equipment, buildings, camps, roads, fences, canals, docks, marine terminals, and slips, etc. including the cost of small tools and supplies used specifically for District purposes.

Warehouse - wholly-owned
Depreciation
Operating and Maintenance Expense
Cost of Storing and Handling Material

Title Record and Division Order Administration
Landman and Titlemen
Maintenance of Division of Interest Records
Obtaining Royalty Signatures

Exploration Administration
Geologist - (Except when permitted as a direct charge under Para. 1.ii, Sec., III)
General Research
Geophysicists

General Purchasing Administration

Industrial and Public Relation Administration
Employee Relation Counselor
Safety Engineer
Industrial Nurse and/or Doctor
Dinners, Parties, etc.
Safety Awards
Incentive Awards
Thanksgiving Turkeys or Christmas Baskets
Contributions to Charity and/or Civic Organizations
Special Investigators
Administration of Benefit Plans

General Oil and Gas Well Proration and Pricing Administration
Preparation of Reports to and Representation before
Governmental Agencies

General Legal Counsel (Operator's Legal Staff)
Preparation of Contracts
Claims and Litigation
Title and Other Opinions

Transportation and Traffic Administration

Insurance Administration

EXHIBIT "D"

Attached to and made part of that certain Operating Agreement dated March 15
 , 1990, by and between Mesa Operating Limited Partnership,
as Operator, and Amoco Production Company, Conoco, Inc., Fina Oil & Chemical Company,
American Royalty Producing Company, as Non-Operators.

- I. Operator shall at all times while operations are conducted by it for the Joint Account on the jointly-owned acreage, carry or cause to be carried, pay for, and charge to the Joint Account Worker's Compensation and Occupation Disease Insurance including Employer's Liability Insurance covering the employees of Operator engaged in operations hereunder in compliance with all applicable State and Federal Laws. Such policies shall contain underwriters waiver of subrogation in favor of the Parties.
- II. Operator shall carry for its interest and for the interest of any non-operator so electing to participate in writing, within 60 days of the date of the Operating Agreement, the following types and limits of insurance:
- (A) Comprehensive General Liability covering operations conducted hereunder by Operator for the Parties with Limits of:
- Combined Bodily Injury & Property Damage
\$1,000,000 per occurrence
\$1,000,000 Aggregate
- (B) Automobile Liability covering all vehicles owned, non-owned, or hired and used in connection with operations conducted hereunder by Operator for the Joint Account with limits of:
- Combined Bodily Injury & Property Damage
\$1,000,000 per occurrence
\$1,000,000 Aggregate

The premiums for all such optional insurance so carried in Paragraph II shall be paid by Operator and may be charged directly to such non-operators as elect in writing to participate to the extent that their interest is insured.

- III. Each party hereto may acquire at its own expense, any additional insurance to protect itself. Each such policy shall provide for underwriters waiver of subrogation in favor of the other Parties.
- IV. Operator shall have the right, but not the obligation, to require satisfactory evidence of insurance or self-insurance from each non-operator which does not elect to participate in the optional insurance in Paragraph II above.
- V. Operator shall have the right, but not the obligation, to require satisfactory evidence of adequate insurance or self-insurance for cost of control of well and pollution liability from each non-operator. Operator shall not provide this coverage for the benefit of the Joint Account. In the event that any party fails to provide evidence of insurance as required herein ("failing party"), the Operator may, at its sole discretion, provide such insurance for and at the direct expense of the failing party. Such expense shall be a Joint Account expense if not paid by the failing party. The Operator is under no obligation to provide such insurance for the party so failing to provide satisfactory evidence of its own insurance and nothing contained herein shall be construed to alter the obligations of any party hereunder.

Unit Area to less than 75% of such Over-produced Party's Percentage Ownership in the gas produced. If at any time more than one Under-produced Party is taking in excess of its gas production account, then each such Under-produced Party shall be entitled to a share of the gas production made available by the Over-produced Parties in the ratio that the Percentage Ownership of each Under-produced Party bears to the total Percentage Ownership of all Under-produced Parties currently taking gas.

- (2) For the purposes of balancing production accounts as provided in Section 3 hereof, the Under-produced Party, to the extent it is taking gas in excess of that attributable to its Percentage Ownership, shall be deemed to be recovering volumes of gas offsetting prior over production by the Over-produced Party on a last-in, first-out basis. (Last over-production volume is offset by First Makeup volume).
 - (3) Each party's gas production account is in balance when such party has utilized or sold the same percentage of the total cumulative production from joint wells in a reservoir as such party's Percentage Ownership.
 - (4) It is contemplated that some of the parties may arrange to have their gas processed in a gas processing plant for the recovery of liquefiable hydrocarbons. This Agreement does provide a basis for balancing any liquefiable hydrocarbons recovered from a gas processing plant.
3. When production from a proration unit permanently ceases, there shall be an accounting between the parties hereto so that any Under-produced Party shall receive a sum of money equal to the lesser of: (1) the Under-produced Party's contract price if contracted for or (2) the amount actually received, (including processed liquid proceeds), less applicable taxes, royalty, and costs, such as processing, dehydration, compression and transportation, if not participated in by the Under-produced Party, by any Over-produced Party from the sale or utilization by it of that part of the total cumulative volumes of gas produced from the proration unit to which any Under-produced Party was entitled. If a portion of a Party's gas is taken for its own use and a portion thereof is sold, the gas value will be based on the price received simultaneously by such party for gas being sold from the proration unit. During periods in which a party is taking all of its gas for its own use, any gas so taken will be valued at the maximum price which such party could have received for such gas if actually delivered under such party's contract, or if not, the weighted average price received simultaneously by all parties for gas sold from the proration unit. All Over-produced Parties shall maintain adequate records of prices and volumes of over production and provide same to Under-produced Parties at the time of settlement when production permanently ceases.
 4. During the term hereof, each party selling gas from a proration unit in any month will furnish or cause to be furnished to each of the other Parties a statement showing the volume utilized and sold. The Operator shall furnish monthly to each party a statement showing the status of the over and short accounts of all parties.
 5. Each Party taking gas shall pay any and all production taxes due on the gas.
 6. At all times while gas is produced from the proration unit, each Party hereto shall make settlement with the respective royalty owners to whom they are each accountable, just as if each party were taking or delivering to its purchaser its share, and its share only, of the total gas production. The Over-produced Party will report said production within 30 days following the month of production so that the Under-produced Party can make his royalty payments in a timely manner. Each party hereto agrees to hold each other party harmless from any and all claims for royalty payments asserted by royalty owners to whom each party is accountable. The term "royalty owners" shall include owners of royalty, overriding royalties, production payments and similar interests.

- 7. The operating expenses are to be borne as provided in the Operating Agreement, regardless of whether all parties are selling or using gas or whether the sales and use of each are in proportion to Percentage Ownership. The Operator under the Operating Agreement is authorized to carry out the provisions of this Agreement, but shall not be liable for its failure to do so as long as it acts in good faith and as would a reasonably prudent Operator in the same or similar circumstances.
- 8. This Agreement shall constitute a separate agreement as to each well and as to each separately metered reservoir produced from each well within the proration unit.
- 9. This Agreement shall terminate when production permanently ceases and the parties' gas production accounts are balanced according to this Agreement.
- 10. Each party indemnifies the other parties against all liability for and agrees to defend the parties against all claims which may be asserted by third parties who now or hereafter stand in a contractual relationship with such indemnifying party whenever such claims are based upon said contractual relationship and arise out of the operation of this Agreement or activities of any party under its provision, and further agrees to save the other parties harmless from all judgments or damages sustained and costs incurred in connection therewith.
- 11. The terms, covenants and conditions of this Agreement shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns. The parties agree to give notice of the existence of this Agreement to any successor in interest and make any transfer of any interest subject to the terms of this Agreement.
- 12. This Agreement may be signed in counterpart and each counterpart when taken with all other counterparts shall constitute a binding agreement between the parties. This Agreement shall become effective as to the parties who have executed the Agreement, even though it has not been executed by all parties named herein.

Executed before the undersigned competent witnesses as of the dates shown below, to be effective as of the date of first production.

OPERATOR:

MESA OPERATING LIMITED PARTNERSHIP

By: Pickens Operating Co.
General Partner

WITNESSES:

By: _____
Claude B. Jenkins
Vice President Marketing
Date: _____

WITNESSES:

NON-OPERATORS:

NAME
By: _____
Date: _____

WITNESSES:

NAME
By: _____
Date: _____

attached to and made a part of that certain Operating Agreement dated
March 15, 1990 by and between Mesa Operating Limited
Partnership, as Operator, and Amoco Production Company, Conoco, Inc.,
Fina Oil & Chemical Company, American Royalty Producing Company, as Non-operators
EXHIBIT "F"

CONTRACTOR'S CERTIFICATION FOR
MESA OPERATING LIMITED PARTNERSHIP

A. EQUAL EMPLOYMENT OPPORTUNITY

It is hereby agreed that the following provisions, which are also set forth in Section 202 of Executive Order 11246, are made a part of each agreement and purchase order presently existing or which may be entered into hereafter, between Contractor and Mesa Operating Limited Partnership.

1. Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: Employment, upgrading, demotion or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for the training, including apprenticeship. Contractor agrees to post in conspicuous places, available to employees and applicants of employment, notices to be provided by the contracting officer, setting forth the provisions of this nondiscrimination clause.
2. Contractor will, in all solicitations or advertisements for employees placed by or on behalf of Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.
3. Contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice to be provided by the agency contracting officer, advising the labor union or workers' representatives of the Operator's commitments under Section 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
4. Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor.
5. Contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.
6. In the event of Contractor's non-compliance with the nondiscrimination clauses of this contract or with any of such rules, regulations or orders, this contract may be cancelled, terminated, or suspended in whole or in part and the Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in said Executive Order No. 11246 of September 24, 1965, or by rules, regulation or order of the Secretary of Labor, or as otherwise provided by law.
7. Contractor will include the provisions of Paragraphs (1) through (7) in every subcontract or purchase order unless

exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. Contractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for noncompliance; provided, however, that in the event Contractor becomes involved in, or is threatened with litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Contractor may request the United States to enter into such litigation to protect the interest of the United States.

B. EQUAL EMPLOYMENT OPPORTUNITY REPORTING

Contractor agrees to file with the appropriate federal agency a complete and accurate report on Standard Form 100(EEO-1) within 30 days after the signing of this agreement or the award of any such purchase order, as the case may be, (unless such a report has been filed in the last 12 months), and agrees to continue to file such reports annually, on or before March 31. (41 CFR 60-1.7(a)).

C. AFFIRMATIVE ACTION COMPLIANCE PROGRAM

Contractor agrees to develop and maintain a current written affirmative action compliance program for each of its establishments in accordance with the regulations of the Secretary of Labor promulgated under Executive Order No. 11246, as amended. (41 CFR 60-1.40).

D. CERTIFICATION OF NONSEGREGATED FACILITIES

Contractor, by entering into this contract, certifies that it does not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not permit its employee to perform their services at any location, under its control, where segregated facilities are maintained. It certifies further that it will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it will not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained.

Contractor agrees that a breach of this certification is a violation of the Equal Opportunity clause in this contract. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, creed, color, or national origin, because of habit, local custom, or otherwise. It further agrees that (except where it has obtained identical certifications from proposed subcontractors for specific time periods), it will obtain identical certifications from proposed subcontractors prior to the award of subcontracts exceeding \$10,000 which are not exempt from the provisions of the Equal Opportunity clause; that it will retain such certifications in its files; and that it will forward the following notice to such proposed subcontractors (except where the proposed subcontractors have submitted identical certifications for specific time periods):

NOTICE TO PROSPECTIVE SUBCONTRACTORS OF REQUIREMENT FOR CERTIFICATIONS OF NONSEGREGATED FACILITIES

A Certification of Nonsegregated Facilities, as required by the May 9, 1967 Order (32 F.R. 7439, May 19, 1967) on Elimination of Segregated Facilities, by the Secretary of Labor, must be submitted prior to the award of a subcontract exceeding \$10,000 which is not exempt from the provisions of the Equal Opportunity Clause. The certification may be submitted either for each subcontractor or for all subcontracts during a period (i.e. quarterly, semi-annually, or annually).

E. EMPLOYMENT OF VETERANS

1. The Affirmative Action for Disabled Veterans and Veterans of the Vietnam Era Clause set forth at Section 60-250.4 of Title 41 Code of Federal Regulations is hereby incorporated herein by reference. (This clause is applicable to all contracts or purchase orders for \$10,000 or more.)
2. Contractor agrees further to place the above provisions in any subcontract nonexempt under the rules and regulations promulgated by the Secretary under the Vietnam Era Veterans Readjustment Assistance Act of 1974.

F. EMPLOYMENT OF HANDICAPPED PERSONS

1. The Affirmative Action for Handicapped Workers Clause set forth in Section 60-741.41 of Title 41 Code of Federal Regulations is hereby incorporated herein by reference. (This clause is applicable to all contracts or purchase orders for \$2,500 or more.)
2. Contractor agrees further to place the above provision in any subcontract nonexempt under the rules and regulations promulgated by the Secretary under the Rehabilitation Act of 1973.

AFE/COST ESTIMATE

San Juan Division

Co./Div./Subsid./Dept.

AFE #

ID #

Code General Account #

Exploratory

Development

X

WELL NAME AND LOCATION FC State Com 7
405' FSL & 2720' FWL, Section 36, T30N, R9W, San Juan Co., New Mexico
 DESCRIPTION Drill and complete a 2560' Fruitland Coal Well.

Acct. No.	ITEM DESCRIPTION	Dry Hole Cost	Completion Cost	Production Other
DRILLING & COMPLETION	(A) FOOTAGE 2560 Ft. At \$ 12.60 /Ft. \$ 32,200	\$ 32,200	\$	\$ 32,200
	(B) DAY WORK 1/8 Days At \$ 3600/1200Day 1,800	1,800	9,600	11,400
	(C) MUD - RDMO			
	COMPANY LABOR & SUPERVISOR	1,000	1,000	2,000
	ENGINEERING CONSULTANTS 8/10 Days At \$ 400 /Day 3,200	3,200	4,000	7,200
	GEOLOGICAL CONSULTANTS Days At \$ /Day			
	CONTRACT SERVICES & LABOR	1,000	3,000	4,000
	LOCATION, ROADS, SURVEYS, DAMAGES	15,000	5,000	20,000
	FUEL, LUBE, POWER			
	BITS, HOLE OPENERS, REAMERS, STABILIZERS		600	600
	MUD, CHEMICALS, SERVICES & EQUIP. (A) MUD, CHEM., OIL 3,800	3,800		3,800
	(B) WATER		1,000	1,000
	MUD LOGGING SERVICES			
	LOGGING & PERFORATING	8,000	8,000	16,000
	FORMATION TEST & RELATED EQUIPMENT & SERVICES			
	WELL STIMULATION SERVICES		160,000	160,000
	CORING & RELATED SERVICES			
	CEMENTING SERVICES & ACCESSORIES	3,000	9,000	12,000
	RENTAL EQUIPMENT & TOOLS	500	2,500	3,000
	HAULING & FREIGHT	200	1,400	1,600
	CATERING & OTHER Days At \$ /Day			
	MOBILIZATION - INSTALLATION (DRILLING PLATFORMS)			
	DEMOBILIZATION - DISMANTLING & SALVAGE (DRILLING PLATFORMS)			
	SUPPLYBOATS, CREWBOATS, BARGES, TUGS			
	SHOREBASE, OFFICE, DOCK FEE & CRANES			
	AIRCRAFT RENTALS - HELICOPTERS, FIXED WING			
	DIVERS AND RELATED EQUIPMENT			
	MISCELLANEOUS	3,500	10,300	13,800
	OVERHEAD Days At \$ /Day 1,000	1,000	1,500	2,500
	Total Intangible Costs	\$ 74,200	\$ 216,900	\$ 291,100
	COMPANY LABOR & SUPERVISION	\$	\$	\$
	OUTSIDE LABOR & SERVICES			
SING ND 3ING	Footage Size Weight Grade Cplg. Price/Ft.			
	(A) 200 8 5/8 24# K-55 STC 9.00 1,800	1,800		1,800
	(B) 2560 5 1/2 17# N-80 LTC 7.50		19,200	19,200
	(C) 2510 2 3/8 4.7# J-55 EUE 2.25		5,600	5,600
	(D)			
	(E)			
	(F)			
	(G)			
	SUB-SURFACE WELL EQUIPMENT			
	WELLHEAD & GUIDE STRUCTURE	1,000	3,000	4,000
	SURFACE WELL EQUIPMENT Artificial Lift		40,000	40,000
	TREATERS & SEPARATORS		18,000	18,000
	COMPRESSORS 500 BBL Heated Tank		5,000	5,000
	BUILDINGS			
	BUOYS AND MARKERS			
	MISC. MATERIALS INSTALLATION & SERVICES		11,000	11,000
	CONSTRUCTION OVERHEAD			
	Total Tangible Costs	\$ 2,800	\$ 101,800	\$ 104,600
	Total Costs	\$ 77,000	\$ 318,700	\$ 395,700

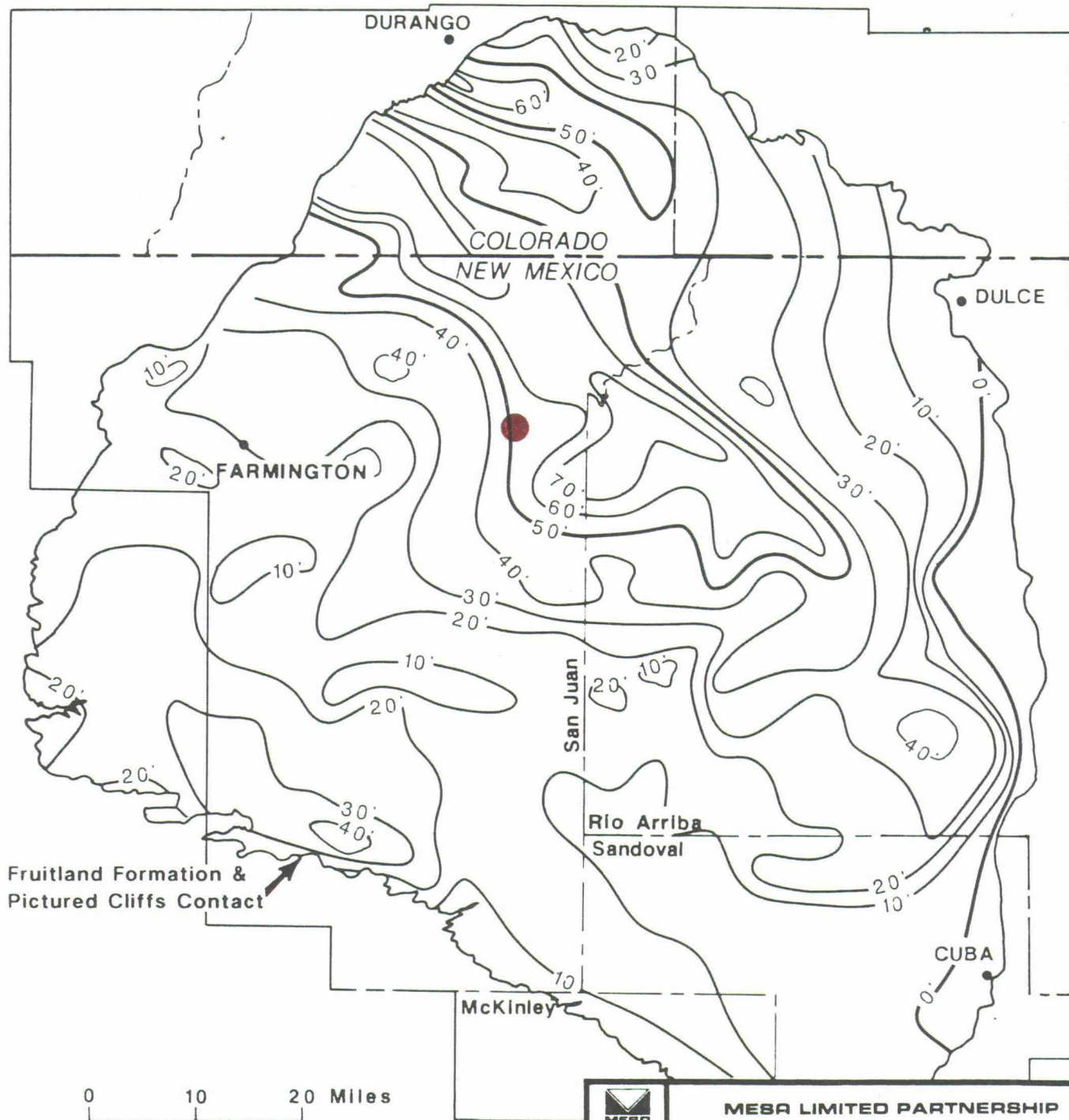
By Richard L. Cottrell Title Sr Drlg Engr Date 3-7-90
 By Elwin C. Hance Title Supv Drlg Date 3-9-90

Mesa W
Others W

BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION

EXHIBIT NO. 3

CASE NO. 9983



● Proposed Well Location

* Adapted from Geologic Survey
Professional Paper #676

Exhibit 4



MESA LIMITED PARTNERSHIP

SAN JUAN BASIN
Fruitland Coal Isopach
C.I. = 10'

APPLICATION FOR COMPULSORY POOLING

CASE NO. 9983

July 11, 1990

FC State Com. #7

830' FSL, 2490' FWL

Section 36, T30N-R9W

San Juan County, New Mexico



0 10 20 Miles

● Proposed Well Location
○ Control

* From Geologic Evaluation of Critical Production
Parameters for Coalbed Methane Resources:
GAS RESEARCH INSTITUTE, Published: Jan. 1990

Exhibit 5



MESA LIMITED PARTNERSHIP

SAN JUAN BASIN
Bottom Hole Pressure
C.I. = 200 psi

APPLICATION FOR COMPULSORY POOLING
CASE NO. 9983

July 11, 1990

FC State Com. #7

830' FSL, 2490' FWL

Section 36, T30N-R9W

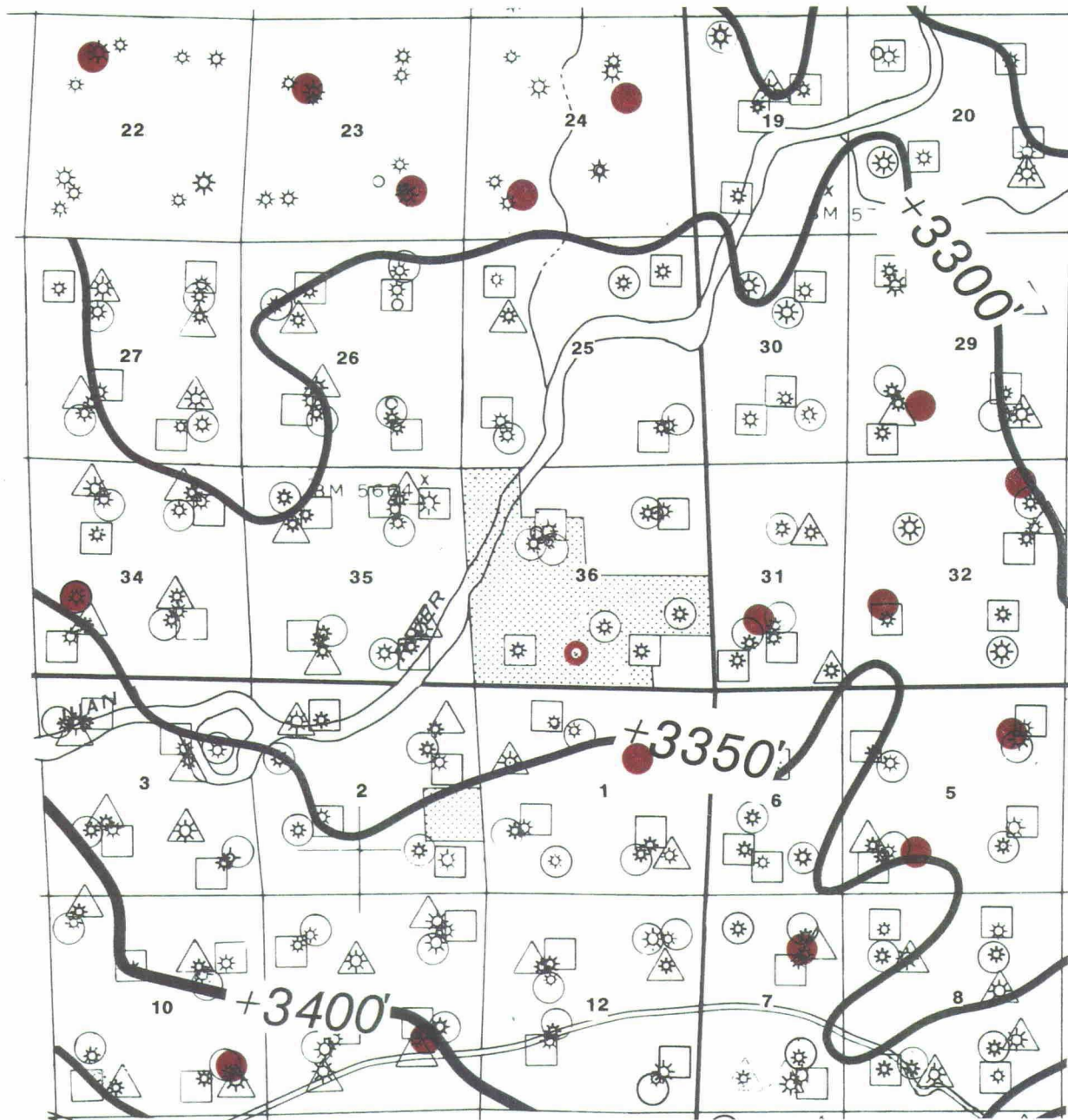
San Juan County, New Mexico

R 9 W

R 8 W

T
30
N

T
29
N



- Proposed Well Location
- Fruitland Coal Completion

Exhibit 6



MESA LIMITED PARTNERSHIP

SAN JUAN BASIN

Structure: Base Fruitland Formation
C.I. = 50'

APPLICATION FOR COMPULSORY POOLING
CASE NO. 9983

July 11, 1990

FC State Com. #7

830' FSL, 2490' FWL

Section 36, T30N-R9W

San Juan County, New Mexico

APPLICATION FOR COMPULSORY POOLING

CASE NO. 9983

JULY 11, 1990

FC STATE COM #7

830' FSL, 2490' FWL

SECTION 36-T30N-R9W

SAN JUAN COUNTY, NEW MEXICO

OFFSET PRODUCTION DETAIL

<u>LOCATION</u>	<u>WELL NAME</u>	<u>OPERATOR</u>	<u>SURFACE SHUT-IN*</u> <u>PRESSURE (psia)</u>	<u>CURRENT**</u> <u>MCFD/BWPD</u>	<u>CUMULATIVE*</u> <u>MMCF</u>
NE/4 S. 5 T29N-R8W	Sunray #210	Meridian	779	95/0	103
SW/4 S. 5 T29N-R8W	Sunray #211	Meridian	762	128/0	70
NE/4 S. 7 T29N-R8W	CNP		N/A		
NE/4 S. 1 T29N-R9W	CNP		560		
SE/4 S. 10 T29N-R9W	A.L. Elliott J #1	Amoco	N/A	100/0	27
SE/4 S. 11 T29N-R9W	A.L. Elliott D #4	Amoco	N/A	26/0	11
SW/4 S. 29 T30N-R8W	Howell E #301	Meridian	801	88/0	28
SW/4 S. 31 T30N-R8W	CNP		511		
SW/4 S. 32 T30N-R8W	CNP		823		
NE/4 S. 32 T30N-R8W	CNP		645		
NW/4 S. 22 T30N-R9W	CNP		N/A		
NW/4 S. 23 T30N-R9W	CNP		N/A		
SE/4 S. 23 T30N-R9W	CNP		N/A		
NE/4 S. 24 T30N-R9W	CNP		N/A		
SW/4 S. 24 T30N-R9W	CNP		666		
SW/4 S. 34 T30N-R9W	Likins Gas Com A #4	Amoco	N/A	163/0	64

* Through February 1990 Dwight's Energydata Inc.

**Three-month average daily rate when available

N/A - Not available

CNP - Completed not producing

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

CASE NO. 9983

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

Z. Swift Hall

SUBSCRIBED AND SWORN to before me this 21st day of June, 1990,
by J. Scott Hall.

Rose A. Otero

My Commission Expires:

3/22/92

EXHIBIT NO. 8

BEFORE THE
OIL CONSERVATION DIVISION
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT

IN THE MATTER OF THE APPLICATION OF
MESA OPERATING LIMITED PARTNERSHIP
FOR COMPULSORY POOLING, SAN JUAN
COUNTY, NEW MEXICO.

CASE NO. _____

APPLICATION

MESA OPERATING LIMITED PARTNERSHIP by its undersigned attorneys, Miller, Stratvert, Torgerson & Schlenker, P.A., hereby makes application pursuant to section 70-2-17, N.M.S.A. (1978) for an order pooling all of the mineral interests in the Fruitland formation for development on 320-acre spacing in and under the S/2 of Section 36, Township 30 North, Range 9 West, N.M.P.M., San Juan County, New Mexico, and in support thereof would show the Division:

1. Applicant owns approximately 84% of the working interest in and under the S/2 of Section 36, and Applicant has the right to drill thereon.

2. Applicant proposes to dedicate the above-referenced pooled unit to its Mesa FC State Com #7 well to be located at a standard location in the S/2 of said Section 36.

3. Applicant has been unable to obtain voluntary agreement for pooling or farmout from all other interest owners in the S/2 of said Section 36.

4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled, and Applicant should be designated the operator of the well to be drilled.

WHEREFORE, Applicant prays that this application be set for hearing before a duly appointed examiner of the Oil Conservation Division on June 27, 1990, and that after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions for Applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges, and imposing a risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well, and making such other and further provisions as may be proper in the premises.

MILLER, STRATVERT, TORGERSON
& SCHLENKER, P.A.

By J. Scott Hall
J. Scott Hall
Suite 303
125 Lincoln Avenue
Santa Fe, New Mexico 87501
Telephone: (505) 989-9614

ATTORNEYS FOR MESA OPERATING
LIMITED PARTNERSHIP

jsh\sc#7.app

MILLER, STRATVERT, TORGERSON & SCHLENKER, P. A.

LAW OFFICES

RANNE B. MILLER
WILLIAM K. STRATVERT
ALAN C. TORGERSON
KENDALL O. SCHLENKER
ALICE TOMLINSON LORENZ
GREGORY W. CHASE
ALAN KONRAD
MARGO J. MCCORMICK
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ALBUQUERQUE
500 MARQUETTE, N. W., SUITE 1100
POST OFFICE BOX 25687
ALBUQUERQUE, NM 87125
TELEPHONE: (505) 842-1950
FACSIMILE: (505) 243-4408

FARMINGTON
300 WEST ARRINGTON
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FARMINGTON, NM 87499
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277 EAST AMADOR
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LAS CRUCES, NM 88004
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FACSIMILE: (505) 526-2215

SANTA FE
125 LINCOLN AVE., SUITE 303
POST OFFICE BOX 1986
SANTA FE, NM 87504-1986
TELEPHONE: (505) 989-9614
FACSIMILE: (505) 989-9857

KENNETH R. BRANDT (1946 - 1981)

June 5, 1990

PLEASE REPLY TO SANTA FE

Conoco, Inc.
P. O. Box 460
Hobbs, NM 88240

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

RE: Application of Mesa Operating Limited Partnership for
Compulsory Pooling, San Juan County, New Mexico:
(FC State Com #7)

Dear Sirs:

This will advise that Mesa Operating Limited Partnership has filed an application with the New Mexico Oil conservation Division seeking an order for the compulsory pooling of all mineral interests in the Fruitland formation in and under the S/2 Section 36, Township 30 North, Range 9 West, NMPM, San Juan County, New Mexico.. (A copy of the application is enclosed.) Mesa Operating Limited Partnership proposes to dedicate the referenced pooled unit to a well to be drilled at a standard location in the SW/4 of said Section 36.

This application will be set for hearing before a Division Examiner on June 27, 1990 at the New Mexico State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico. You are not required to attend this hearing, but as an owner of an interest that may be subject to pooling, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging this application at a later date.

Very truly yours,

MILLER, STRATVERT, TORGERSON
& SCHLENKER, P.A.

By: J. Scott Hall
J. Scott Hall

cc: Mark Seale,
Mesa Limited Partnership

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

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

1. ☒ Show to whom delivered, date, and address ~~of addressee~~ 2. ☐ Restricted Delivery (Extra charge) **5980**

3. Article Addressed to:

Conoco, Inc.
P. O. Box 460
Hobbs, NM 88240

4. Article Number
P 561 862 168

Type of Service:
☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

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

5. Signature — Addressee

X

6. Signature Agent

X *[Signature]*

7. Date of Delivery **April 19 1980**

PS Form 3811, Apr. 1989 * U.S.G.P.O. 1989-238-815

DOMESTIC RETURN RECEIPT

PS 561 862 168

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

PS Form 3800, June 1985

U.S.G.P.O. 1989-234-555

Sept 10 Conoco, Inc.	
Street and No	
P. O. Box 460	
P. O. State and ZIP Code	
Hobbs, NM 88240	
Postage	\$.25
Certified Fee	\$.35
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom, Date, and Address of Delivery	\$.70
TOTAL Postage and Fees	\$ 1.20
Postmark or Date	

MILLER, STRATVERT, TORGERSON & SCHLENKER, P. A.
LAW OFFICES

RANNE B. MILLER
WILLIAM K. STRATVERT
ALAN C. TORGERSON
KENDALL O. SCHLENKER
ALICE TOMLINSON LORENZ
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500 MARQUETTE, N. W., SUITE 1100
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125 LINCOLN AVE., SUITE 303
POST OFFICE BOX 1986
SANTA FE, NM 87504-1986
TELEPHONE: (505) 989-9614
FACSIMILE: (505) 989-9857

KENNETH R. BRANDT (1946 - 1981)

June 5, 1990

PLEASE REPLY TO SANTA FE

Amoco Production Company
P. O. Box 800
Denver, CO 80201

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

RE: Application of Mesa Operating Limited Partnership for
Compulsory Pooling, San Juan County, New Mexico:
(FC State Com #7)

Dear Sirs:

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Very truly yours,

MILLER, STRATVERT, TORGERSON
& SCHLENKER, P.A.

By: J. Scott Hall
J. Scott Hall

cc: Mark Seale,
Mesa Limited Partnership

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

1. ☒ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery (Extra charge) 5.980

3. Article Addressed to:

Amoco Production Company
P. O. Box 800
Denver, CO 80201

4. Article Number

Type of Service: Registered

☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

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

5. Signature — Addressee
X

6. Signature — Agent
X

7. Date of Delivery
1 Apr. 1989

PS Form 3814 Apr. 1989 *U.S.G.P.O. 1989-238-815

DOMESTIC RETURN RECEIPT

P 5b1 6b2 1b7

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL.
(See Reverse)

Sent to	
Amoco Production Co	
Street and No.	
P. O. Box 800	
P. O. State and ZIP Code	
Denver, CO 80201	
Postage	\$.25
Certified Fee	\$.25
Special Delivery Fee	\$.05
Restricted Delivery Fee	
Return Receipt showing to whom, Date, and Address of Delivery	\$.70
TOTAL Postage and Fees	\$ 2.50
Postmark or Date	

MILLER, STRATVERT, TORGERSON & SCHLENKER, P. A.
LAW OFFICES

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POST OFFICE BOX 1986
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June 5, 1990

KENNETH R. BRANDT (1946 - 1981)

PLEASE REPLY TO SANTA FE

Conoco, Inc.
555 17th Street
Denver, CO 80202

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RETURN RECEIPT REQUESTED

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By: J. Scott Hall
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1. ☒ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery (Extra charge) **\$7.80**

3. Article Addressed to:

Conoco, Inc.
555 17th Street
Denver, CO 80202

4. Article Number **P 561 862 167**

Type of Service:

☒ Registered ☐ Insured
☐ Certified ☐ COD
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee **Barbara Sharp**

6. Signature - Agent **X**

7. Date of Delivery **6-7-90**

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

PS Form 3811, Apr. 1989 * U.S.G.P.O. 1989-238-815 **DOMESTIC RETURN RECEIPT**

PS Form 3800, June 1985

U.S.G.P.O. 1989-234-555

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

Sent to
Conoco, Inc.
555 17th Street
Denver, CO 80202

Postage \$ **.85**

Certified Fee \$ **.85**

Special Delivery Fee

Restricted Delivery Fee

Return Receipt showing to whom and Date Delivered \$ **.70**

Return Receipt showing to whom, Date, and Address of Delivery

TOTAL Postage and Fees \$ **2.60**

Postmark or Date

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

GABRIEL GARRUTHERS
GOVERNOR

POST OFFICE BOX 104
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 426-1000

MEMORANDUM

TO: ALL GAS PRODUCERS, TRANSPORTERS AND PURCHASERS
FROM: WILLIAM J. LEMAY, DIRECTOR *WJL*
SUBJECT: GAS PRORATION RULE CHANGE PROPOSALS

The Gas Proration Rules Committee has completed its report and the proposed rule changes are attached. The proposal embodies the entire rule-making portion of Order R-8170, as amended. Suggested changes are so marked and are presented in the format for "changes in legislation" - new words are underlined, deleted words are lined through. Rules 5, 12, and 13 are proposed to provide two allocation periods of six months, beginning April and October, wherein allowables will be constant for each month of the period. Also classification periods are shortened to three months. Quarterly reports may be substituted for the monthly proration schedules.

Rules 13 and 14 are the formalization of the administrative changes adopted by the memorandum dated July 5, 1989.

These proposed changes are scheduled for hearing on the Commission docket July 19, but we plan to extend the comment period to allow sufficient time for constructive industry input. Your comments through sworn testimony, oral statements or written commentary are encouraged.

June 27, 1990

dr/

**PROPOSED CHANGES TO THE GENERAL RULES FOR THE PRORATED GAS
POOLS OF NEW MEXICO, AS PROMULGATED BY DIVISION ORDER NO. R-8170,
AS AMENDED.**

RULE 1 DEFINITION

ACREAGE FACTOR: A GPU'S ACREAGE FACTOR SHALL BE DETERMINED TO THE NEAREST HUNDREDTH OF A UNIT BY DIVIDING THE ACREAGE ASSIGNED TO THE GPU BY A NUMBER EQUAL TO THE NUMBER OF ACRES IN A STANDARD GPU FOR SUCH POOL. HOWEVER, THE ACREAGE TOLERANCE PROVIDED IN RULE 2(a)2 SHALL APPLY.

AD FACTOR: ACREAGE TIMES DELIVERABILITY FACTOR IS CALCULATED IN POOLS WHERE ACREAGE AND DELIVERABILITY ARE PRORATION FACTORS. THE PRODUCT OBTAINED BY MULTIPLYING THE ACREAGE FACTOR BY THE CALCULATED DELIVERABILITY (EXPRESSED AS MCF PER DAY) FOR THAT GPU SHALL BE KNOWN AS THE AD FACTOR FOR THAT GPU. THE AD FACTOR SHALL BE COMPUTED TO THE NEAREST WHOLE UNIT.

SUGGESTED ADD

ALLOCATION HEARING: A HEARING HELD BY THE DIVISION IN FEBRUARY AND AUGUST OF EACH YEAR TO DETERMINE POOL ALLOCATIONS FOR THE ENSUING ALLOCATION PERIOD.

SUGGESTED ADD

ALLOCATION PERIOD: SIX MONTH PERIOD BEGINNING AT 7:00 A.M. APRIL 1 AND OCTOBER 1 OF EACH YEAR SHALL BE THE ALLOCATION PERIOD.

SUGGESTED ADD

ALLOWABLE HEARING: A HEARING HELD BY THE DIVISION TO DETERMINE POOL ALLOWABLE FOR THE ENSUING ALLOCATION PERIOD.

BALANCING DATE: THE DATE 7:00 A.M. APRIL 1 OF EACH YEAR SHALL BE KNOWN AS THE BALANCING DATE, AND THE TWELVE MONTHS FOLLOWING THIS DATE SHALL BE KNOWN AS THE GAS PRORATION PERIOD.

SUGGESTED ADD

BROKER: A THIRD PARTY WHO NEGOTIATES CONTRACTS FOR PURCHASE AND RESALE.

SUGGESTED ADD

CLASSIFICATION PERIOD: A THREE MONTH PERIOD BEGINNING AT 7:00 A.M. APRIL 1, JULY 1, OCTOBER 1, AND JANUARY 1 OF EACH YEAR SHALL BE THE CLASSIFICATION PERIOD.

GAS POOL: ANY POOL WHICH HAS BEEN DESIGNATED AS A GAS POOL BY THE DIVISION AFTER NOTICE AND HEARING.

GAS PRORATION UNIT (GPU): THE ACREAGE ALLOCATED TO A WELL, OR IN THE CASE OF AN INFILL WELL OR WELLS TO A GROUP OF WELLS, FOR PURPOSES OF SPACING A PRORATION SHALL BE KNOWN AS THE GAS PRORATION UNIT (GPU). GPUs MAY BE EITHER OF A STANDARD OR NON-STANDARD SIZE AS PROVIDED IN THESE RULES. (GPUS MEANS PLURAL GPU).

GAS TRANSPORTER: THE TERM GAS TRANSPORTER AS USED IN THESE RULES SHALL MEAN ANY TAKER OF GAS EITHER AT THE WELLHEAD, AT ANY OTHER POINT ON THE LEASE, OR AT ANY OTHER POINT AUTHORIZED BY THE DIVISION WHERE CONNECTION IS MADE FOR GAS TRANSPORTATION OR UTILIZATION (OTHER THAN THAT NECESSARY FOR MAINTAINING THE PRODUCING ABILITY OF THE WELL).

SUGGESTED CHANGE

GAS TRANSPORTER: THE TERM GAS TRANSPORTER AS USED IN THESE RULES SHALL MEAN ANY TAKER OF GAS, EITHER--AT-THE-WELLHEAD,--AT-ANY-OTHER--POINT-ON--THE LEASE,--OR-AT-ANY-OTHER-POINT--AUTHORIZED-BY-THE-DIVISION-WHERE-CONNECTION--IS MADE-FOR-GAS--TRANSPORTATION-OR--UTILIZATION--(OTHER-THAN--THAT-NECESSARY--FOR MAINTAINING-THE-PRODUCING-ABILITY-OF--THE-WELL). THE PARTY SERVICING THE WELL METER, OR THE PARTY RESPONSIBLE FOR MEASUREMENT OF GAS SOLD FROM THE WELL OR BENEFICIALLY USED OFF-LEASE. THIS COULD BE AT THE WELLHEAD, AT ANY OTHER POINT ON THE LEASE, OR AT ANY OTHER POINT AUTHORIZED BY THE DIVISION WHERE CONNECTION IS MADE FOR GAS TRANSPORTATION OR UTILIZATION (OTHER THAN IS NECESSARY FOR MAINTAINING THE PRODUCING ABILITY OF THE WELL). THE GAS TRANSPORTER CAN BE THE GATHERER, TRANSPORTER, PRODUCER, OR A DELEGATE OF ONE OF THOSE PARTIES. THE GAS TRANSPORTER SHALL BE IDENTIFIED ON FORM C-104 AND WILL BE RESPONSIBLE FOR FILING FORM C-111 AS REQUIRED UNDER THE PROVISIONS OF RULE 1111.

GAS PURCHASER: THE TERM GAS PURCHASER AS USED IN THESE RULES SHALL MEAN THE PURCHASER (WHERE OWNERSHIP OF THE GAS IS FIRST EXCHANGED BY THE PRODUCER TO THE PURCHASER FOR AN AGREED VALUE) OF THE GAS FROM A GAS WELL OR GPU. IN THE EVENT THAT TWO OR MORE PURCHASERS PURCHASE FROM A PARTICULAR GAS WELL OR GPU, THE GAS PURCHASER SHALL BE THE PURCHASER OF THE LARGEST PERCENTAGE OF INTEREST IN THE GAS WELL OR GPU.

SUGGESTED CHANGE

GAS PURCHASER: THE TERM GAS PURCHASER AS USED IN THESE RULES SHALL MEAN THE PURCHASER (WHERE OWNERSHIP OF THE GAS IS FIRST EXCHANGED BY THE PRODUCER TO THE PURCHASER FOR AN AGREED VALUE) OF THE GAS FROM A GAS WELL OR GPU. IN-THE-EVENT-THAT-TWO-OR-MORE-PURCHASERS-PURCHASE-FROM-A-PARTICULAR--GAS WELL--OR-GPU,--THE--GAS-PURCHASER-SHALL-BE-THE--PURCHASER-OF-THE-LARGEST--PERCENTAGE-OF-INTEREST-IN-THE-GAS-WELL-OR-GPU.

HARDSHIP GAS WELL: A GAS WELL WHEREIN UNDERGROUND WASTE WILL OCCUR IF THE WELL SHOULD BE SHUT-IN OR CURTAILED BELOW ITS MINIMUM SUSTAINABLE FLOW RATE. NO WELL SHALL BE CLASSIFIED AS A HARDSHIP GAS WELL EXCEPT AFTER NOTICE AND HEARING OR UPON APPROPRIATE ADMINISTRATIVE ACTION OF THE DIVISION.

INFILL WELL: AN ADDITIONAL PRODUCING WELL ON A GPU WHICH SERVES AS A COMPANION WELL TO AN EXISTING WELL ON THE GPU.

A. WELL ACREAGE AND LOCATION REQUIREMENTS

RULE 2(a)1 STANDARD GAS PRORATION UNIT SPACING: (SEE SPECIAL POOL RULES FOR APPLICABLE SIZE OF PRORATION UNITS.) UNLESS OTHERWISE SPECIFIED BY THE SPECIAL POOL RULES, 160-ACRE UNITS SHALL COMPRISE A SINGLE GOVERNMENTAL QUARTER-SECTION; 320-ACRE UNITS SHALL COMPRISE TWO CONTIGUOUS QUARTER-SECTIONS BEING THE N/2, S/2, E/2, OR W/2 OF A SINGLE GOVERNMENTAL SECTION; AND A 640-ACRE UNIT SHALL COMPRISE A SINGLE GOVERNMENTAL SECTION.

RULE 2(a)2 STANDARD GPU SIZE AND VARIANCE: A STANDARD GPU SHALL CONSIST OF CONTIGUOUS SURFACE ACREAGE AND SHALL BE SUBSTANTIALLY IN THE FORM OF A SQUARE IN POOLS HAVING 160 ACRE OR 640 ACRE STANDARD GPUS, AND IN THE FORM OF A RECTANGLE IN POOLS HAVING 320 ACRE STANDARD GPUS, AND SHALL BE A LEGAL SUBDIVISION OF THE U.S. PUBLIC LAND SURVEYS (QUARTER-SECTION, HALF-SECTION, OR SECTION, AS APPLICABLE). ANY GPU CONTAINING ACREAGE WITHIN THE APPROPRIATE TOLERANCE LIMIT SHOWN BELOW SHALL BE CONSIDERED TO CONTAIN THE NUMBER OF ACRES IN A STANDARD GPU FOR THE PURPOSE OF COMPUTING ALLOWABLES.

STANDARD PRORATION UNIT	ACREAGE TOLERANCE FOR STANDARD UNIT
160 ACRES	158-162 ACRES
320 ACRES	316-324 ACRES
640 ACRES	632-648 ACRES

RULE 2(a)3 NON-STANDARD PRORATION UNIT APPROVAL PROCEDURE AT DISTRICT LEVEL: THE DISTRICT SUPERVISOR OF THE APPROPRIATE DISTRICT OFFICE OF THE DIVISION SHALL HAVE THE AUTHORITY TO APPROVE A NON-STANDARD GPU AS AN EXCEPTION TO RULE 2(a)2 WITHOUT NOTICE AND HEARING WHEN THE UNORTHODOX SIZE OR SHAPE OF THE GPU IS NECESSITATED BY A VARIATION IN THE LEGAL SUBDIVISION OF THE U.S. PUBLIC LAND SURVEYS AND THE NON-STANDARD GPU IS NOT LESS THAN 75% NOR MORE THAN 125% OF A STANDARD GPU.

THE DISTRICT SUPERVISOR OF THE APPROPRIATE DISTRICT OFFICE OF THE DIVISION MAY APPROVE THE NON-STANDARD GPU BY:

- 1) ACCEPTING A PLAT SHOWING THE PROPOSED NON-STANDARD GPU AND THE ACREAGE TO BE DEDICATED TO THE NON-STANDARD GPU AND,
- 2) ASSIGNING AN ALLOWABLE TO THE NON-STANDARD GPU.

RULE 2(a)4 NON-STANDARD PRORATION UNIT APPROVAL PROCEDURE AT DIRECTOR LEVEL: THE DIRECTOR OF THE DIVISION MAY GRANT AN EXCEPTION TO THE REQUIREMENTS OF RULE 2(a)2 WHEN THE UNORTHODOX SIZE OR SHAPE OF THE GPU IS NECESSITATED BY A VARIATION IN THE LEGAL SUBDIVISION OF THE U.S. PUBLIC LAND SURVEYS AND THE NON-STANDARD GPU IS LESS THAN 75% OR MORE THAN 125% OF A STANDARD GPU, OR WHERE THE FOLLOWING FACTS EXIST AND THE FOLLOWING PROVISIONS ARE COMPLIED WITH:

- 1) THE NON-STANDARD GPU CONSISTS OF QUARTER-QUARTER SECTIONS OR LOTS THAT ARE CONTIGUOUS BY A COMMON BORDERING SIDE.

THE NON-STANDARD GPU LIES WHOLLY WITHIN A GOVERNMENTAL SUBDIVISION OR SUBDIVISIONS WHICH WOULD BE A STANDARD GPU FOR THE WELL (QUARTER-SECTION, HALF-SECTION, OR SECTION) BUT CONTAINS LESS ACREAGE THAN A STANDARD GPU.

3) THE APPLICANT PRESENTS WRITTEN CONSENT IN THE FORM OF WAIVERS FROM ALL OFFSET OPERATORS AND FROM ALL OPERATORS OWNING INTERESTS IN THE QUARTER-SECTION, HALF-SECTION OR SECTION (FOR 160-ACRES, 320-ACRES, 640-ACRES STANDARD DEDICATIONS RESPECTIVELY) IN WHICH THE NON-STANDARD GPU IS SITUATED AND WHICH ACREAGE IS NOT INCLUDED IN SAID NON-STANDARD GPU.

4) IN LIEU OF PARAGRAPH (3) OF THIS RULE, THE APPLICANT MAY FURNISH PROOF OF THE FACT THAT ALL OF THE AFORESAID OFFSET OPERATORS WERE NOTIFIED BY REGISTERED OR CERTIFIED MAIL OF HIS INTENT TO FORM SUCH NON-STANDARD GPU. THE DIRECTOR MAY APPROVE THE APPLICATION IF NO SUCH OPERATOR HAS ENTERED AN OBJECTION TO THE FORMATION SUCH NON-STANDARD GPU WITHIN 20 DAYS AFTER DIRECTOR HAS RECEIVED THE APPLICATION.

RULE 2(b) WELL LOCATION: EACH WELL DRILLED OR COMPLETED ON A SPACING AND PRORATION UNIT GOVERNED BY THESE RULES, INCLUDING APPROVED NON-STANDARD GPUS SHALL BE LOCATED AS PROVIDED BELOW:

(1) NORTHWEST NEW MEXICO

STANDARD PRORATION UNIT

LOCATION REQUIREMENTS

160 ACRES

NOT CLOSER THAN 790 FEET TO THE OUTER BOUNDARY OF THE TRACT, NOR CLOSER THAN 130 FEET TO ANY QUARTER-QUARTER SECTION OR SUBDIVISION INNER BOUNDARY.

320 ACRES

NOT CLOSER THAN 790 FEET TO THE OUTER BOUNDARY OF THE QUARTER-SECTION UPON WHICH THE WELL IS LOCATED AND NOT CLOSER THAN 130 FEET TO ANY QUARTER-QUARTER SECTION LINE OR SUBDIVISION INNER BOUNDARY.

(2) SOUTHEAST NEW MEXICO

STANDARD PRORATION UNIT

LOCATION REQUIREMENTS

160-ACRES

NOT CLOSER THAN 660 FEET TO ANY OUTER BOUNDARY OF THE TRACT NOR CLOSER THAN 330 FEET TO ANY QUARTER-QUARTER SECTION OR SUBDIVISION INNER BOUNDARY.

320-ACRES

NOT CLOSER THAN 660 FEET TO ANY SIDE BOUNDARY (LONG DIMENSION) OR 1980 FEET TO ANY END BOUNDARY (SHORT DIMENSION) OF THE TRACT NOR CLOSER THAN 330 FEET TO ANY QUARTER-QUARTER SECTION OR SUBDIVISION INNER BOUNDARY.

640-ACRES

NOT CLOSER THAN 1650 FEET TO THE OUTER BOUNDARY OF THE TRACT NOR CLOSER THAN 330 FEET TO ANY QUARTER-QUARTER SECTION OR SUBDIVISION INNER BOUNDARY.

RULE 2(c) UNORTHODOX WELL LOCATION: THE DIVISION DIRECTOR SHALL HAVE AUTHORITY TO GRANT AN EXCEPTION TO THE WELL LOCATION REQUIREMENTS OF RULE 2(b) ABOVE WITHOUT NOTICE AND HEARING WHEN THE NECESSITY FOR SUCH UNORTHODOX LOCATION IS BASED UPON TOPOGRAPHIC CONDITIONS OR THE RECOMPLETION OF A WELL PREVIOUSLY DRILLED TO A DEEPER HORIZON, PROVIDED SAID WELL WAS DRILLED AT AN ORTHODOX OR APPROVED UNORTHODOX LOCATION FOR SUCH ORIGINAL HORIZON.

APPLICATIONS FOR ADMINISTRATIVE APPROVAL OF UNORTHODOX LOCATIONS SHALL BE FILED IN DUPLICATE (ORIGINAL TO SANTA FE AND ONE COPY TO THE APPROPRIATE DIVISION DISTRICT OFFICE) AND SHALL BE ACCOMPANIED BY PLATS SHOWING THE OWNERSHIP OF ALL LEASES OFFSETTING THE PRORATION OR SPACING UNIT FOR WHICH THE UNORTHODOX LOCATION IS SOUGHT, AND ALSO ALL WELLS COMPLETED THEREON. IF THE PROPOSED UNORTHODOX LOCATION IS BASED ON TOPOGRAPHY THE PLAT SHALL ALSO SHOW AND DESCRIBE THE EXISTENT TOPOGRAPHIC CONDITIONS.

THE DIVISION DIRECTOR SHALL HAVE AUTHORITY TO GRANT AN EXCEPTION TO THE WELL LOCATION REQUIREMENT FOR WELLS IN SOUTHEAST NEW MEXICO ON 320 ACRE SPACING WITHOUT NOTICE AND HEARING WHEN THE NECESSITY FOR SUCH UNORTHODOX LOCATION IS BASED UPON GEOLOGIC CONDITIONS PROVIDED THAT ANY SUCH UNORTHODOX LOCATION SHALL BE NO CLOSER THAN 660 FEET TO THE NEAREST SIDE BOUNDARY NOR CLOSER THAN 990 FEET TO THE NEAREST END BOUNDARY OF THE GPU.

IF THE PROPOSED UNORTHODOX LOCATION IS BASED UPON GEOLOGY, THE APPLICATION SHALL INCLUDE APPROPRIATE GEOLOGIC MAPS, CROSS-SECTIONS, AND/OR LOGS, AND DISCUSSION OF THE GEOLOGIC CONDITIONS WHICH RESULT IN THE NECESSITY FOR THE UNORTHODOX LOCATION.

ALL OPERATORS OF PRORATION OR SPACING UNITS OFFSETTING THE UNORTHODOX LOCATION ON THE TWO GPU BOUNDARIES AND TWO GPU CORNERS CLOSEST TO THE UNORTHODOX WELL LOCATION SHALL BE FURNISHED A COPY OF THE APPLICATION BY CERTIFIED OR REGISTERED MAIL, AND THE APPLICATION SHALL STATE THAT SUCH NOTIFICATION HAS BEEN GIVEN. THE DIVISION DIRECTOR MAY APPROVE THE UNORTHODOX LOCATION UPON RECEIPT OF WAIVERS FROM ALL SUCH OFFSET OPERATORS OR IF NO OFFSET OPERATOR HAS ENTERED AN OBJECTION TO THE UNORTHODOX LOCATION WITH-IN 20 DAYS AFTER THE DIRECTOR HAS RECEIVED THE APPLICATION.

THE DIVISION DIRECTOR MAY, AT HIS DISCRETION, SET ANY APPLICATION FOR ADMINISTRATIVE APPROVAL OF AN UNORTHODOX LOCATION FOR PUBLIC HEARING.

8. NOMINATIONS AND PRORATION SCHEDULE

RULE 3(a) GAS PURCHASERS OR GAS TRANSPORTERS SHALL NOMINATE: EACH MONTH EACH GAS PURCHASER OR EACH GAS TRANSPORTER AS HEREIN PROVIDED SHALL FILE WITH THE DIVISION ITS NOMINATION FOR THE AMOUNT OF GAS WHICH IT ACTUALLY IN GOOD FAITH DESIRES TO PURCHASE DURING THE ENSUING PRORATION MONTH FROM EACH GAS POOL REGULATED BY THIS ORDER. THE PURCHASER MAY DELEGATE THE NOMINATION RESPONSIBILITY TO THE TRANSPORTER BY NOTIFYING THE DIVISION'S SANTA FE OFFICE. ONE COPY OF SUCH NOMINATION FOR EACH POOL SHALL BE SUBMITTED TO THE DIVISION'S SANTA FE OFFICE ON FORM C-121-A BY THE FIRST DAY OF THE MONTH DURING WHICH THE DIVISION WILL CONSIDER AT ITS ALLOWABLE HEARING THE NOMINATIONS FOR THE SUCCEEDING MONTH. THE DIVISION SHALL CONSIDER AT ITS MONTHLY GAS ALLOWABLE HEARING THE NOMINATIONS OF PURCHASERS, ACTUAL PRODUCTION AND SUCH OTHER FACTORS AS MAY BE DEEMED APPLICABLE IN DETERMINING THE AMOUNT OF GAS THAT MAY BE PRODUCED WITHOUT WASTE DURING THE ENSUING MONTH.

SUGGESTED CHANGE

RULE 3(a) GAS PURCHASERS OR GAS TRANSPORTERS SHALL NOMINATE: EACH-MONTH---- EACH GAS PURCHASER OR EACH GAS TRANSPORTER AS HEREIN PROVIDED SHALL FILE WITH THE DIVISION ITS NOMINATION FOR THE AMOUNT OF GAS WHICH IT IN GOOD FAITH DESIRES TO PURCHASE AND/OR EXPECTS TO TRANSPORT DURING THE ENSUING PRORATION MONTH ALLOCATION PERIOD FROM EACH GAS POOL REGULATED BY THIS ORDER. THE PURCHASER MAY DELEGATE THE NOMINATION RESPONSIBILITY TO THE TRANSPORTER, OPERATOR, OR BROKER BY NOTIFYING THE DIVISION'S SANTA FE OFFICE. ONE COPY OF SUCH NOMINATION FOR EACH POOL SHALL BE SUBMITTED TO THE DIVISION'S SANTA FE OFFICE ON FORM C-121-A BY THE FIRST DAY OF THE MONTH DURING WHICH THE DIVISION WILL CONSIDER AT ITS ALLOWABLE ALLOCATION HEARING, THE NOMINATIONS FOR THE SUCCEEDING MONTH ALLOCATION PERIOD. THE DIVISION SHALL CONSIDER AT ITS MONTHLY-GAS--ALLOWABLE ALLOCATION HEARING THE NOMINATIONS RECEIVED, ACTUAL PRODUCTION, AND SUCH OTHER FACTORS AS MAY BE DEEMED APPLICABLE IN DETERMINING THE AMOUNT OF GAS THAT MAY BE PRODUCED WITHOUT WASTE DURING THE ENSUING MONTH ALLOCATION PERIOD.

THE DIVISION DIRECTOR MAY, AT HIS DISCRETION, SUSPEND THIS RULE AT SUCH TIME AS IT APPEARS THAT THE NOMINATIONS ARE OF LITTLE OR NO VALUE.

RULE 3(b)1 SCHEDULE: THE DIVISION WILL ISSUE A PRORATION SCHEDULE SETTING OUT THE AMOUNT OF GAS WHICH EACH GPU MAY PRODUCE DURING SUCH ENSUING MONTH, ALONG WITH SUCH OTHER INFORMATION AS IS NECESSARY TO SHOW THE ALLOWABLE-PRODUCTION STATUS OF EACH GPU ON THE SCHEDULE.

SUGGESTED CHANGE

RULE 3(b)1 SCHEDULE: THE DIVISION WILL--SHALL ISSUE A GAS PRORATION SCHEDULE FOR EACH CLASSIFICATION PERIOD SHOWING SETTING-OUT--THE--AMOUNT-OF-GAS WHICH THE MONTHLY ALLOWABLE FOR EACH GPU THAT MAY BE PRODUCED DURING SUCH ENSUING-MONTH EACH MONTH OF THE ENSUING CLASSIFICATION PERIOD AS DETERMINED AT THE ALLOCATION HEARING, THE CURRENT CLASSIFICATION OF EACH GPU, AND ALONG WITH SUCH OTHER INFORMATION AS IS NECESSARY TO SHOW THE ALLOWABLE-PRODUCTION STATUS OF EACH GPU ON THE SCHEDULE.

RULE 3(b)2 PRORATION OF ALL GAS WELLS WITHIN A POOL: THE DIVISION SHALL INCLUDE IN THE PRORATION SCHEDULE THE GAS WELLS IN THE GAS POOLS REGULATED BY THIS ORDER DELIVERING TO A GAS TRANSPORTER, AND SHALL INCLUDE IN THE PRORATION SCHEDULE ANY WELL WHICH IT FINDS IS BEING UNREASONABLY DISCRIMINATED AGAINST THROUGH DENIAL OF ACCESS TO A GAS TRANSPORTATION FACILITY, WHICH IS REASONABLY CAPABLE OF HANDLING THE TYPE OF GAS PRODUCED BY SUCH WELL.

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 4 FILING OF FORM C-102 AND FORM C-104 REQUIRED: NO GPU SHALL BE ASSIGNED AN ALLOWABLE PRIOR TO RECEIPT OF FORM C-102 (WELL LOCATION AND ACREAGE DEDICATION PLAT) AND THE APPROVAL DATE OF FORM C-104 (REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS).

RULE 5 HOW ALLOWABLES ARE CALCULATED: THE TOTAL ALLOWABLE TO BE ALLOCATED TO EACH GAS POOL REGULATED BY THIS ORDER EACH MONTH SHALL BE EQUAL TO THE SUM OF ALL GAS PURCHASERS' NOMINATIONS FOR THAT POOL, TOGETHER WITH ANY ADJUSTMENT WHICH THE DIVISION DEEMS ADVISABLE. A MONTHLY ALLOWABLE SHALL BE ASSIGNED TO EACH GPU ENTITLED TO AN ALLOWABLE BY ALLOCATING THE POOL ALLOWABLE AMONG ALL SUCH GPUS IN THAT POOL IN ACCORDANCE WITH THE PROCEDURE SET FORTH IN THESE RULES.

SUGGESTED CHANGE

RULE 5 HOW ALLOWABLES ARE CALCULATED: THE TOTAL ALLOWABLE TO BE ALLOCATED, EACH ALLOCATION PERIOD, TO EACH GAS POOL REGULATED BY THIS ORDER EACH MONTH SHALL BE EQUAL TO THE SUM--OF--ALL--GAS--PURCHASERS--NOMINATIONS--FOR--THAT POOL,--TOGETHER--WITH--ANY--ADJUSTMENT--WHICH--THE--DIVISION--DEEMS--ADVISABLE.---A MONTHLY--ALLOWABLE--SHALL--BE--ASSIGNED--TO--EACH--GPU--ENTITLED--TO--AN--ALLOWABLE--BY ALLOCATING--THE--POOL--ALLOWABLE--AMONG--ALL--SUCH--GPUS--IN--THAT--POOL--IN--ACCORDANCE WITH--THE--PROCEDURE--SET--FORTH--IN--THESE--RULES. ESTIMATED MARKET DEMAND AS DETERMINED BY THE DIVISION, PLUS ANY ADJUSTMENTS THE DIRECTOR DEEMS NECESSARY TO EQUATE THE TOTAL POOL ALLOWABLE TO THE ESTIMATED MARKET DEMAND. THE DIRECTOR MAY MAKE SUCH ADJUSTMENTS AS HE DEEMS NECESSARY TO COMPENSATE FOR OVERPRODUCTION, UNDERPRODUCTION, AND OTHER CIRCUMSTANCES WHICH MAY NECESSITATE SUCH ADJUSTMENT SO AS TO EQUATE POOL ALLOWABLE TO THE ANTICIPATED MARKET DEMAND. THE ESTIMATED MARKET DEMAND FOR EACH POOL SHALL BE ESTABLISHED FROM ANY INFORMATION THE DIRECTOR REQUIRES AND CAN CONSIST OF NOMINATIONS FROM PURCHASERS, TRANSPORTERS OR OTHER PARTIES HAVING KNOWLEDGE OF MARKET DEMAND FOR GAS FROM SUCH POOLS, ACTUAL PAST PRODUCTION FIGURES, SEASONAL TRENDS, OR ANY OTHER FACTORS DEEMED NECESSARY TO ESTABLISH ESTIMATED MARKET DEMAND. THE DIRECTOR SHALL NOT BE BOUND TO USE ALL THE INFORMATION REQUESTED AND CAN ESTABLISH MARKET DEEMED BY ANY METHOD SO APPROVED. A MONTHLY ALLOWABLE SHALL BE ASSIGNED TO EACH GPU ENTITLED TO AN ALLOWABLE BY ALLOCATING THE POOL ALLOWABLE AMONG ALL SUCH GPUS IN THAT POOL IN ACCORDANCE WITH THE PROCEDURE SET FORTH IN THE FOLLOWING PARAGRAPHS OF THIS ORDER.

RULE 5(a)1 MARGINAL GPU ALLOWABLE: THE MONTHLY ALLOWABLE TO BE ASSIGNED TO EACH MARGINAL GPU SHALL BE EQUAL TO ITS LATEST AVAILABLE MONTHLY PRODUCTION.

SUGGESTED CHANGE

RULE 5(a)1 MARGINAL GPU ALLOWABLE: THE MONTHLY ALLOWABLE TO BE ASSIGNED TO EACH MARGINAL GPU SHALL BE EQUAL TO ITS LATEST--AVAILABLE AVERAGE MONTHLY PRODUCTION FROM THE SAME ALLOCATION PERIOD OF THE PREVIOUS YEAR.

RULE 5(a)2 NON-MARGINAL GPU ALLOWABLE: THE POOL ALLOWABLE REMAINING EACH MONTH AFTER DEDUCTING THE TOTAL ALLOWABLE ASSIGNED TO MARGINAL GPUS SHALL BE ALLOCATED AMONG THE NON-MARGINAL GPUS ENTITLED TO AN ALLOWABLE IN THE FOLLOWING MANNER (SEE SPECIAL POOL RULES):

- (1) IN POOLS WHERE ACREAGE IS THE ONLY PRORATION FACTOR, THE REMAINING ALLOWABLE SHALL BE ALLOCATED TO EACH GPU IN THE PROPORTION THAT EACH GPU ACREAGE FACTOR BEARS TO THE TOTAL ACREAGE FACTOR FOR ALL NON-MARGINAL GPUS.
- (2) IN POOLS WHERE ACREAGE AND DELIVERABILITY ARE PRORATION FACTORS:
 - a) A PERCENTAGE AS SET FORTH IN SPECIAL POOL RULES, OF THE POOL ALLOWABLE REMAINING TO BE ALLOCATED TO NON-MARGINAL GPUS SHALL BE ALLOCATED AMONG EACH GPU IN THE PROPORTION THAT EACH GPU'S AD FACTOR BEARS TO THE TOTAL AD FACTOR FOR ALL NON-MARGINAL GPUS IN THE POOL; AND
 - b) THE POOL ALLOWABLE REMAINING TO BE ASSIGNED TO NON-MARGINAL GPUS SHALL BE ALLOCATED AMONG EACH GPU IN THE PROPORTION THAT EACH GPU'S ACREAGE FACTOR BEARS TO THE TOTAL ACREAGE FACTOR FOR ALL NON-MARGINAL GPUS IN THE POOL.

SUGGESTED CHANGE

RULE 5(a)2 NON-MARGINAL GPU ALLOWABLE: ~~THE POOL ALLOWABLE REMAINING~~ ~~----~~ ~~EACH MONTH AFTER DEDUCTING THE TOTAL ALLOWABLE ASSIGNED TO MARGINAL GPUS~~ ~~SHALL BE ALLOCATED AMONG THE NON-MARGINAL GPUS ENTITLED TO AN ALLOWABLE~~ ~~IN THE FOLLOWING MANNER (SEE SPECIAL POOL RULES).~~ NON-MARGINAL GPU ALLOWABLES SHALL BE DETERMINED IN CONFORMANCE WITH THE APPLICABLE SPECIAL POOL RULES.

- (1) IN POOLS WHERE ACREAGE IS THE ONLY PRORATION FACTOR, THE REMAINING TOTAL NON-MARGINAL ALLOWABLE SHALL BE ALLOCATED TO EACH GPU IN THE PROPORTION THAT EACH GPU ACREAGE FACTOR BEARS TO THE TOTAL ACREAGE FACTOR FOR ALL NON-MARGINAL GPUS.
- (2) IN POOLS WHERE ACREAGE AND DELIVERABILITY ARE PRORATION FACTORS:
 - a) A PERCENTAGE AS SET FORTH IN SPECIAL POOL RULES, OF THE POOL NON-MARGINAL ALLOWABLE REMAINING TO BE ALLOCATED TO NON-MARGINAL GPUS SHALL BE ALLOCATED AMONG TO EACH GPU IN THE PROPORTION THAT EACH GPU'S AD FACTOR BEARS TO THE TOTAL AD FACTOR FOR ALL NON-MARGINAL GPUS IN THE POOL; AND
 - b) THE POOL ALLOWABLE REMAINING NON-MARGINAL ALLOWABLE TO BE ASSIGNED TO NON-MARGINAL GPUS SHALL BE ALLOCATED TO NON-MARGINAL GPUS AMONG EACH GPU IN THE PROPORTION THAT EACH GPU'S ACREAGE FACTOR BEARS TO THE TOTAL ACREAGE FACTOR FOR ALL NON-MARGINAL GPUS IN THE POOL.

RULE 5(b)1 NEW CONNECTS ASSIGNMENT OF ALLOWABLES: ALLOWABLES TO NEWLY COMPLETED GAS WELLS SHALL COMMENCE:

- (A) IN POOLS WHERE ACREAGE IS THE ONLY PRORATION FACTOR, ON THE DATE OF FIRST DELIVERY OF GAS TO A GAS TRANSPORTER AS DEMONSTRATED BY AN AFFIDAVIT FURNISHED BY THE TRANSPORTER TO THE APPROPRIATE DIVISION DISTRICT OFFICE OR THE APPROVAL DATE OF FORM C-102 AND FORM C-104 WHICHEVER IS LATER; or,
- (B) IN POOLS WHERE ACREAGE AND DELIVERABILITY ARE PRORATION FACTORS:
 - 1) AN ACREAGE FACTOR ALLOWABLE WILL BE ASSIGNED THE LATER OF:
 - a) THE DATE OF FIRST DELIVERY OF GAS TO A GAS TRANSPORTER AS DEMONSTRATED BY AN AFFIDAVIT FURNISHED BY THE TRANSPORTER TO THE APPROPRIATE DIVISION DISTRICT OFFICE.
 - b) THE APPROVAL DATE OF FORM C-102 AND FORM C-104.
 - 2) A DELIVERABILITY FACTOR ALLOWABLE WILL BE ASSIGNED THE LATER OF:
 - a) THE DATE OF FIRST DELIVERY.
 - b) 90 DAYS PRIOR TO THE DATE OF RECEIPT OF THE DELIVERABILITY TEST REPORT AT THE APPROPRIATE DIVISION DISTRICT OFFICE.

SUGGESTED CHANGE

RULE 5(b)1 NEW CONNECTS ASSIGNMENT OF ALLOWABLES:

ADD NEW PARAGRAPH(C)

- (C) ALLOWABLES ASSIGNED TO NEW CONNECTS COMPLETED WITHIN AN ALLOCATION PERIOD SHALL BE EQUAL TO THE ALLOWABLE ASSIGNED TO A NON-MARGINAL GPU OF SIMILAR ACREAGE OR ACREAGE AND DELIVERABILITY FACTORS AS ADJUSTED TO THE EFFECTIVE DATE OF THE ALLOWABLE AS HEREIN PROVIDED.

RULE 5(b)2 NEW CONNECT MAXIMUM PRODUCING PERIOD: NO WELL LOCATED IN A POOL WHERE DELIVERABILITY IS AN ALLOWABLE FACTOR SHALL BE PERMITTED TO PRODUCE MORE THAN 120 DAYS AFTER THE DATE OF FIRST DELIVERY WITHOUT A DELIVERABILITY TEST. ANY WELL SHUT IN FOR FAILURE TO FILE A DELIVERABILITY TEST MAY BE ASSIGNED PRODUCING AUTHORIZATION BY THE DIVISION DISTRICT OFFICE FOR PURPOSES OF CONDUCTING SUCH TEST. EXCEPT AS PROVIDED IN RULE 9, ALL PRODUCTION FOLLOWING CONNECTION INCLUDING THE VOLUME OF TEST PRODUCTION SHALL BE CHARGED AGAINST THE GPU'S REGULAR ALLOWABLE WHEN ASSIGNED. ANY RESULTING ALLOWABLE ASSIGNED SHALL BE EFFECTIVE ON THE DAY THAT THE DELINQUENT DELIVERABILITY TEST IS RECEIVED IN THE APPROPRIATE DIVISION DISTRICT OFFICE.

RULE 6 GAS CHARGED AGAINST GPU'S ALLOWABLE: EXCEPT AS PROVIDED IN THE SPECIAL POOL RULES, THE VOLUME OF PRODUCED GAS SOLD OR BENEFICIALLY USED OTHER THAN LEASE FUEL FROM EACH GPU SHALL BE CHARGED AGAINST THE GPU'S ALLOWABLE; HOWEVER, THE GAS USED IN MAINTAINING THE PRODUCING ABILITY OF THE WELL SHALL NOT BE CHARGED AGAINST THE ALLOWABLE.

RULE 7 CHANGE IN ACREAGE: IF, DURING A PRORATION MONTH, THE ACREAGE ASSIGNED TO A GPU IS CHANGED, THE OPERATOR SHALL DURING SUCH MONTH NOTIFY THE APPROPRIATE DIVISION DISTRICT OFFICE IN WRITING OF SUCH CHANGE BY FILING A REVISED PLAT (FORM C-102). THE REVISED ALLOWABLE ASSIGNED THE GPU SHALL BE EFFECTIVE ON THE FIRST DAY OF THE MONTH FOLLOWING RECEIPT OF THE NOTIFICATION.

SUGGESTED CHANGE

RULE 7 CHANGE IN ACREAGE: IF, ~~DURING A PRORATION MONTH,~~ THE ACREAGE ASSIGNED TO A GPU IS CHANGED, THE OPERATOR SHALL ~~DURING SUCH MONTH~~ NOTIFY THE APPROPRIATE DIVISION DISTRICT OFFICE IN WRITING OF SUCH CHANGE BY FILING A REVISED PLAT (FORM C-102). THE REVISED ALLOWABLE, AS DETERMINED BY THE DIVISION, ASSIGNED TO THE GPU SHALL BE EFFECTIVE ON THE FIRST DAY OF THE MONTH FOLLOWING RECEIPT OF THE NOTIFICATION.

RULE 8 MINIMUM ALLOWABLES: AFTER NOTICE AND HEARING, THE DIVISION MAY ASSIGN MINIMUM ALLOWABLES IN ORDER TO PREVENT THE PREMATURE ABANDONMENT OF WELLS. (SEE SPECIAL POOL RULES FOR MINIMUM ALLOWABLE AMOUNT.)

SUGGESTED CHANGE

RULE 8 MINIMUM ALLOWABLES: AFTER NOTICE AND HEARING, THE DIVISION MAY ASSIGN MINIMUM ALLOWABLES FOR PRORATED GAS POOLS TO AVOID WASTE, ENCOURAGE EFFICIENT OPERATIONS, AND ~~IN ORDER TO PREVENT THE PREMATURE ABANDONMENT OF~~ WELLS. (SEE SPECIAL POOL RULES FOR MINIMUM ALLOWABLE AMOUNT.) IN DETERMINING THE VOLUME OF MINIMUM ALLOWABLE FOR A WELL WITH A STANDARD PRORATION UNIT, THE DIVISION SHALL TAKE INTO ACCOUNT ECONOMIC AND ENGINEERING FACTORS SUCH AS DRILLING AND OPERATING COSTS, ANTICIPATED REVENUES, TAXES, AND ANY OTHER SUCH DATA THAT WILL ESTABLISH THAT THE ULTIMATE RECOVERY OF HYDROCARBONS WILL BE INCREASED FROM THE POOL AS A RESULT OF THE ADOPTION OF A MINIMUM ALLOWABLE FOR THE POOL. ONCE ADOPTED, THE MINIMUM ALLOWABLE FOR WELLS WITH NON-STANDARD PRORATION UNITS SHALL BE PROPORTIONALLY ADJUSTED.

RULE 9(a) DELIVERABILITY TESTS: IN POOLS WHERE ACREAGE AND DELIVERABILITY ARE PRORATION FACTORS, DELIVERABILITY TESTS TAKEN IN ACCORDANCE WITH DIVISION RULES SHALL BE USED IN CALCULATING ALLOWABLES FOR THE SUCCEEDING PRORATION PERIOD. DELIVERABILITY SHALL BE DETERMINED IN ACCORDANCE WITH THE PROVISIONS OF THE APPROPRIATE TEST MANUAL (SEE MANUAL OF GAS WELL TESTING RULES AND PROCEDURE).

SUGGESTED CHANGE

RULE 9(a) DELIVERABILITY TESTS: IN POOLS WHERE BOTH ACREAGE AND DELIVERABILITY ARE PRORATION FACTORS, DELIVERABILITY TESTS TAKEN IN ACCORDANCE WITH DIVISION RULES SHALL BE USED IN CALCULATING ALLOWABLES FOR THE SUCCEEDING PRORATION PERIOD. DELIVERABILITY SHALL BE DETERMINED IN ACCORDANCE WITH THE PROVISIONS OF THE APPROPRIATE TEST MANUAL (SEE MANUAL OF GAS WELL TESTING RULES AND PROCEDURE FOR NORTHWEST NEW MEXICO).

RULE 9(b) DELIVERABILITY RETEST: A CHANGE IN A WELL'S DELIVERABILITY FOLLOWING A RETEST AFTER ANY ACTIVITY, OTHER THAN ROUTINE MAINTENANCE, SHALL BECOME EFFECTIVE THE LATER OF:

- 1) THE DATE OF REDELIVERY AFTER SUCH ACTIVITY, SUCH DATE TO BE INDICATED ON THE SUNDRY NOTICE (IF A SUNDRY NOTICE IS REQUIRED) AND ON THE REMARKS PORTION OF THE FORM C-122-A; OR,
- 2) 90 DAYS PRIOR TO THE DATE OF RECEIPT OF THE APPROPRIATE DELIVERABILITY TEST REPORT FORM AT THE APPROPRIATE DIVISION DISTRICT OFFICE.
A CHANGE IN A WELL'S DELIVERABILITY DUE TO ANY OTHER REASON SHALL BECOME EFFECTIVE ON THE FIRST DAY OF THE MONTH FOLLOWING THE MONTH DURING WHICH THE RETEST IS APPROVED IN THE APPROPRIATE DIVISION DISTRICT OFFICE.

RULE 9(c) EXCEPTIONS TO DELIVERABILITY TESTS: THE DIRECTOR OF THE OIL CONSERVATION DIVISION SHALL HAVE AUTHORITY TO ALLOW EXCEPTIONS TO THE DELIVERABILITY TEST REQUIREMENT FOR WELLS ON MARGINAL GPUS WHERE THE DELIVERABILITY OF A WELL IS OF SUCH VOLUME AS TO HAVE NO SIGNIFICANCE IN THE DETERMINATION OF THE GPU'S ALLOWABLE. APPLICATION FOR SUCH EXCEPTION MAY BE SUBMITTED BY THE OPERATOR OF THE WELL AND IF GRANTED MAY BE REVOKED BY THE DIRECTOR AT ANY TIME BY REQUESTING THE WELL TO BE SCHEDULED AND TESTED IN ACCORDANCE WITH THE CURRENT "GAS WELL TESTING RULES AND PROCEDURES".

RULE 9(d) WELLS EXEMPT FROM TESTING-SAN JUAN BASIN: A WELL AUTOMATICALLY BECOMES EXEMPT FROM TESTING IF THE GPU'S AVERAGE MONTHLY PRODUCTION DOES NOT EXCEED OR THE GPU IS NOT CAPABLE OF PRODUCING 250 MCF PER MONTH FOR PICTURED CLIFFS FORMATION WELLS AND 2,000 MCF PER MONTH FOR DEEPER FORMATIONS. (SEE "GAS WELL TESTING RULES AND PROCEDURES".)

D. BALANCING OF PRODUCTION

RULE 10(a) UNDERPRODUCTION: ANY NON-MARGINAL GPU WHICH HAS AN UNDERPRODUCED STATUS AS OF THE END OF A GAS PRORATION PERIOD SHALL BE ALLOWED TO CARRY SUCH UNDERPRODUCTION FORWARD INTO THE NEXT GAS PRORATION PERIOD AND MAY PRODUCE SUCH UNDERPRODUCTION IN ADDITION TO THE ALLOWABLE ASSIGNED DURING SUCH SUCCEEDING PERIOD. ANY UNDERPRODUCTION CARRIED FORWARD INTO A GAS PRORATION PERIOD AND REMAINING UNPRODUCED AT THE END OF SUCH GAS PRORATION PERIOD SHALL BE CANCELLED.

RULE 10(b) BALANCING UNDERPRODUCTION: PRODUCTION DURING ANY ONE MONTH OF A GAS PRORATION PERIOD IN EXCESS OF THE ALLOWABLE ASSIGNED TO A GPU FOR SUCH MONTH SHALL BE APPLIED AGAINST THE UNDERPRODUCTION CARRIED INTO SUCH PERIOD IN DETERMINING THE AMOUNT OF ALLOWABLE, IF ANY, TO BE CANCELLED.

RULE 11(a) OVERPRODUCTION: ANY GPU WHICH HAS AN OVERPRODUCED STATUS AS OF THE END OF A GAS PRORATION PERIOD SHALL CARRY SUCH OVERPRODUCTION FORWARD INTO THE NEXT GAS PRORATION PERIOD. SAID OVERPRODUCTION SHALL BE MADE UP BY UNDERPRODUCTION DURING THE SUCCEEDING GAS PRORATION PERIOD. ANY GPU WHICH HAS NOT MADE UP THE OVERPRODUCTION CARRIED INTO A GAS PRORATION PERIOD BY THE END OF SAID PERIOD SHALL BE SHUT IN UNTIL SUCH OVERPRODUCTION IS MADE UP.

RULE 11(b)(1) TWELVE-TIMES OVERPRODUCED, NORTHWEST: FOR THE PRORATED GAS POOLS OF NORTHWEST NEW MEXICO, IF IT IS DETERMINED THAT GPU IS OVERPRODUCED IN AN AMOUNT EXCEEDING TWELVE TIMES ITS AVERAGE MONTHLY ALLOWABLE FOR THE PRECEDING TWELVE MONTHS (OR, IN THE CASE OF A NEWLY CONNECTED WELL, A WELL IN A NEWLY PRORATED POOL OR A WELL RECENTLY RECLASSIFIED AS NON-MARGINAL, TWELVE TIMES ITS AVERAGE MONTHLY NON-MARGINAL ALLOWABLE FOR THE MONTHS AVAILABLE), IT SHALL BE SHUT IN UNTIL ITS OVERPRODUCTION IS LESS THAN TWELVE TIMES ITS AVERAGE MONTHLY ALLOWABLE, AS DETERMINED HEREINABOVE.

SUGGESTED CHANGE

RULE 11(b)(1) TWELVE-TIMES OVERPRODUCED, NORTHWEST: FOR THE PRORATED GAS POOLS OF NORTHWEST NEW MEXICO, IF IT IS DETERMINED THAT GPU IS OVERPRODUCED IN AN AMOUNT EXCEEDING TWELVE TIMES ITS AVERAGE-MONTHLY CURRENT YEAR JANUARY ALLOWABLE FOR THE PRECEDING TWELVE MONTHS (OR, IN THE CASE OF A NEWLY CONNECTED WELL, A MARGINAL WELL, A WELL--IN-A-NEWLY--PRORATED-POOL OR A WELL RECENTLY RECLASSIFIED AS NON-MARGINAL, TWELVE TIMES ITS-AVERAGE-MONTHLY--NON-MARGINAL-ALLOWABLE-FOR-THE-MONTHS-AVAILABLE THE JANUARY ALLOWABLE ASSIGNED TO A NON-MARGINAL GPU OF SIMILAR ACREAGE AND DELIVERABILITY FACTORS), IT SHALL BE SHUT IN UNTIL ITS OVERPRODUCTION IS LESS THAN TWELVE TIMES ITS AVERAGE MONTHLY JANUARY ALLOWABLE, AS DETERMINED HEREINABOVE.

RULE 11(b)(2) SIX-TIMES OVERPRODUCED, SOUTHEAST: FOR THE PRORATED GAS POOLS OF SOUTHEAST NEW MEXICO, IF IT IS DETERMINED THAT A GPU IS OVERPRODUCED IN AN AMOUNT EXCEEDING SIX TIMES ITS AVERAGE MONTHLY ALLOWABLE FOR THE PRECEDING TWELVE MONTHS (OR, IN THE CASE OF A NEWLY CONNECTED WELL, A WELL IN A NEWLY PRORATED POOL OR A WELL RECENTLY RECLASSIFIED AS NON-MARGINAL, SIX TIMES ITS AVERAGE MONTHLY NON-MARGINAL ALLOWABLE FOR THE MONTHS AVAILABLE), IT SHALL BE SHUT IN UNTIL ITS OVERPRODUCTION IS LESS THAN SIX TIMES ITS AVERAGE MONTHLY ALLOWABLE, AS DETERMINED HEREINABOVE.

SUGGESTED CHANGE

RULE 11(b)(2) SIX-TIMES OVERPRODUCED, SOUTHEAST: FOR THE PRORATED GAS POOLS OF SOUTHEAST NEW MEXICO, IF IT IS DETERMINED THAT A GPU IS OVERPRODUCED IN AN AMOUNT EXCEEDING SIX TIMES ITS ~~AVERAGE-MONTHLY~~ CURRENT YEAR JANUARY ALLOWABLE FOR THE PRECEDING TWELVE MONTHS (OR, IN THE CASE OF A NEWLY CONNECTED WELL, A MARGINAL WELL, A WELL IN A NEWLY PRORATED POOL OR A WELL RECENTLY RECLASSIFIED AS NON-MARGINAL, SIX TIMES ITS AVERAGE-MONTHLY NON-MARGINAL ALLOWABLE FOR THE MONTHS AVAILABLE THE JANUARY ALLOWABLE ASSIGNED TO A NON-MARGINAL GPU OF A SIMILAR ACREAGE FACTOR), IT SHALL BE SHUT IN UNTIL ITS OVERPRODUCTION IS LESS THAN SIX TIMES ITS AVERAGE JANUARY ALLOWABLE. AS DETERMINED HEREIN ABOVE.

RULE 11(c) EXCEPTION TO SHUT IN FOR OVERPRODUCTION: THE DIRECTOR OF THE OIL CONSERVATION DIVISION SHALL HAVE AUTHORITY TO PERMIT A GPU WHICH IS SUBJECT TO SHUT-IN, PURSUANT TO RULES 11(a) OR 11(b) ABOVE TO PRODUCE UP TO 250MCF OF GAS PER MONTH UPON PROPER SHOWING TO THE DIRECTOR THAT COMPLETE SHUT-IN WOULD CAUSE UNDOE HARDSHIP, PROVIDED HOWEVER, SUCH PERMISSION MAY BE RESCINDED FOR ANY GPU PRODUCED IN EXCESS OF THE MONTHLY RATE AUTHORIZED BY THE DIRECTOR.

RULE 11(d) BALANCING OVERPRODUCTION: ALLOWABLE ASSIGNED TO A GPU DURING ANY ONE MONTH OF A GAS PRORATION PERIOD IN EXCESS OF THE PRODUCTION FOR THE SAME MONTH SHALL BE APPLIED AGAINST THE OVERPRODUCTION CHARGEABLE TO SUCH GPU IN DETERMINING THE AMOUNT OF OVERPRODUCTION WHICH MUST BE MADE UP PURSUANT TO THE PROVISION OF RULES 11(a) OR 11(b) ABOVE.

RULE 11(e) EXCEPTION TO BALANCING OVERPRODUCTION: THE DIRECTOR MAY ALLOW OVERPRODUCTION TO BE MADE UP AT A LESSER RATE THAN PERMITTED UNDER RULES 11(a), 11(b), OR 11(d) ABOVE UPON A SHOWING AT PUBLIC HEARING THAT THE SAME IS NECESSARY TO AVOID MATERIAL DAMAGE TO THE WELL.

RULE 11(f) HARDSHIP GAS WELLS: IF A GPU CONTAINING A HARDSHIP GAS WELL IS OVERPRODUCED, THE OPERATOR MUST TAKE THE NECESSARY STEPS TO REDUCE PRODUCTION IN ORDER TO REDUCE THE OVERPRODUCTION.

ANY OVERPRODUCTION EXISTING AT THE TIME OF DESIGNATION OF A WELL AS A HARDSHIP GAS WELL OR ACCRUING TO THE GPU THEREAFTER SHALL BE CARRIED FORWARD UNTIL SUCH TIME AS IT IS MADE UP BY UNDERPRODUCTION.

NO GPU CONTAINING A HARDSHIP GAS WELL, WHICH GPU IS OVERPRODUCED, SHALL BE PERMITTED TO PRODUCE AT A RATE HIGHER THAN THE MINIMUM PRODUCING RATE AUTHORIZED BY THE DIVISION.

RULE 11(g) MORATORIUM ON SHUT-INS: THE DIRECTOR SHALL HAVE AUTHORITY TO GRANT A POOL-WIDE MORATORIUM OF UP TO THREE MONTHS AS TO THE SHUTTING IN OF GAS WELLS IN A POOL DURING PERIODS OF HIGH DEMAND EMERGENCY UPON PROPER SHOWING THAT SUCH EMERGENCY EXISTS, AND THAT A SIGNIFICANT NUMBER OF THE WELLS IN THE POOL ARE SUBJECT TO SHUT-IN PURSUANT TO THE PROVISIONS OF RULES 11(a), 11(b) OR 11(f) ABOVE. NO MORATORIUM BEYOND THE AFOREMENTIONED THREE MONTHS SHALL BE GRANTED EXCEPT AFTER NOTICE AND HEARING.

RULE 11(h) BEGINNING APRIL 1, 1986 AND FOR A PERIOD OF FIVE YEARS THERE AFTER, UNLESS FURTHER EXTENDED OR SHORTENED BY THE DIRECTOR AFTER NOTICE AND HEARING, THE DIRECTOR MAY REINSTATE ALLOWABLE TO WELLS WHICH SUFFERED CANCELLATION OF ALLOWABLE UNDER RULES 10(a) OR 13(b), OR LOSS OF ALLOWABLE DUE TO RECLASSIFICATION OF A WELL UNDER RULE 13(a), IF SUCH CANCELLATION OR LOSS OF ALLOWABLE WAS CAUSED BY NON-ACCESS OR LIMITED ACCESS TO THE AVERAGE MARKET DEMAND IN THE POOL RATHER THAN INABILITY OF THE WELL TO PRODUCE. UPON PETITION, TOGETHER WITH A SHOWING OF CIRCUMSTANCES WHICH PREVENTED PRODUCTION OF THE NON-MARGINAL ALLOWABLE, AND EVIDENCE THAT THE WELL WAS CAPABLE OF PRODUCING AT ALLOWABLE RATES DURING THE PERIOD FOR WHICH REINSTATEMENT IS REQUESTED, THE ALLOWABLE MAY BE REINSTATED IN SUCH AMOUNTS NEEDED TO AVOID CURTAILMENT OR SHUT-IN OF THE WELL FOR EXCESSIVE OVERPRODUCTION. SUCH PETITION SHALL BE APPROVED ADMINISTRATIVELY OR DOCKETED FOR HEARING WITHIN 30 DAYS AFTER RECEIPT IN THE DIVISION'S SANTA FE OFFICE.

E. CLASSIFICATION OF GPUS

RULE 12(a) CLASSIFICATION PERIOD: THE PRORATION PERIOD SHALL BE DIVIDED INTO THREE CLASSIFICATION PERIODS OF FOUR MONTHS EACH, COMMENCING APRIL 1, AUGUST 1, AND DECEMBER 1.

SUGGESTED CHANGE

RULE 12(a) CLASSIFICATION PERIOD: THE PRORATION PERIOD SHALL BE DIVIDED INTO THREE FOUR CLASSIFICATION PERIODS OF FOUR THREE MONTHS EACH, COMMENCING APRIL 1, ~~AUGUST 1, AND DECEMBER 1;~~ JULY 1, OCTOBER 1, AND JANUARY 1.

RULE 12(b) RECLASSIFICATION BY THE DIRECTOR: THE DIRECTOR OF THE OIL CONSERVATION DIVISION MAY RECLASSIFY A MARGINAL OR NON-MARGINAL GPU AT ANY TIME THE GPU'S PRODUCING ABILITY JUSTIFIES SUCH RECLASSIFICATION.

THE DIRECTOR MAY SUSPEND THE RECLASSIFICATION OF GPUS WHICH WOULD BE EFFECTIVE ON AUGUST 1 and DECEMBER 1 ON HIS OWN INITIATIVE OR UPON PROPER SHOWING BY AN INTERESTED PARTY, SHOULD IT APPEAR THAT SUCH SUSPENSION IS NECESSARY TO PERMIT UNDERPRODUCED GPUS WHICH WOULD OTHERWISE BE RECLASSIFIED, A PROPER OPPORTUNITY TO MAKE UP SUCH UNDERPRODUCTION.

SUGGESTED CHANGE

RULE 12(b) RECLASSIFICATION BY THE DIRECTOR: THE DIRECTOR OF THE OIL CONSERVATION DIVISION MAY RECLASSIFY A MARGINAL OR NON-MARGINAL GPU AT ANY TIME THE GPU'S PRODUCING ABILITY JUSTIFIES SUCH RECLASSIFICATION.

THE DIRECTOR MAY SUSPEND THE RECLASSIFICATION OF GPUS WHICH WOULD BE EFFECTIVE ~~ON AUGUST 1 and DECEMBER 1~~ ON HIS OWN INITIATIVE OR UPON PROPER SHOWING BY AN INTERESTED PARTY, SHOULD IT APPEAR THAT SUCH SUSPENSION IS NECESSARY TO PERMIT UNDERPRODUCED GPUS WHICH WOULD OTHERWISE BE RECLASSIFIED, A PROPER OPPORTUNITY TO MAKE UP SUCH UNDERPRODUCTION.

RULE 13(a) RECLASSIFICATION TO MARGINAL: AFTER THE PRODUCTION DATA IS AVAILABLE FOR THE LAST MONTH OF EACH CLASSIFICATION PERIOD, ANY GPU WHICH HAD AN UNDERPRODUCED STATUS AT THE BEGINNING OF THE PRORATION PERIOD MAY BE CLASSIFIED MARGINAL IF ITS HIGHEST SINGLE MONTH'S PRODUCTION DURING THE CLASSIFICATION PERIOD IS LESS THAN ITS AVERAGE MONTHLY ALLOWABLE DURING SUCH PERIOD; HOWEVER, THE OPERATOR OF ANY GPU SO CLASSIFIED, OR OTHER INTERESTED PARTY, SHALL HAVE 30 DAYS AFTER RECEIPT OF NOTIFICATION OF MARGINAL CLASSIFICATION IN WHICH TO SUBMIT SATISFACTORY EVIDENCE TO THE DIVISION THAT THE GPU IS NOT OF MARGINAL CHARACTER AND SHOULD NOT BE SO CLASSIFIED.

SUGGESTED CHANGE

RULE 13(a) RECLASSIFICATION TO MARGINAL: A NON-MARGINAL WELL MAY BE RECLASSIFIED AS MARGINAL IN EITHER OF THE FOLLOWING WAYS:

(1) AFTER THE PRODUCTION DATA IS AVAILABLE FOR THE LAST MONTH OF EACH CLASSIFICATION PERIOD, ANY GPU WHICH HAD AN UNDERPRODUCED STATUS AT THE BEGINNING OF THE ALLOCATION PERIOD SHALL BE RECLASSIFIED TO MARGINAL IF ITS HIGHEST SINGLE MONTH'S PRODUCTION DURING THE CLASSIFICATION PERIOD IS LESS THAN ITS AVERAGE MONTHLY ALLOWABLE DURING SUCH PERIOD; HOWEVER, THE OPERATOR OF ANY GPU SO CLASSIFIED, OR OTHER INTERESTED PARTY, SHALL HAVE 30 DAYS AFTER RECEIPT OF NOTIFICATION OF MARGINAL CLASSIFICATION IN WHICH TO SUBMIT SATISFACTORY EVIDENCE TO THE DIVISION THAT THE GPU IS NOT OF MARGINAL CHARACTER AND SHOULD NOT BE SO CLASSIFIED; OR

(2) A GPU WHICH IS UNDERPRODUCED MORE THAN THE OVERPRODUCTION LIMIT AS DESCRIBED IN 11(b)(1) OR 11(b)(2), WHICHEVER IS APPLICABLE, SHALL BE RECLASSIFIED AS MARGINAL.

RULE 13(b) CANCELLATION OF UNDERPRODUCTION ON MARGINAL GPU: A GPU WHICH IS CLASSIFIED AS MARGINAL SHALL NOT BE PERMITTED TO ACCUMULATE UNDERPRODUCTION, AND ANY UNDERPRODUCTION ACCRUED TO A GPU PRIOR TO ITS CLASSIFICATION AS MARGINAL SHALL BE CANCELLED.

RULE 14(a) RECLASSIFICATION TO NON-MARGINAL: IF, AT THE END OF ANY MONTH, A MARGINAL GPU HAS PRODUCED MORE THAN THE TOTAL ALLOWABLE FOR THE MONTH WHICH WOULD HAVE BEEN ASSIGNED IF SUCH GPU HAD BEEN CLASSIFIED NON-MARGINAL, THE MARGINAL GPU SHALL BE RECLASSIFIED AS A NON-MARGINAL GPU.

SUGGESTED CHANGE

RULE 14(a) RECLASSIFICATION TO NON-MARGINAL: IF, AT THE END OF ANY MONTH, ~~CLASSIFICATION PERIOD, A MARGINAL GPU HAS PRODUCED MORE THAN THE TOTAL ALLOWABLE FOR THE MONTH WHICH WOULD HAVE BEEN ASSIGNED IF SUCH GPU HAD BEEN CLASSIFIED NON-MARGINAL;~~ THE MARGINAL GAS DURING THE PRORATION PERIOD TO THAT TIME THAN ITS SHADOW ALLOWABLE FOR THAT SAME PERIOD, THE GPU SHALL BE RECLASSIFIED AS A NON-MARGINAL GPU.

RULE 14(b) REINSTATEMENT OF STATUS: AN OPERATOR OF A GPU BEING RECLASSIFIED AS NON-MARGINAL WHICH GPU WAS CLASSIFIED MARGINAL AT THE END OF THE PRIOR CLASSIFICATION PERIOD MAY HAVE ELIGIBLE UNDERAGE REINSTATED AND ITS NET STATUS ADJUSTED ACCORDINGLY BY DEMONSTRATING THAT THE GPU COULD HAVE PRODUCED A NON-MARGINAL ALLOWABLE PRIOR TO ITS RECLASSIFICATION. (IF THE GPU HAD BEEN CLASSIFIED AS MARGINAL FOR ONE PRORATION PERIOD ONLY, OR A PORTION OF ONE PRORATION PERIOD ONLY, ANY UNDERPRODUCTION CANCELLED AS THE RESULT OF SUCH CLASSIFICATION SHALL BE REINSTATED.) ALL UNCOMPENSATED-FOR OVERPRODUCTION ACCRUING TO THE GPU WHILE MARGINAL SHALL BE CHARGEABLE UPON RECLASSIFICATION TO NON-MARGINAL.

SUGGESTED CHANGE

RULE 14(b) REINSTATEMENT OF STATUS: AN--OPERATOR--OF A GPU BEING RECLASSIFIED AS TO NON-MARGINAL WHICH GPU WAS--CLASSIFIED MARGINAL AT THE END OF--THE CLASSIFICATION PERIOD--MAY--HAVE ELIGIBLE--UNDERAGE--REINSTATED AND--ITS--NET STATUS--ADJUSTED--ACCORDINGLY--BY--DEMONSTRATING--THAT--THE GPU--COULD--HAVE--PRODUCED A NON-MARGINAL ALLOWABLE PRIOR TO ITS RECLASSIFICATION;--(IF THE GPU HAD--BEEN CLASSIFIED AS MARGINAL--FOR ONE PRORATION--PERIOD ONLY; OR--A PORTION OF--ONE PRORATION PERIOD ONLY;--ANY--UNDERPRODUCTION CANCELLED AS--THE RESULT OF--SUCH CLASSIFICATION SHALL--BE REINSTATED;--)
UNDER THE PROVISIONS OF RULE 14(a)
SHALL HAVE REINSTATED TO IT ALL UNDERPRODUCTION WHICH ACCRUED OR WOULD HAVE ACCRUED AS A NON-MARGINAL GPU FROM THE CURRENT PRORATION PERIOD. UNDERPRODUCTION FROM THE PRIOR PRORATION PERIOD MAY BE REINSTATED AFTER NOTICE AND HEARING. ALL UNCOMPENSATED-FOR OVERPRODUCTION ACCRUING TO THE GPU WHILE MARGINAL SHALL BE CHARGEABLE UPON RECLASSIFICATION TO NON-MARGINAL.

F. REPORTING OF PRODUCTION

RULE 15(a) C-111 REPORT (GAS TRANSPORTER'S MONTHLY REPORT): EACH GAS TRANSPORTER IN EACH OF THE DESIGNATED GAS POOLS REGULATED BY THIS ORDER SHALL SUBMIT A REPORT, AS REQUIRED BY GENERAL RULE 1111, TO THE DIVISION SO AS TO REACH THE DIVISION ON OR BEFORE THE 15TH DAY OF THE MONTH NEXT SUCCEEDING THE MONTH IN WHICH THE GAS WAS TAKEN. SUCH REPORT SHALL BE FILED ON FORM C-111 WITH THE WELLS BEING LISTED IN APPROXIMATELY THE SAME ORDER AS THEY ARE LISTED ON THE PRORATION SCHEDULE. FORM C-111 REFERRED TO HEREIN SHALL BE SUBMITTED IN TRIPLICATE, THE ORIGINAL BEING SENT TO THE DIVISION'S SANTA FE OFFICE; THE SECOND COPY TO THE HOBBS DISTRICT OFFICE, AND THE THIRD COPY, IF NEEDED FOR WELLS IN SUCH DISTRICT, TO EITHER THE ARTESIA OR AZTEC DISTRICT OFFICE AS APPROPRIATE.

SUGGESTED CHANGE

RULE 15(a) C-111 REPORT (GAS TRANSPORTER'S MONTHLY REPORT): EACH GAS TRANSPORTER IN EACH OF THE DESIGNATED GAS POOLS REGULATED BY THIS ORDER AND AS IDENTIFIED ON FORM C-104 SHALL SUBMIT FILE FORM C-111 REPORT. AS--REQUIRED BY GENERAL RULE 1111 TO THE DIVISION SO AS TO REACH THE DIVISION ON OR BEFORE THE 15TH DAY--OF THE MONTH--NEXT SUCCEEDING THE--MONTH IN WHICH--THE GAS--WAS TAKEN. SUCH A REPORT SHALL BE FILED ON FORM C-111 AS REQUIRED BY GENERAL RULE 1111. WITH THE WELLS BEING LISTED IN APPROXIMATELY THE SAME ORDER AS THEY ARE LISTED ON THE--PRORATION SCHEDULE. FORM C-111 REFERRED TO--HEREIN SHALL BE FILED SUBMITTED IN TRIPLICATE WITH THE ORIGINAL BEING SENT TO THE DIVISION'S OFFICE IN SANTA FE OFFICE, THE ONE SECOND COPY TO THE HOBBS DISTRICT OFFICE, AND THE ONE THIRD COPY TO THE APPROPRIATE IF NEEDED--FOR WELLS IN SUCH--DISTRICT--TO EITHER THE ARTESIA OR--AZTEC DISTRICT OFFICE IN WHICH THE LEASE IS LOCATED IF OTHER THAN HOBBS AND SHOULD BE MAILED IN TIME TO REACH THE DIVISION OFFICE ON OR BEFORE THE 15TH DAY OF THE MONTH NEXT SUCCEEDING THE MONTH IN WHICH THE GAS WAS TAKEN. AS APPROPRIATE.

RULE 15(b) C-115 REPORT (OPERATOR'S MONTHLY REPORT): ALL PRODUCERS SHALL REPORT GAS WELL PRODUCTION IN ACCORDANCE WITH RULE 1115 OF THE DIVISION'S GENERAL RULES.

RULE 15(c) REPORTING OF PRODUCTION (DAYS CRITERIA): UPON APPROVAL BY THE DIRECTOR OF THE OIL CONSERVATION DIVISION AS TO THE SPECIFIC PROGRAM TO BE USED, ANY PRODUCER OR TRANSPORTER OF GAS MAY BE PERMITTED TO REPORT METERED PRODUCTION OF GAS ON A CHART-PERIOD BASIS; PROVIDED THE FOLLOWING PROVISIONS SHALL BE APPLICABLE TO EACH GAS WELL:

(1) REPORTS FOR A MONTH SHALL INCLUDE NOT LESS THAN 24 NOR MORE THAN 32 REPORTED DAYS.

(2) REPORTED DAYS MAY INCLUDE AS MANY AS THE LAST 7 DAYS OF THE PREVIOUS MONTH BUT NO DAYS OF THE SUCCEEDING MONTH.

(3) THE TOTAL OF THE MONTHLY REPORTS FOR A YEAR SHALL INCLUDE NOT LESS THAN 360 NOR MORE THAN 368 REPORTED DAYS.

(4) FOR PURPOSES OF THESE RULES, THE TERM "MONTH" SHALL MEAN "CALENDAR MONTH" FOR THOSE REPORTING ON A CALENDAR MONTH BASIS, AND SHALL MEAN "REPORTING MONTH" FOR THOSE REPORTING ON A CHART-PERIOD BASIS IN ACCORDANCE WITH THE EXCEPTION PROVIDED IN THIS RULE.

G. GENERAL

RULE 16 FLARED OR VENTED GAS: NO GAS PRODUCED FROM THE GAS POOLS REGULATED BY THIS ORDER SHALL BE FLARED OR VENTED.

RULE 17 NON-COMPLIANCE OF RULES AND REGULATIONS: FAILURE TO COMPLY WITH THE PROVISIONS OF THESE RULES SHALL RESULT IN THE CANCELLATION OF ALLOWABLE ASSIGNED TO THE AFFECTED GPU. NO FURTHER ALLOWABLE SHALL BE ASSIGNED TO THE AFFECTED GPU UNTIL ALL RULES AND REGULATIONS ARE COMPLIED WITH. THE DIRECTOR SHALL SEND WRITTEN NOTICE TO THE OPERATOR OF THE GPU AND TO THE PURCHASER OF THE DATE OF ALLOWABLE CANCELLATION AND THE REASON THEREFOR.

RULE 18 GAS WELL DELIVERY NOTICES: ALL TRANSPORTERS OR USERS OF GAS SHALL FILE GAS WELL DELIVERY NOTICES WITH THE DIVISION WITHIN 30 DAYS AFTER THE DATE OF FIRST DELIVERY OR REDELIVERY IN ACCORDANCE WITH THE PROVISIONS OF RULE 4(b).

SUGGESTED CHANGE

RULE 18 GAS WELL DELIVERY NOTICES: ALL GAS TRANSPORTERS, AS DESIGNATED ON FORM C-104 OR USERS OF GAS SHALL FILE FORM C-135 GAS WELL DELIVERY NOTICES WITH THE DIVISION WITHIN 30 DAYS AFTER THE DATE OF FIRST DELIVERY OR REDELIVERY IN ACCORDANCE WITH THE PROVISIONS OF RULE 4 5(b) AND GENERAL RULE 1135. THE FORM C-135 SHALL ALSO BE FILED WITH THE DIVISION WITHIN 30 DAYS OF DISCONNECTION.

RULE 19 NOTICE OF MARGINAL WELL SHUT-IN: TRANSPORTERS SHALL NOTIFY THE DIRECTOR ANY TIME IT IS NECESSARY TO SHUT IN MARGINAL WELLS. SUCH NOTICE SHALL BE MADE WITHIN 30 DAYS FOLLOWING THE END OF SUCH MONTH AND SHALL INCLUDE DATA AS MAY BE REQUIRED BY THE DIRECTOR. THIS REPORT SHALL NOT INCLUDE WELLS SHUT IN FOR REQUIRED TESTING, CONNECTION OF NEW WELLS OR WELLS SHUT IN BY THE OPERATOR.

SUGGESTED CHANGE

RULE 19 DELETE

Dockets Nos. 21-90 and 22-90 are tentatively set for July 25, 1990 and August 8, 1990. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JULY 11, 1990

8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

The following cases will be heard before Michael E. Stogner, Examiner, or David R. Catanach, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for August, 1990, from fourteen prorated gas pools in Lea, Eddy, and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas for August, 1990, from four prorated gas pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 9995: Application of Sendero Petroleum, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Undesignated Indian Basin-Upper Pennsylvanian Gas Pool underlying all of Section 8, Township 21 South, Range 23 East, forming a standard 640-acre gas spacing and proration unit for said pool, to be dedicated to the plugged and abandoned Santa Fe Exploration Company Indian Basin Federal Well No. 1 located at a previously authorized unorthodox gas well location (NSL-2809, dated June 7, 1990) 660 feet from the South and East lines (Unit P) of said Section 8. Also to be considered will be the cost of re-entering and recompleting said 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 risk involved in the re-entering and recompletion of said well. Said unit is located approximately 3.75 miles west-northwest of the Marathon Oil Company Indian Basin Gas Plant.

CASE 9996: Application of TXO Production for an unorthodox oil well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox oil well location for its proposed Yates Federal Well No. 16 to be drilled 2540 feet from the South line and 100 feet from the East line (Unit I) of Section 18, Township 20 South, Range 29 East, to test the Undesignated Burton-Delaware Pool. The NE/4 SE/4 of said Section 18 is to be dedicated to said well forming a standard statewide 40-acre oil spacing and proration unit for said pool. Said unit is located approximately 7.5 miles west northwest of the junction of U.S. Highway 62/180 and old New Mexico Highway 31.

CASE 9997: Application of TXO Production for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 20, Township 19 South, Range 25 East, and in the following manner: the E/2 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 North Cemetery-Atoka Gas Pool, Cemetery-Morrow Gas Pool and Undesignated Boyd-Morrow Gas Pool); the SE/4 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 said vertical extent (which presently includes the Undesignated North Dagger Draw-Upper Pennsylvanian Gas Pool); and the NE/4 SE/4 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 said vertical extent. Said units are to be dedicated to a single well to be drilled at a standard location 1980 feet from the South line and 660 feet from the East line (Unit I) of said Section 20. 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 operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 7.5 miles west by north of Lakewood, New Mexico.

CASE 9973: (Continued from June 27, 1990, Examiner Hearing.)

Application of Manzano Oil Corporation for compulsory pooling and an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 14, Township 19 South, Range 33 East, and in the following described manner: the E/2 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 Tonto-Atoka Gas Pool, Undesignated Quail Ridge-Morrow Gas Pool, Undesignated North Quail Ridge-Morrow Gas Pool, and Undesignated East Gem-Morrow Gas Pool) and the NE/4 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 said vertical extent. Said units are to be dedicated to a single well to be drilled at an unorthodox gas well location 1980 feet from the North line and 2310 feet from the East line (Unit G) 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 operator of the well and a charge for risk involved in drilling said well. Said well location is approximately 7 miles southwest by west of the old Hobbs Army Air Corps Auxiliary Airfield No. 4.

CASE 9950: (Continued from June 27, 1990, Examiner Hearing.)

Application of Meridian Oil, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the top of the Wolfcamp to the base of the Morrow formation underlying the E/2 of Section 17, Township 18 South, Range 31 East, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing (which presently includes but is not necessarily limited to the Undesignated North Shugart-Atoka Gas Pool and the Undesignated North Shugart-Morrow Gas Pool). Said unit is to be dedicated to a well to be drilled at a standard gas well location thereon. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 5 miles south of the junction of U.S. Highway 82 and State Highway No. 3/South.

CASE 9998: Application of Yates Energy Corporation to amend Division Order No. R-9093, as amended, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Division Order No. R-9093, as amended, which order compulsorily pooled all mineral interests in the Undesignated Tamano-Bone Spring Pool underlying the SE/4 SW/4 (Unit N) of Section 1, Township 18 South, Range 31 East. Applicant now seeks to include a provision within said order pooling all mineral interests in the Undesignated Tamano-San Andres Pool. Said unit is located approximately 5.5 miles south by west of New Mexico State Highway No. 529's intersection with the Lea/Eddy County line.

CASE 9999: Application of Mobil Producing Texas and New Mexico Inc. for dual completion and downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its Bridges State Well No. 36, located 560 feet from the North and West lines (Unit D) of Section 25, Township 17 South, Range 34 East, in such a manner as to allow production from the Vacuum Grayburg-San Andres Pool and the downhole commingled production from both the Vacuum-Glorieta Pool and Vacuum-Blinebry Pool through two parallel strings of tubing. Said well is located approximately 1/2 mile west-northwest of Buckeye, New Mexico.

CASE 10000: Application of Mobil Producing Texas and New Mexico Inc. for a new waterflood project, dual completions, waterflood expansion and two unorthodox water injection well locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a new waterflood project on its State Bridges Lease comprising all or portions of Sections 3, 10, 11, 12, 13, 14, 15, 23, 24, 25, 26 and 27, Township 17 South, Range 34 East, by the commingled injection of a water stream into the Vacuum-Glorieta and Vacuum-Blinebry Pools through the following six wells:

WELL NO.	FOOTAGE LOCATION	UNIT	SECTION
601 (to be drilled)	1670'FWL - 2600'FWL	N	25
602 (to be drilled)	1190'FWL - 1260'FWL	D	25
109	610'FSL - 1830'FWL	N	24
116	1880'FSL - 510'FWL	L	24
119	1980'FWL - 1780'FWL	F	24
204	660'FWL - 860'FWL	P	24

Applicant further seeks to expand its Bridges Vacuum Grayburg San Andres Waterflood Project by dually completing said Well Nos. 601 and 602 such that water injection into the Grayburg/San Andres formation will be through a second parallel string of tubing. Also, said well Nos. 109, 116, 119 and 204 are to be completed in a similar manner as to allow the injection of water into said commingled Blinebry/Glorieta injection zone and to continue injecting water into the North Vacuum Abo Pressure Maintenance Project through parallel strings of tubing. Said area is located approximately 1/2 mile northwest of Buckeye, New Mexico.

CASE 10001: Application of Santa Fe Energy Operating Partners, L. P. for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from 5000 feet below the surface to the base of the Morrow formation underlying the E/2 of Section 20, Township 17 South, Range 29 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 North Grayburg-Atoka Gas Pool, Undesignated Grayburg-Atoka Gas Pool, Undesignated Grayburg-Morrow Gas Pool, and Undesignated South Empire-Morrow Gas Pool). Said unit is to be dedicated to a well to be drilled at a standard gas well location thereon. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 6.5 miles west of Loco Hills, New Mexico.

CASE 10002: Application of Bridge Oil Company, L. P. for pool creation, special pool rules, discovery allowable, and an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new oil pool for Devonian production comprising the E/2 NE/4 of Section 34, Township 15 South, Range 35 East, and the promulgation of temporary special pool rules therefor including a provision for 80-acre spacing and designated locations. Applicant further seeks the assignment of an oil discovery allowable as allowed by General Rule 509 to the discovery well for said pool being the applicant's Julia Culp Well No. 2 located at an unorthodox oil well location for the proposed special pool rules 2310 feet from the North line and 660 feet from the East line (Unit H) of said Section 34. Said area is located approximately 3.5 miles northwest of Lovington, New Mexico.

CASE 10003: Application of Mesa Operating Limited Partnership for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the W/2 of Section 36, Township 29 North, Range 10 West, forming a standard 320-acre gas spacing and proration unit for said pool, said unit to be dedicated to the existing FC State Com Well No. 17 located at a standard coal gas well location 1580 feet from the South line and 1335 feet from the West line (Unit K) of said Section 36. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 2.5 miles south by west of Blanco, New Mexico.

CASE 10004: Application of Mesa Operating Limited Partnership for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the W/2 of Section 32, Township 29 North, Range 8 West, forming a standard 320-acre gas spacing and proration unit for said pool, said unit to be dedicated to its proposed FC State Com Well No. 8 to be drilled at a standard coal gas well location in the SW/4 of said Section 32. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 8 miles east-southeast of Blanco, New Mexico.

CASE 9980: (Continued from June 27, 1990, Examiner Hearing.)

Application of Mesa Operating Limited Partnership for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 16, Township 29 North, Range 8 West, forming a standard 320-acre gas spacing and proration unit for said pool, said unit to be dedicated to the existing "F. L." State Com Well No. 11 located at a standard coal gas well location 2200 feet from the North line and 1045 feet from the East line (Unit H) of said Section 36. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 9 miles east of Blanco, New Mexico.

CASE 9981: (Continued from June 27, 1990, Examiner Hearing.)

Application of Mesa Operating Limited Partnership for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the W/2 of Section 36, Township 29 North, Range 8 West, forming a standard 320-acre gas spacing and proration unit for said pool, said unit to be dedicated to its proposed "F. C." State Com Well No. 9 to be drilled at a standard coal gas well location in the SW/4 of said Section 8. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 8.5 miles east of Blanco, New Mexico.

CASE 9982: (Continued from June 27, 1990, Examiner Hearing.)

Application of Mesa Operating Limited Partnership for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the N/2 of Section 36, Township 30 North, Range 9 West, forming a standard 320-acre gas spacing and proration unit for said pool, said unit to be dedicated to its proposed "F. C." State Com Well No. 19 to be drilled at a standard coal gas well location in the NE/4 of said Section 36. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 15 miles east by south of Aztec, New Mexico.

CASE 9983: (Continued from June 27, 1990, Examiner Hearing.)

Application of Mesa Operating Limited Partnership for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the S/2 of Section 36, Township 30 North, Range 9 West, forming a standard 320-acre gas spacing and proration unit for said pool, said unit to be dedicated to its proposed "F. C." State Com Well No. 7 to be drilled at a standard coal gas well location in the SW/4 of said Section 36. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 15 miles east by south of Aztec, New Mexico.

CASE 9984: (Continued from June 27, 1990, Examiner Hearing.)

Application of Mesa Operating Limited Partnership for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying Lots 1 through 4 and the NW/4 (N/2 equivalent) of Section 20, Township 30 North, Range 10 West, forming a standard 316.18-acre gas spacing and proration unit for said pool, said unit to be dedicated to its proposed "F. C." Federal Com Well No. 9 to be drilled at a standard coal gas well location in the NE/4 of said Section 20. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 5 miles east-southeast of Aztec, New Mexico.

CASE 9985: (Continued from June 27, 1990, Examiner Hearing.)

Application of Mesa Operating Limited Partnership for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying Lots 3 through 6 and 11 through 14 (W/2 equivalent) of Section 33, Township 30 North, Range 10 West, forming a standard 321.48-acre gas spacing and proration unit for said pool, said unit to be dedicated to a well to be drilled at a standard coal gas well location thereon. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 6.5 miles northeast by east of Bloomfield, New Mexico.

CASE 9986: (Continued from June 27, 1990, Examiner Hearing.)

Application of Mesa Operating Limited Partnership for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 16, Township 30 North, Range 11 West, forming a standard 320-acre gas spacing and proration unit for said pool, said unit to be dedicated to the existing "F. C." State Com Well No. 16 located at a standard coal gas well location 1870 feet from the North line and 1705 feet from the East line (Unit G) of said Section 16. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 1 mile south of Aztec, New Mexico.

CASE 10005: Application of Estate of Thelma Ford Simmons d/b/a D. J. Simmons Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 34, Township 28 North, Range 10 West, forming a standard 320-acre gas spacing and proration unit for said pool, to be dedicated to a well to be drilled at a standard coal gas well location in the NE/4 of said Section 34. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 8.5 miles southeast of Bloomfield, New Mexico.

CASE 10006: Application of Estate of Thelma Ford Simmons d/b/a D. J. Simmons Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 33, Township 28 North, Range 10 West, forming a standard 320-acre gas spacing and proration unit for said pool, to be dedicated to a well to be drilled at a standard coal gas well location in the NE/4 of said Section 33. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 8 miles southeast by south of Bloomfield, New Mexico.

CASE 10007: Application of Estate of Thelma Ford Simmons d/b/a D. J. Simmons Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the W/2 of Section 27, Township 28 North, Range 10 West, forming a standard 320-acre gas spacing and proration unit for said pool, to be dedicated to a well to be drilled at a standard coal gas well location in the SW/4 of said Section 27. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 7.5 miles southeast of Bloomfield, New Mexico.

CASE 9979: (Continued from June 27, 1990, Examiner Hearing.)

Application of Yates Petroleum Corporation for downhole commingling, dual completion and an exception to General Rule 303.A., Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to complete its DeSana Unit Well No. 1 located 1980 feet from the North and East lines (Unit G) of Section 17, Township 18 South, Range 24 East, in such a manner as to allow communication between and/or the commingling of production from the Wolfcamp, Cisco, Canyon, Strawn and Atoka formations and the Undesignated North Antelope Sink-Morrow Gas Pool within said wellbore and that any such fluids from these zones be produced through a tubing string. Further, the applicant requests that the Abo and Yeso formations be allowed to communicate within said wellbore and any such commingled fluids be produced up the casing/tubing annulus. Said well is located approximately 8.5 miles east-southeast of Hope, New Mexico.

CASE 9970: (Continued from June 27, 1990, Examiner Hearing.)

Application of Pacific Enterprises Oil Company (USA) for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 16, Township 17 South, Range 31 East, and in the following manner: the E/2 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 Fren-Pennsylvanian Gas Pool); the SE/4 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 said vertical extent; and the NW/4 SE/4 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 said vertical extent (which presently includes but is not necessarily limited to the Fren-Seven Rivers Pool, Grayburg-Jackson Seven Rivers-Queen-Grayburg-San Andres Pool, and Undesignated Fren-Paddock Pool). Said units are to be dedicated to a single well to be drilled at a standard location in the NW/4 SE/4 (Unit J) of said Section 16. 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 operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 1.5 miles north of the junction of U.S. Highway 82 and New Mexico State Highway 529.

CASE 10008: Application of Doyle Hartman for a non-standard gas proration unit, compulsory pooling, and an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Jalmat Gas Pool underlying Lots 3 and 4, the SE/4 NW/4, and the E/2 SW/4 of Section 6, Township 24 South, Range 37 East, forming a 197.75-acre non-standard gas spacing and proration unit in the Jalmat Gas Pool to be dedicated to a well to be drilled at an unorthodox gas well location 660 feet from the North line and 924 feet from the West line (Unit D) of said Section 6. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 10 miles north-northeast of Jal, New Mexico.

DOCKET: COMMISSION HEARING - THURSDAY - JULY 19, 1990

9:00 A.M. - MORGAN HALL, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

CASE 7656: (Continued from October 26, 1982, Commission Hearing.) (This case will be dismissed.)

Application of Citres Service Company for determination of reasonable well costs, Lea County, New Mexico. Applicant, in the above-styled cause, pursuant to the provisions of Section 70-2-17 C, NMSA, 1978 Comp., and Paragraph (5) of Division Order No. R-6781, seeks a determination of reasonable well costs for two wells drilled under the provisions of said Order No. R-6781 by Doyle Hartman on lands pooled by said order.

CASE 10009: In the matter of the hearing called by the Oil Conservation Division (OCD) on its own motion to consider revisions to Division Order No. R-8170, as amended. The OCD on the recommendation of the Gas Proration Rules Committee seeks to amend the General Rules for the Prorated Gas Pools of New Mexico, as promulgated by Division Order No. R-8170, as amended. Such changes include provisions for two 6-month allocation periods beginning April and October (Rules 5, 12 and 13), three month classification periods, and for any other changes deemed adequate and necessary for said Gas Proration Rules at this time.

CASE 9854: (De Novo) (Continued from June 21, 1990, Commission Hearing.)

Application of Stevens Operating Corporation for pool creation and special pool rules, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the creation and special pool rules, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new pool for the production of oil from the Fusselman formation comprising the S/2 of Section 21 and the N/2 of Section 28, Township 10 South, Range 27 East, and for the promulgation of special rules and regulations therefor including provisions for 320-acre oil spacing and proration units, designated well location requirements, a special gas-oil ratio limitation of 20,000 cubic feet of gas per barrel of oil, and a special 320-acre oil allowable of 650 barrels per day. Said area is located at Mile Post No. 174 on U.S. Highway 380. Upon application of Yates Petroleum Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

MILLER, STRATVERT, TORGERSON & SCHLENKER, P. A.
LAW OFFICES

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ALAN KONRAD
MARGO J. MCCORMICK
LYMAN G. SANDY
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KENNETH R. BRANDT (1946 - 1981)

June 22, 1990

PLEASE REPLY TO SANTA FE

Mr. William J. LeMay, Director
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504-2088

Re: NMOCD Cases Nos. 9980, 9981, 9982, 9983, 9984, 9985, and
9986: Application of Mesa Operating Limited Partnership
for Compulsory Pooling, San Juan County, New Mexico

Dear Mr. LeMay:

On behalf of the Applicant, Mesa Operating Limited Partnership, we respectfully request that the above cases be continued until the Examiner hearing scheduled for July 11, 1990.

Thank you for your cooperation.

Very truly yours,

J. Scott Hall
J. Scott Hall

JSH/ro

cc: David Catanach
Mark Seale

MILLER, STRATVERT, TORGERSON & SCHLENKER, P. A.

LAW OFFICES

JUN 26 AM 8 51
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KENNETH R. BRANDT (1946 - 1981)

June 22, 1990

PLEASE REPLY TO SANTA FE

Mr. William J. LeMay, Director
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504-2088

Re: NMOCD Cases Nos. 9980, 9981, 9982, 9983, 9984, 9985, and
9986: Application of Mesa Operating Limited Partnership
for Compulsory Pooling, San Juan County, New Mexico

Dear Mr. LeMay:

On behalf of the Applicant, Mesa Operating Limited
Partnership, we respectfully request that the above cases be
continued until the Examiner hearing scheduled for July 11, 1990.

Thank you for your cooperation.

Very truly yours,

J. Scott Hall
J. Scott Hall

JSH/ro

cc: David Catanach
Mark Seale

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION
OF MESA OPERATING LIMITED PARTNERSHIP
FOR COMPULSORY POOLING,
SAN JUAN COUNTY, NEW MEXICO.

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CASE NO. 9983

OIL CONSERVATION DIVISION

ENTRY OF APPEARANCE

COMES NOW CAMPBELL & BLACK, P.A., and hereby enters its appearance in
the above referenced case on behalf of Amoco Production Company.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By:


WILLIAM F. CARR

Post Office Box 2208

Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

ATTORNEYS FOR AMOCO
PRODUCTION COMPANY

**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:

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JUN 22 1990

CASE NOS. 9980, 9981, 9982,
9983, 9984, 9985,
9986, 9987, 9988,
9989, 9990, 9991,
9992 and 9993

OIL CONSERVATION DIVISION

APPLICATION OF MESA OPERATING
LIMITED PARTNERSHIP FOR COMPULSORY POOLING,
SAN JUAN COUNTY, NEW MEXICO.

PRE-HEARING STATEMENT

This prehearing statement is submitted by William F. Carr, as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Mesa Operating Limited Partnership

Telephone: _____

ATTORNEY

J. Scott Hall _____
Miller, Stratvert, Torgerson & _____
Schlenker, PA _____
125 Lincoln Avenue, Suite 303
Santa Fe, New Mexico 87501 _____
Telephone: (505) 989-9614

OPPOSITION OR OTHER PARTY

Amoco Production Company _____
c/o Eric Nitcher _____
Post Office Box 800 _____
Denver, Colorado 80201 _____
(303) 830-4040 _____

name, address, phone and
contact person

ATTORNEY

William F. Carr _____
Campbell & Black, P.A. _____
Post Office Box 2208 _____
Santa Fe, New Mexico 87504 _____
(505) 988-4421 _____

Pre-hearing Statement

**NMOCD Case Nos. 9980, 9981, 9982, 9983, 9984, 9985,
9986, 9987, 9988, 9989, 9990, 9991, 9992 and 9993**

Page 2

STATEMENT OF CASE

APPLICANT

OPPOSITION OR OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

Amoco Production Company opposed a 300% risk penalty on each of these wells in the Basin-Fruitland Coal Gas Pool which are the subject of the cases.

Pre-hearing Statement

**NMOCD Case Nos. 9980, 9981, 9982, 9983, 9984, 9985,
9986, 9987, 9988, 9989, 9990, 9991, 9992 and 9993**

Page 3

PROPOSED EVIDENCE

APPLICANT

WITNESSES
(Name and expertise)

EST. TIME

EXHIBITS

OPPOSITION

WITNESSES
(Name and expertise)

EST. TIME

EXHIBITS

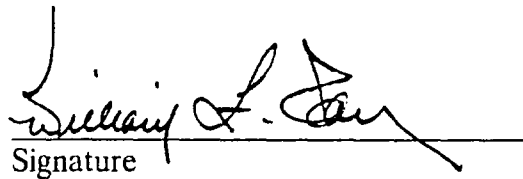
Bill Hawkins

30 Min.

Approximately 5

PROCEDURAL MATTERS

None


Signature

Dockets Nos. 19-90 and 20-90 are tentatively set for July 11, 1990 and July 25, 1990. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 27, 1990

**8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO**

The following cases will be heard before David R. Catanach, Examiner, or Michael E. Stogner, Alternate Examiner:

CASE 9968: Application of Mobil Exploration Producing U.S. Inc. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Siluro-Devonian formations in the open hole interval from approximately 11,800 feet to 13,970 feet in its State Section "27" Well No. 1 located 660 feet from the North line and 1983 feet from the East line (Unit B) of Section 27, Township 18 South, Range 35 East, South Vacuum-Devonian Pool, which is approximately 2 miles northwest by west of the junction of New Mexico State Highway Nos. 8 and 529.

CASE 9969: Application of Hixon Development Company for downhole commingling and a non-standard oil proration unit, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authorization to commingle oil production from the Undesignated Gavilan-Mancos Oil and Undesignated Gavilan Greenhorn-Graneros-Dakota Oil Pool within the wellbore of its Evans Well No. 1 located 790 feet from the North and West lines (Unit D) of Section 5, Township 24 North, Range 2 West. Applicant further seeks approval for a 326.44-acre non-standard oil proration unit for both pools comprising Lots 3 and 4, the S/2 NW/4, and SW/4 (W/2 equivalent) of said Section 5. Said well is located approximately 3 miles northwest by north of Lindrith, New Mexico.

CASE 9961: (Continued from June 13, 1990, Examiner Hearing.)

Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E/2 of Section 18, Township 17 South, Range 27 East, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 320-acre spacing, which presently includes but is not necessarily limited to the Undesignated Logan Draw-Cisco Canyon Gas Pool, Undesignated Riverside-Atoka Gas Pool, and Undesignated Logan Draw-Morrow Gas Pool. Said unit is to be dedicated to a single well to be drilled at a standard gas well location thereon. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 1 mile east of Riverside, New Mexico.

CASE 9924: (Continued from June 13, 1990, Examiner Hearing.)

Application of Strata Production Company to amend Division Order No. R-9097, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks to amend Division Order No. R-9097, which authorized a horizontal directional drilling pilot project in the SE/4 of Section 18, Township 26 South, Range 25 East, being a standard 160-acre gas spacing and proration unit in the Bone Spring formation by expanding the prescribed area limiting the horizontal displacement of the proposed wellbore such that any portion thereof can be no closer than 330 feet from the North line, nor closer than 660 feet from the East and West lines, nor closer than 460 feet from the South line of said 160-acre tract. Said location is approximately 2.5 miles east of Mile Post No. 6 on U.S. Highway 62/180.

CASE 9970: Application of Pacific Enterprises Oil Company (USA) for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 16, Township 17 South, Range 31 East, and in the following manner: the E/2 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 Fren-Pennsylvanian Gas Pool); the SE/4 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 said vertical extent; and the NW/4 SE/4 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 said vertical extent (which presently includes but is not necessarily limited to the Fren-Seven Rivers Pool, Grayburg-Jackson Seven Rivers-Queen-Grayburg-San Andres Pool, and Undesignated Fren-Paddock Pool). Said units are to be dedicated to a single well to be drilled at a standard location in the NW/4 SE/4 (Unit J) of said Section 16. 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 operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 1.5 miles north of the junction of U.S. Highway 82 and New Mexico State Highway 529.

CASE 9971: Application of Conoco, Inc. for two salt water disposal wells, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the San Andres formation in its Southeast Monument Unit Wells Nos. 99 and 101, located 1980 feet from the North line and 1650 feet from the West line (Unit F) and 660 feet from the North line and 330 feet from the West line (Unit D), respectively, of Section 29, Township 20 South, Range 38 East, Eunice-Monument Pool. Both wells are located approximately 7.25 miles north of Eunice, New Mexico.

CASE 9953: (Continued from June 13, 1990, Examiner Hearing.)

Application of Oryx Energy Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 24, Township 17 South, Range 35 East, and in the following described manner: the W/2 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); the NW/4 to form a standard 160-acre gas spacing and proration unit for any and all formations developed on 160-acre spacing within said vertical extent; and the SE/4 NW/4 to form standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on statewide 40-acre oil spacing (which presently includes but is not necessarily limited to the Undesignated Vacuum-Abo Reef Pool, the Vacuum Grayburg-San Andres Pool, and the Undesignated Vacuum-Glorieta Pool). Said units are to be dedicated to a single well to be drilled at a standard location in the SE/4 NW/4 (Unit F) of said Section 24. Also to be considered will be the cost 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 operator of the well and a charge for risk involved in drilling said well. This area is located approximately 5.5 miles east by north of Buckeye, New Mexico.

CASE 9972: Application of Gary L. Bennett for a pressure maintenance project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pressure maintenance project on its Cavalcade Federal "21" Lease comprising the E/2 SW/4 and SE/4 of Section 21, Township 18 South, Range 32 East, by the injection of water into the Querecho Plains-Queen Associated Pool through the perforated interval from approximately 4088 feet to 4130 feet in its Well No. 4 located 400 feet from the South line and 660 feet from the East line (Unit P) of said Section 21. Said area is located approximately 8.75 miles south of Maljamar, New Mexico.

CASE 9973: Application of Manzano Oil Corporation for compulsory pooling and an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 14, Township 19 South, Range 33 East, and in the following described manner: the E/2 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 Tonto-Atoka Gas Pool, Undesignated Quail Ridge-Morrow Gas Pool, Undesignated North Quail Ridge-Morrow Gas Pool, and Undesignated East Gem-Morrow Gas Pool) and the NE/4 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 said vertical extent. Said units are to be dedicated to a single well to be drilled at an unorthodox gas well location 1980 feet from the North line and 2310 feet from the East line (Unit G) 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 operator of the well and a charge for risk involved in drilling said well. Said well location is approximately 7 miles southwest by west of the old Hobbs Army Air Corps Auxiliary Airfield No. 4.

CASE 9950: (Continued from May 30, 1990, Examiner Hearing.)

Application of Meridian Oil, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the top of the Wolfcamp to the base of the Morrow formation underlying the E/2 of Section 17, Township 18 South, Range 31 East, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing (which presently includes but is not necessarily limited to the Undesignated North Shugart-Atoka Gas Pool and the Undesignated North Shugart-Morrow Gas Pool). Said unit is to be dedicated to a well to be drilled at a standard gas well location thereon. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 5 miles south of the junction of U.S. Highway 82 and State Highway No. 3/South.

CASE 9974: Application of Meridian Oil, Inc. for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling certain record title owners of a federal oil and gas lease in the Basin-Fruitland Coal (Gas) Pool underlying the S/2 equivalent of Section 35, Township 31 North, Range 4 West, forming a standard 320-acre, more or less, gas spacing and proration unit for said pool, to be dedicated to the Chicosa Canyon Well No. 1 located at a standard coal gas well location 830 feet from the South line and 1100 feet from the West line (Unit M) of said Section 35, which is located approximately 10.25 miles south of Mile Corner No. 230 on the New Mexico/ Colorado stateline. Also to be considered will be the designation of applicant as operator of the well and unit.

CASE 9975: Application of Meridian Oil, Inc. for fourteen non-standard gas proration units, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks to establish fourteen non-standard gas spacing and proration units for Basin-Fruitland Coal Gas Pool production in Sections 7 through 12, 18, 19, 30 and 31, Township 32 North, Range 9 West; Sections 6 and 18, Township 31 North, Range 9 West; and Sections 11 and 12, Township 32 North, Range 10 West. This area includes those partial Sections along the New Mexico/Colorado Stateline which extend 9 miles east from the Animas River and includes the western portions of those partial western most Sections in Townships 31 and 32 North, Range 9 West, which extend south for approximately 8 miles from Mile Corner No. 263 located on the stateline.

CASE 9976: Application of Southland Royalty Company for two non-standard gas proration units, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for two non-standard gas spacing and proration units for Basin-Fruitland Coal Gas Pool production in portions of Sections 23 and 24, Township 31 North, Range 12 West. Said area is located 6 miles north by east of Flora Vista, New Mexico.

- CASE 9977: Application of Pacific Enterprises Oil Company (USA) for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Empire-Pennsylvanian Gas Pool underlying the E/2 of Section 34, Township 17 South, Range 28 East, forming a standard 320-acre gas spacing and proration unit for said pool, to be dedicated to a well to be drilled at a standard gas well location thereon. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located 1/2 mile southeast of the junction of U.S. Highway 82 and New Mexico State Highway No. 360.
- CASE 9978: Application of Yates Energy Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the San Andres formation underlying the NE/4 NW/4 of Section 12, Township 18 South, Range 31 East, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on statewide 40-acre oil spacing within said vertical extent, which includes but is not necessarily limited to the Shugart Yates-Seven Rivers-Queen-Grayburg Pool and Undesignated Tamano-San Andres Pool. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 2.25 miles south by west of the Lea/Eddy County line on New Mexico State Highway No. 529.
- CASE 9979: Application of Yates Petroleum Corporation for downhole commingling, dual completion and an exception to General Rule 303.A., Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to complete its DeSana Unit Well No. 1 located 1980 feet from the North and East lines (Unit G) of Section 17, Township 18 South, Range 24 East, in such a manner as to allow communication between and/or the commingling of production from the Wolfcamp, Cisco, Canyon, Strawn and Atoka formations and the Undesignated North Antelope Sink-Morrow Gas Pool within said wellbore and that any such fluids from these zones be produced through a tubing string. Further, the applicant requests that the Abo and Yeso formations be allowed to communicate within said wellbore and any such commingled fluids be produced up the casing/tubing annulus. Said well is located approximately 8.5 miles east-southeast of Hope, New Mexico.
- CASE 9964: (Continued from June 13, 1990, Examiner Hearing.)
- Application of Yates Petroleum Corporation for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location for its existing Lusk "AHB" Federal Well No. 1 located 800 feet from the North line and 1650 feet from the East line (Unit B) of Section 35, Township 19 South, Range 32 East, for either the Undesignated Gem-Morrow Gas Pool or the Undesignated East Lusk-Morrow Gas Pool, the N/2 of said Section 35 to be dedicated to the well to form a standard 320-acre gas spacing and proration unit for either pool. Said unit is located approximately 4.5 miles north of the old site of the "Halfway Bar".
- CASE 9980: Application of Mesa Operating Limited Partnership for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 16, Township 29 North, Range 8 West, forming a standard 320-acre gas spacing and proration unit for said pool, said unit to be dedicated to the existing "F. L." State Com Well No. 11 located at a standard coal gas well location 2200 feet from the North line and 1045 feet from the East line (Unit H) of said Section 36. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 9 miles east of Blanco, New Mexico.
- CASE 9981: Application of Mesa Operating Limited Partnership for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the W/2 of Section 36, Township 29 North, Range 8 West, forming a standard 320-acre gas spacing and proration unit for said pool, said unit to be dedicated to its proposed "F. C." State Com Well No. 9 to be drilled at a standard coal gas well location in the SW/4 of said Section 8. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 8.5 miles east of Blanco, New Mexico.
- CASE 9982: Application of Mesa Operating Limited Partnership for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the N/2 of Section 36, Township 30 North, Range 9 West, forming a standard 320-acre gas spacing and proration unit for said pool, said unit to be dedicated to its proposed "F. C." State Com Well No. 19 to be drilled at a standard coal gas well location in the NE/4 of said Section 36. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 15 miles east by south of Aztec, New Mexico.
- CASE 9983: Application of Mesa Operating Limited Partnership for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the S/2 of Section 36, Township 30 North, Range 9 West, forming a standard 320-acre gas spacing and proration unit for said pool, said unit to be dedicated to its proposed "F. C." State Com Well No. 7 to be drilled at a standard coal gas well location in the SW/4 of said Section 36. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 15 miles east by south of Aztec, New Mexico.

- CASE 9984: Application of Mesa Operating Limited Partnership for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying Lots 1 through 4 and the NW/4 (N/2 equivalent) of Section 20, Township 30 North, Range 10 West, forming a standard 316.18-acre gas spacing and proration unit for said pool, said unit to be dedicated to its proposed "F. C." Federal Com Well No. 9 to be drilled at a standard coal gas well location in the NE/4 of said Section 20. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 5 miles east-southeast of Aztec, New Mexico.
- CASE 9985: Application of Mesa Operating Limited Partnership for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying Lots 3 through 6 and 11 through 14 (W/2 equivalent) of Section 33, Township 30 North, Range 10 West, forming a standard 321.48-acre gas spacing and proration unit for said pool, said unit to be dedicated to a well to be drilled at a standard coal gas well location thereon. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 6.5 miles northeast by east of Bloomfield, New Mexico.
- CASE 9986: Application of Mesa Operating Limited Partnership for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 16, Township 30 North, Range 11 West, forming a standard 320-acre gas spacing and proration unit for said pool, said unit to be dedicated to the existing "F. C." State Com Well No. 16 located at a standard coal gas well location 1870 feet from the North line and 1705 feet from the East line (Unit G) of said Section 16. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 1 mile south of Aztec, New Mexico.
- CASE 9987: Application of Mesa Operating Limited Partnership for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the N/2 of Section 36, Township 31 North, Range 9 West, forming a standard 320-acre gas spacing and proration unit for said pool, said unit to be dedicated to its proposed "F. C." State Com Well No. 4 to be drilled at a standard coal gas well location in the NE/4 of said Section 36. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 8 miles northwest by west of the Navajo Reservoir Dam.
- CASE 9988: Application of Mesa Operating Limited Partnership for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the S/2 of Section 36, Township 31 North, Range 9 West, forming a standard 320-acre gas spacing and proration unit for said pool, said unit to be dedicated to its proposed "F. C." State Com Well No. 3 to be drilled at a standard coal gas well location in the SW/4 of said Section 36. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 7.5 miles northwest by west of the Navajo Reservoir Dam.
- CASE 9989: Application of Mesa Operating Limited Partnership for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Cedar Hill-Fruitland Basal Coal Gas Pool underlying Lots 5, 10 and 15, the W/2 NE/4, SE/4 NE/4, and E/2 SE/4 (E/2 equivalent) of Section 19, Township 32 North, Range 10 West, forming a 324.85-acre gas spacing and proration unit for said pool, said unit to be dedicated to its proposed "F. C." Decker Primo Com Well No. 2 to be drilled at a standard coal gas well location in the NE/4 equivalent of said Section 19. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 2.5 miles northwest of Cedar Hill, New Mexico.
- CASE 9990: Application of Mesa Operating Limited Partnership for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 14, Township 32 North, Range 11 West, forming a standard 320-acre gas spacing and proration unit for said pool, said unit to be dedicated to its proposed "F. C." Federal Com Well No. 5 to be drilled at a standard coal gas well location in the NE/4 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 11 miles north by east of Aztec, New Mexico.
- CASE 9991: Application of Mesa Operating Limited Partnership for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the W/2 of Section 15, Township 32 North, Range 11 West, forming a standard 320-acre gas spacing and proration unit for said pool, said unit to be dedicated to its proposed "F. C." Barnes Well No. 1 to be drilled at a standard coal gas well location in the SW/4 of said Section 15. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 11 miles north of Aztec, New Mexico.

CASE 9992: Application of Mesa Operating Limited Partnership for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the W/2 of Section 36, Township 32 North, Range 11 West, forming a standard 320-acre gas spacing and proration unit for said pool, said unit to be dedicated to its proposed "F. C." State Com Well No. 13 to be drilled at a standard coal gas well location in the SW/4 of said Section 36. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 3 miles west of Cedar Hill, New Mexico.

CASE 9993: Application of Mesa Operating Limited Partnership for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 36, Township 32 North, Range 11 West, forming a standard 320-acre gas spacing and proration unit for said pool, said unit to be dedicated to its proposed "F. C." State Com Well No. 12 to be drilled at a standard coal gas well location in the NE/4 of said Section 36. 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 2.5 miles west of Cedar Hill, New Mexico.

CASE 9994: Application of Doyle Hartman for compulsory pooling, a non-standard gas proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Eumont Gas Pool underlying either the SE/4 of Section 5 and the NE/4 of Section 8, Township 21 South, Range 36 East, forming a non-standard 320-acre gas spacing and proration unit for said pool, or IN THE ALTERNATIVE, the N/2 SE/4 and SE/4 SE/4 of said Section 5 and the NE/4 of said Section 8, forming a non-standard 280-acre non-standard gas spacing and proration unit for said pool. In either instance the applicant proposes to simultaneously dedicate all production from the Eumont Gas Pool to the existing State "A" Well No. 4 located 660 feet from the North and East lines (Unit A) of said Section 8, which is unorthodox for the proposed 280-acre unit, and to a second well to be drilled at an undetermined location in the SE/4 of said Section 5. Applicant further seeks to be designated operator of the non-standard gas proration unit so created and be entitled to recover out of the production therefrom its cost of drilling, completing and equipping a new infill well, plus a 200% risk factor for drilling, completing and equipping such new infill well, plus an equitable and proper percentage of the value of the existing wellbore of said State "A" Well No. 1, and all costs of supervision and operation of such unit, and that such order also provide for any other relief which may be deemed equitable and proper. The subject area is located approximately 1.25 miles west of Oil Center, New Mexico.

CASE 9949: (Readvertised)

Application of Chevron U.S.A., Inc. for a non-standard gas proration unit, unorthodox gas well locations, and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a non-standard 400-acre gas spacing and proration unit comprising Lots 11 through 14 of Section 5 and Lots 15 and 16 and the SE/4 of Section 6, all in Township 21 South, Range 36 East, Eumont Gas Pool, said unit to be simultaneously dedicated to a well to be drilled at an unorthodox location 1175 feet from the South line and 1375 feet from the East line (Unit W) of said Section 6, to its Orcutt (NCT-A) Well No. 1 properly located 4600 feet from the North line and 1980 feet from the West line (Unit N) of said Section 5 (which is unorthodox for this proration unit) and to its Graham State (NCT-E) Well No. 2 located at an orthodox location 1980 feet from the South and East lines (Unit R) of said Section 6. Said unit is located approximately 2.25 miles west by north of Oil Center, New Mexico.

MILLER, STRATVERT, TORGERSON & SCHLENKER, P. A.

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KENNETH R. BRANDT (1946 - 1981)

June 4, 1990

PLEASE REPLY TO SANTA FE

9983

Mr. William J. LeMay, Director
New Mexico Oil Conservation Division
Post Office Box 2008
Santa Fe, New Mexico 87504

RE: Application of Mesa Operating Limited Partnership for
Compulsory Pooling, San Juan County, New Mexico, (FC
State Com #7)

Dear Mr. LeMay:

Enclosed is the Application of Mesa Operating Limited
Partnership for Compulsory Pooling for a Fruitland well to be
drilled at a standard location in the S/2 of Section 36 T-30 N, R-
9 W, NMPM, San Juan County, New Mexico.

On behalf of the Applicant, Mesa Operating Limited
Partnership, we ask that this matter be set for examiner hearing
on June 27, 1990.

Very truly yours,

MILLER, STRATVERT, TORGERSON
& SCHLENKER, P.A.

By: J. Scott Hall
J. Scott Hall

cc: Mark Seale,
Mesa Limited Partnership

BEFORE THE
OIL CONSERVATION DIVISION
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT

IN THE MATTER OF THE APPLICATION OF
MESA OPERATING LIMITED PARTNERSHIP
FOR COMPULSORY POOLING, SAN JUAN
COUNTY, NEW MEXICO.

CASE NO. 9983

APPLICATION


MESA OPERATING LIMITED PARTNERSHIP by its undersigned attorneys, Miller, Stratvert, Torgerson & Schlenker, P.A., hereby makes application pursuant to section 70-2-17, N.M.S.A. (1978) for an order pooling all of the mineral interests in the Fruitland formation for development on 320-acre spacing in and under the S/2 of Section 36, Township 30 North, Range 9 West, N.M.P.M., San Juan County, New Mexico, and in support thereof would show the Division:

1. Applicant owns approximately 84% of the working interest in and under the S/2 of Section 36, and Applicant has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced pooled unit to its Mesa FC State Com #7 well to be located at a standard location in the S/2 of said Section 36.
3. Applicant has been unable to obtain voluntary agreement for pooling or farmout from all other interest owners in the S/2 of said Section 36.
4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled, and Applicant should be designated the operator of the well to be drilled.

WHEREFORE, Applicant prays that this application be set for hearing before a duly appointed examiner of the Oil Conservation Division on June 27, 1990, and that after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions for Applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges, and imposing a risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well, and making such other and further provisions as may be proper in the premises.

MILLER, STRATVERT, TORGERSON
& SCHLENKER, P.A.

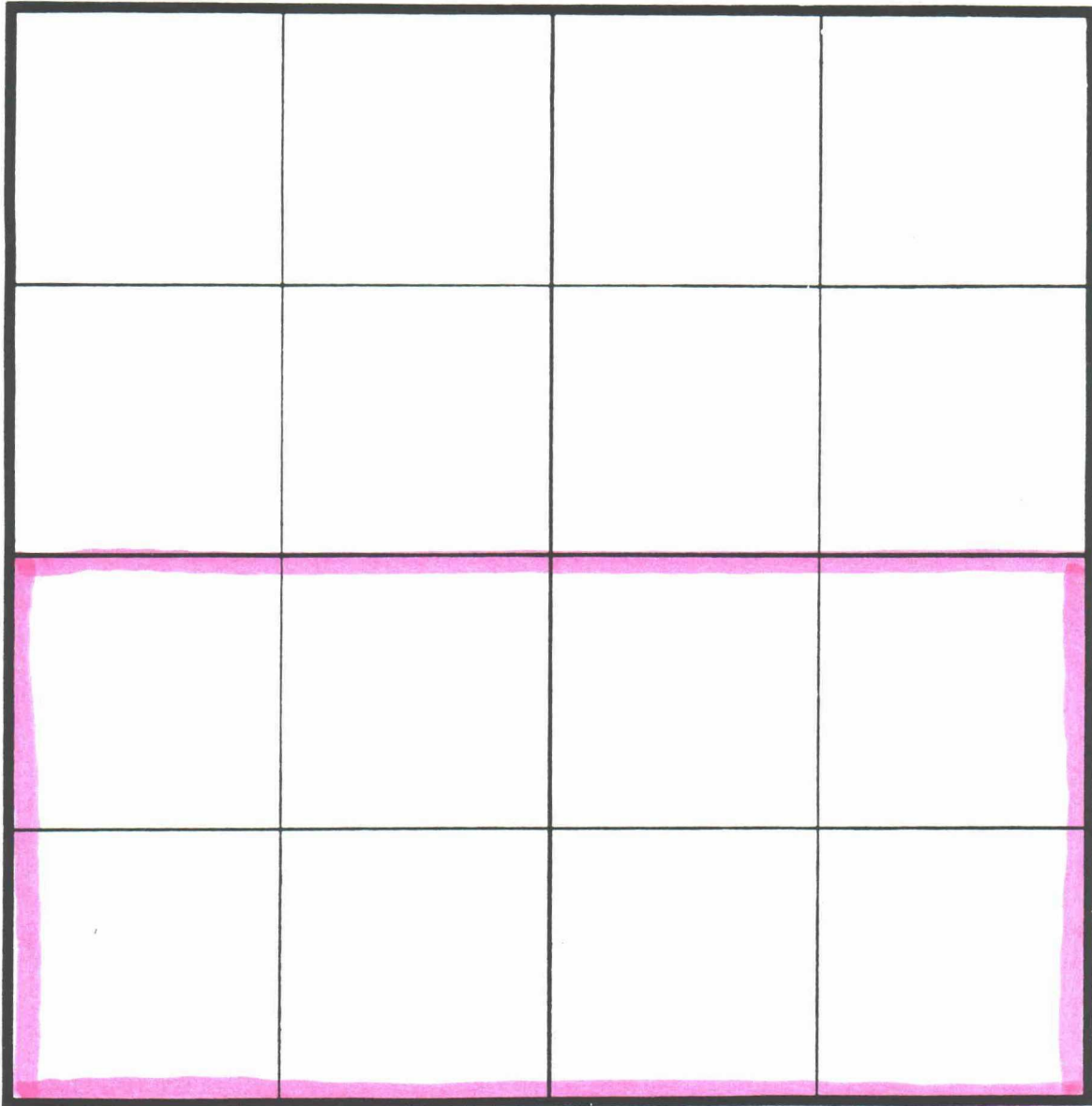
By 
J. Scott Hall
Suite 303
125 Lincoln Avenue
Santa Fe, New Mexico 87501
Telephone: (505) 989-9614

ATTORNEYS FOR MESA OPERATING
LIMITED PARTNERSHIP

jsh\sc#7.app

Sec. 36 Township No. 30 North of Range No. 9 West

Mesa FC "State Corn Well No. 7"



Standard 640 ac.

Section

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

WELL API NO. 30-045-27514
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. B 11479-10
7. Lease Name or Unit Agreement Name FC STATE COM
8. Well No. # 7
9. Pool name or Wildcat Basin Fruitland Coal
10. Elevation (Show whether DF, RKB, RT, GR, etc.) 5750' GR

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE 'APPLICATION FOR PERMIT' (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER	2. Name of Operator MESA OPERATING LIMITED PARTNERSHIP
3. Address of Operator P.O. BOX 2009, AMARILLO, TEXAS 79189	4. Well Location Unit Letter <u>K</u> : <u>1405'</u> Feet From The <u>South</u> Line and <u>2720</u> Feet From The <u>West</u> Line Section <u>36</u> Township <u>30N</u> Range <u>9W</u> NMPM San Juan County
10. Elevation (Show whether DF, RKB, RT, GR, etc.) 5750' GR	

11. Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐
OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐
CASING TEST AND CEMENT JOB ☐
OTHER: EXTEND DRILLING PERMIT ☒

12. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

Mesa Operating Limited Partnership is hereby requesting permission to extend the drilling permit on the above well. This drilling permit expired(s) on 4/24/90.

APPROVAL EXPIRES 4/24/90
UNLESS DRILLING IS COMMENCED
SPEL NOTICE MUST BE SUBMITTED
WITHIN 30 DAYS

RECEIVED
APR 23 1990
CON. DIV.
DIST. 3

xc: NMOC-D-Aztec (0+5), WF, Reg, Land, Expl., Drilling

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

SIGNATURE Carolyn McKee TITLE Regulatory Analyst DATE 4/20/90
TYPE OR PRINT NAME _____ TELEPHONE NO. _____

(This space for State Use)

APPROVED BY [Signature] TITLE REGULATORY DISTRICT # 4 DATE APR 24 1990
CONDITIONS OF APPROVAL, IF ANY:

Submit to Appropriate
District Office
State Leases - 4 copies
Fee Leases - 3 copies

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

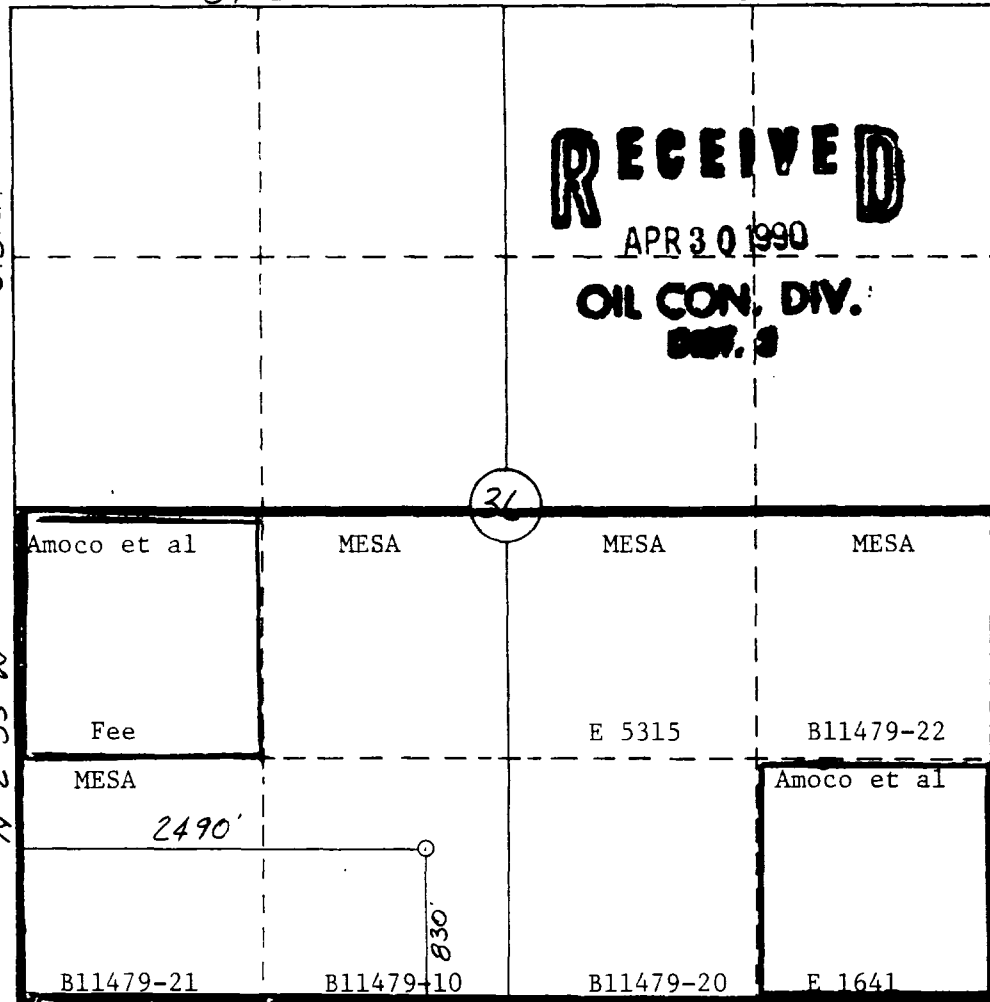
WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator MESA OPERATING LIMITED PARTNERSHIP			Lease FC STATE COM		Well No. 7
Unit Letter N	Section 36	Township 30 N	Range 9 W	County San Juan	
Actual Footage Location of Well: 830 feet from the South line and 2490 feet from the West line					
Ground level Elev. 5768	Producing Formation Fruitland		Pool Basin Fruitland Coal		Dedicated Acreage: S/2 320 Acres
<p>1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.</p> <p>2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).</p> <p>3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If answer is "yes" type of consolidation <u>Communication</u></p> <p>If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)</p> <p>No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.</p>					

330 660 990 1320 1650 1980 2310 2640 2000 1500 1000 500 0

N 89°21'W NOT TO SCALE 90.84 ch. Fd. R.M.



N 88°22'W 90.92 ch.

OPERATOR CERTIFICATION

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

Signature
Carolyn L. McKee
Printed Name
Carolyn L. McKee

Position
Regulatory Analyst

Company
Mesa Ltd Partnership

Date
4/27/90

SURVEYOR CERTIFICATION

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

4-23-90

Date Surveyed
William E. Mynke II

Signature
Professional Surveyor

NEW MEXICO
#8466
REGISTERED PROFESSIONAL SURVEYOR
Certificate No. 8466

Submit 3 Copies
to Appropriate
District Office

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-103
Revised 1-1-89

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

WELL API NO. 30-045-27514
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. B 11479-10
7. Lease Name or Unit Agreement Name FC STATE COM
8. Well No. # 7
9. Pool name or Wildcat Basin Fruitland Coal

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)	
1. Type of Well: OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER	
2. Name of Operator MESA OPERATING LIMITED PARTNERSHIP	
3. Address of Operator P.O. BOX 2009, AMARILLO, TEXAS 79189	
4. Well Location Unit Letter <u>N</u> : <u>830</u> Feet From The <u>South</u> Line and <u>2490</u> Feet From The <u>West</u> Line Section <u>36</u> Township <u>30N</u> Range <u>9W</u> NMPM San Juan County	
10. Elevation (Show whether DF, RKB, RT, GR, etc.) 5768'	

11. Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data	
NOTICE OF INTENTION TO:	SUBSEQUENT REPORT OF:
PERFORM REMEDIAL WORK <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>
OTHER: <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
	CASING TEST AND CEMENT JOB <input type="checkbox"/>
	OTHER: <u>Location Moved</u> <input checked="" type="checkbox"/>

12. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

The location on the above referenced well has been moved due to landowner request. An amended Well Location and Acreage Dedication Plat is attached.

RECEIVED
APR 30 1990
OIL CON. DIV.
DIST. 3

xc: NMOCD- (0+5), WF, Reg, Land, Expl., Drilling

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

SIGNATURE Cathy L. McKee TITLE Regulatory Analyst DATE 4/27/90
TYPE OR PRINT NAME _____ TELEPHONE NO. _____

(This space for State Use)

APPROVED BY Ernie Busch DEPUTY OIL & GAS INSPECTOR, DIST. #3 DATE MAY 04 1990
CONDITIONS OF APPROVAL, IF ANY:

Submit to: Appropriate
District Office
State Lease - 6 copies
Fee Lease - 5 copies

OIL CONSERVATION DIVISION State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-101
Revised 1-1-89

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

API NO. (assigned by OCD on New Wells)
31-045-27514
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. B 11479-10

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work: DRILL <input checked="" type="checkbox"/> RE-ENTER <input type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input type="checkbox"/>	7. Lease Name or Unit Agreement Name FC STATE COM
b. Type of Well: OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input checked="" type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>	8. Well No. # 7 (S/32C)
2. Name of Operator Mesa Operating Limited Partnership	9. Pool name or Wildcat Basin Fruitland Coal
3. Address of Operator P.O. Box 2009, Amarillo, Texas 79189	
4. Well Location Unit Letter K : 1405 Feet From The South Line and 2720 Feet From The West Line Section 36 Township 30N Range 9W NMPM San Juan County	

10. Proposed Depth 2580'	11. Formation Fruitland Coal	12. Rotary or C.T. Rotary	
13. Elevations (Show whether DF, RT, GR, etc.) 5750' GR	14. Kind & Status Plug. Bond Blanket	15. Drilling Contractor Not Yet Determined	16. Approx. Date Work will start

17. PROPOSED CASING AND CEMENT PROGRAM					
SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
12 1/4"	8 5/8"	24#	200'	150 sx 'B'+2%CC	Surface
7 7/8"	5 1/2"	17#	2580'	300 Poz/250 'B'	Surface
	2 3/8"	4.7#	2480'		

Propose to spud well with 12 1/4" hole and drill to 200' and set 8 5/8" surface casing. Will cement with 150 sx of Class "B" and raise cement to surface. Will nipple up 3000 psi BOP assembly and drill 7 7/8" hole to TD of 2580' with fresh water mud system. Will then log well and evaluate for possible commercial production. If successful, will then run 5 1/2" casing to 2580' and cement with 300 sx Pozmix followed by 250 sx Class "B" cement. Will move off drilling rig and move in completion unit.

APPROVAL EXPIRES 4-24-90
UNLESS DRILLING IS COMPLETED
SPUD NOTICE MUST BE COMPLETED

RECEIVED

OCT 16 1989

OIL CON. DIV

DIST. 2

xc: NMOCD-Aztec (0+5), WF, Reg, Land, Expl., Drilling

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

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

SIGNATURE R. P. Mack TITLE Regulatory Agent DATE 10/12/89

TYPE OR PRINT NAME TELEPHONE NO.

(This space for State Use)

APPROVED BY Ernie Busch TITLE DEPUTY OIL & GAS INSPECTOR, DIST. #3 DATE OCT 24 1989

CONDITIONS OF APPROVAL, IF ANY:

Submit to Appropriate
District Office
Sale Lease - 4 copies
Fee Lease - 3 copies

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT I

P.O. Box 1980, Hobbs, NM 88240

DISTRICT II

P.O. Drawer DD, Artesia, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

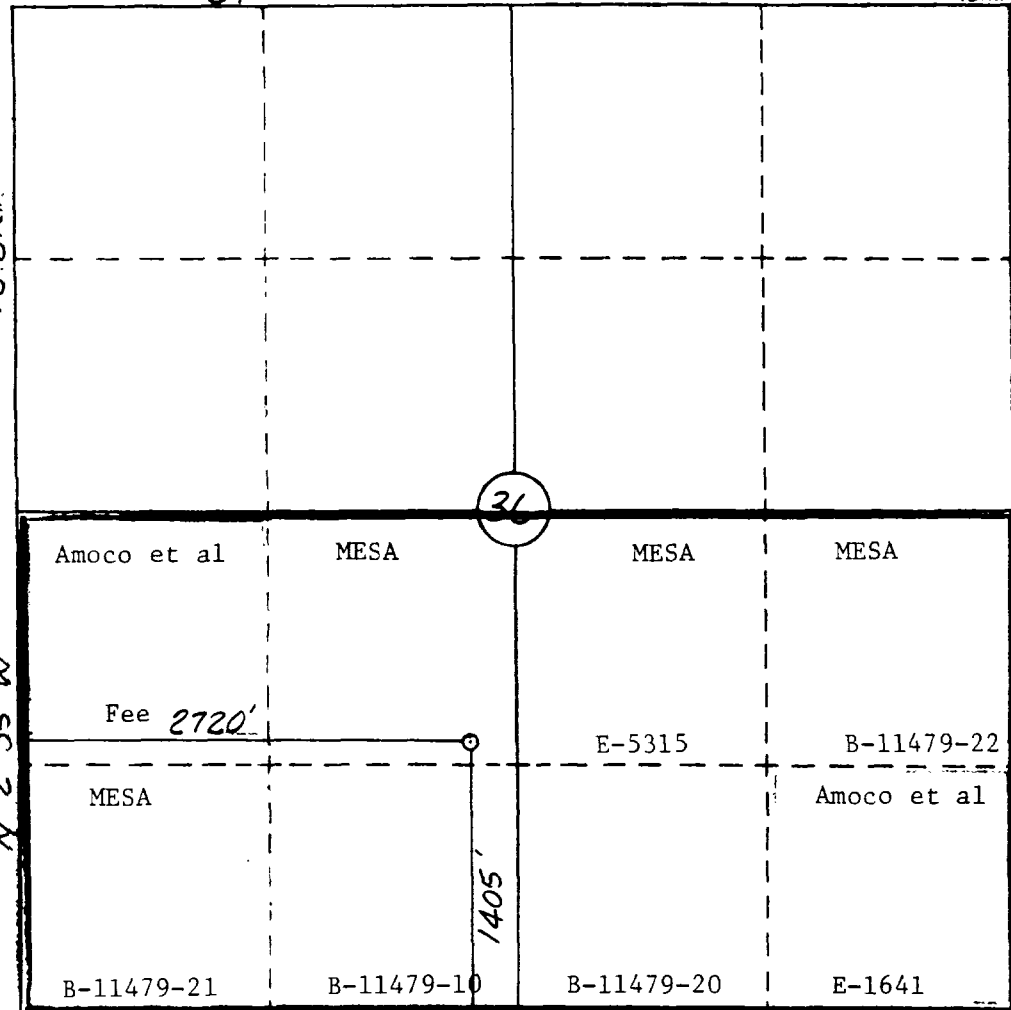
All Distances must be from the outer boundaries of the section

Operator MESA OPERATING LIMITED PARTNERSHIP			Lease FC STATE COM		Well No. 7
Unit Letter K	Section 36	Township 30 N	Range 9 W	County San Juan	
Actual Footage Location of Well: 1405 feet from the South line and 2720 feet from the West line					
Ground level Elev. 5750	Producing Formation Fruitland Coal		Pool Basin Fruitland Coal		Dedicated Acreage: S/2 320 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?
☒ Yes ☐ No If answer is "yes" type of consolidation Communitization
If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)
No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.

0 330 660 990 1320 1650 1980 2310 2640 2000 1800 1000 500 0

N 89°21'W NOT TO SCALE 90.84 cm Fd. RM.



OPERATOR CERTIFICATION

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

Signature R. E. Mathis
Printed Name R. E. Mathis
Position Regulatory Agent
Company Mesa Operating Ltd Ptnrshp
Date 10/12/89

SURVEYOR CERTIFICATION

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

Date Surveyed 10-5-89
Surveyor William B. Mahnke II
Signature of Surveyor WILLIAM B. MAHNKE II
Professional Seal #8466
Certified Professional Surveyor

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:

APPLICATION OF MESA OPERATING
LIMITED PARTNERSHIP FOR COMPULSORY
POOLING, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 11, 1990, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this _____ day of July, 1990, 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) At the time of the hearing, this case was consolidated with Case No. 9982 for the purpose of testimony.

(3) The applicant, Mesa Operating Limited Partnership, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool, underlying the S/2 of Section 36, Township 30 North, Range 9 West, NMPM, San Juan County, New Mexico, *forming a standard 320-acre gas spacing and proration unit for said pool.*

~~(4) Said unit to be dedicated to the existing "F.C." State Com Well No. 7 located at a standard coal gas well location _____ feet from the _____ line and _____ feet from the _____ line (Unit) of said Section 36, forming a 320-acre, more or less, gas spacing and proration unit for said pool.~~

(5) There are interest owners in the proposed proration unit who have not agreed

(4) The applicant has the right to drill a well on said unit and proposes to drill its "F.C." State Com Well No. 7 at a standard

M.S. 7/11/90
RS 7/13/90
DRAFT

DL
7/13

JHM
7-13-90

CASE NO. 9983
ORDER NO. R-9228

WJY
7/13/90

OK *7/17/90*

to pool their interests.

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

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

(8) 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.

(9) 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 156 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(10) 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.

(11) 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.

(12) \$ 3831.⁰⁰ per month while drilling and \$ 382.⁰⁰ per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(13) 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.

(14) 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 15, 1990, the order pooling said unit should become null and void and of no further effect whatsoever.

(15) 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.

(16) 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 Basin-Fruitland Coal Gas Pool, underlying the S/2 of Section 36, Township 30 North, Range 9 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a 320-acre gas spacing and proration unit to be dedicated to ^{its proposed} ~~the existing~~ "F.C." State Com Well No. 7 ~~located --- feet from the --- line and --- feet from the --- line (Unit ---) of said Section 36.~~ *to be drilled at a standard coal gas well location in the SW 1/4 of said Section 36.*

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 15th day of October, 1990, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Basin-Fruitland Coal Gas Pool.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 15th day of October, 1990, Decretory 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 Decretory Paragraph No. (1) of this order should not be rescinded.

(2) Mesa Operating Limited Partnership 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 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 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, 256 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) \$ 383⁰⁰ per month while drilling and \$ 382⁰⁰ 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 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 San Juan 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 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.

(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.

Case No. 9983
Order No. R- _____
Page No. 6

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director

S E A L