

Greenwood  
Resources Inc.

315 Inverness Way South  
Englewood, CO 80112  
303-790-1266  
Telex - 45-0429

November 6, 1984

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

Mr. Alvin and Clora G. Williams  
c/o T. H. Griffin  
Route 1  
Cleburne, TX 76031

RE: Proration Unit N/2NE/4 Sec 18-T29N-RI4W  
San Juan County, NM  
Force Pooling Order #R-6336  
Dated May 13, 1980

Dear Mr. and Mrs. Williams:

Please be advised that Greenwood Resources Inc., a Colorado corporation, has acquired the properties owned and operated by Caribou Four Corners in the Farmington, New Mexico, area. In May, 1980, Caribou attempted to contact you in order to lease your mineral interest or for your participation in drilling the Kirtland #3 well proportionate to your percentage of mineral interest. They were unable to locate you as evidenced by their files. The mineral interest was, therefore, force pooled and royalty money has been escrowed in an account in the First National Bank in Farmington.

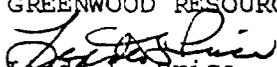
Greenwood is currently proposing to drill a well within the proration unit in order to fully produce the current allowable designated for the proration unit. Your mineral interest equals .3214% and your share of the costs to drill and complete this proposed Kirtland #18-1 well would be \$655.66 based upon the enclosed AFE.

Please contact this office in order that we may settle the escrow account on production from the Kirtland #3 well and determine your interest in participation in the proposed well. Our toll free telephone number is 800-221-5065 or you may call collect at the letterhead number.

Thank you for your cooperation.

Sincerely yours,

GREENWOOD RESOURCES INC.

  
Linda L. Price

Vice President/Land

LLP

**GREENWOOD RESOURCES LTD.**  
AUTHORIZATION FOR EXPENDITURE

AFC NUMBER
PARTNERSHIP
PARTNERSHIP NUMBER
LAND FILE NUMBER
OPERATOR

WELL NAME & NUMBER KIRTLAND #18-1	PROSPECT NAME KIRTLAND	PARTNERSHIP NUMBER
WELL LOCATION SW NE NE 18-T29N-R14W	EST. COMMENCEMENT DATE September 20, 1984	LAND FILE NUMBER
COUNTY San Juan	STATE New Mexico	FIELD Cha Cha (Gallup)
		OPERATOR Greenwood Resources

GRRL INTEREST:      WORKING      REVENUE      N.R.I.      REMARKS: \_\_\_\_\_

BCP: \_\_\_\_\_

BPO: \_\_\_\_\_

APO: \_\_\_\_\_

NEW WELL:  EXPLORATORY     DEVELOPMENTAL     INJECTION    OBJECTIVE HORIZON Gallup

RECOMPLETION IN NEW HORIZON     WORKOVER     OTHER    OBJECTIVE DEPTH 4550

**REASONS FOR RECOMMENDATION:**

This will be the second well on the lease and will drain additional reservoir.

SUMMARY OF COSTS	INTANGIBLES	TANGIBLES	TOTAL
DRILLING	78,200	2,000	80,200
DRY HOLE			
COMPLETION	59,500	64,300	123,800
CONSTRUCTION			
TOTAL AFE COST	137,700	66,300	204,000

PARTICIPANTS	%	\$
Greenwood Resources	86,000	175,440
Blair Petroleum Company	14,000	28,560

OPERATIONS APPROVAL Poul E. Poulsen	LAND APPROVAL Linda L. Price	MANAGEMENT APPROVAL David W. Rogers
SIGNATURE <i>Poul E. Poulsen</i>	SIGNATURE <i>Linda L. Price</i>	SIGNATURE <i>David W. Rogers</i>
DATE August 29, 1984	DATE August 29, 1984	DATE August 29, 1984
SPENDING AUTHORITY DELEGATED TO:	INTEREST VERIFIED BY:	

PARTICIPANTS APPROVAL

NAME \_\_\_\_\_

% W.I. \_\_\_\_\_

AUTHORIZED SIGNATURE \_\_\_\_\_

DATE \_\_\_\_\_

WELL NAME Kirtland NO. 10-1 PRODUCTION NAME Kirtland  
 LOCATION SW NE NE 18-T29N-R14W DATE August 29, 1984  
 COUNTY San Juan STATE NM PREPARED BY Poul E. Poulsen

DRILLING INTANGIBLES (320)

001	Abstracts, Title & Legal Expense	
002	Insurance/Blow-out/Insurance Claims	
003	Stake Location, Permits, Damages	2,000
004	Location, Roads, Lease clean-up	10,000
005	Transportation-Equipment	
006	Services & Contract Labor, Welding, Casing Crew	*
008	Rig ___ days @ \$ ___/day and/or ___ feet @ \$ ___/foot	*
009	Daywork Includes all of *	53,000
010	Bits/Reamers	*
011	Fuel/Power	*
012	Water/Water Hauling	*
013	Drilling Mud/Additives	*
014	Mud Logging	
015	Equipment Rental	
016	Rig Mobilization/Demobilization	*
017	Casing Accessories	200
018	Cement & Services	3,000
019	Drillstem Test	
020	Coring	
021	Open Hole/Electrical Logging	4,000
022	Miscellaneous Equipment & Supplies	4,000
023	Overhead-Drilling	1,400
024	Geological Service & Expense	
025	Engineering/Company Supervision/Foreman	
026	Supervisor-Contract/Engineer or Foreman & Expenses	600
028	P & A Lease Restoration & Environmental Concerns	
	CONTINGENCIES (320.027)	
	SUB-TOTAL INTANGIBLES	78,200

DRILLING TANGIBLES (330)

001	Casing Head	
002	Surface Casing 340' 8 5/8" 20# ST&C	2,000
003	Intermediate Casing	
004	Centralizers, Scratchers, Shoe Guide	
	SUB-TOTAL TANGIBLES	
	TOTAL HOLE COST	80,200

COMPLETION INTANGIBLES (340)

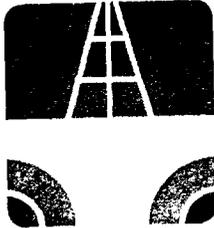
003	Permanent Damages, Permits	4,000
004	Dirt Work-Road & Location	1,500
005	Transportation-Equipment	
006	Services & Contract Labor, Welding, Casing Crew	2,500
009	Completion Unit ___ days @ \$ ___/day	8,000
012	Water/Completion Fluids	
019	Equipment Rental Casing Scraper & Bit. BOP.	4,000
014	Cement & Services	15,000
015	Perforating	2,000
016	Cased Hole Logging	2,000
017	Stimulation & Treatment	20,000
020	Miscellaneous Equipment & Supplies	
021	Overhead-Completion	
022	Engineering/Supervision	500
	SUB-TOTAL INTANGIBLES	59,500

COMPLETION TANGIBLES (350)

001	Production Casing & Liner	16,000
002	Casing Accessories/Float Equipment	3,500
003	Production Tubing	10,700
004	Wellhead/Christmas Tree	1,500
005	Pumping Unit/Prime Mover	18,000
006	Subsurface Equipment/Bottom Hole Pump	1,800
007	Flowlines	4,000
009	Tanks, Stairways & Walkways	
010	Treaters/Production Unit	
011	Separators/Dehydrators	
014	Meters/Oil-Gas	
015	Electrical Equipment	

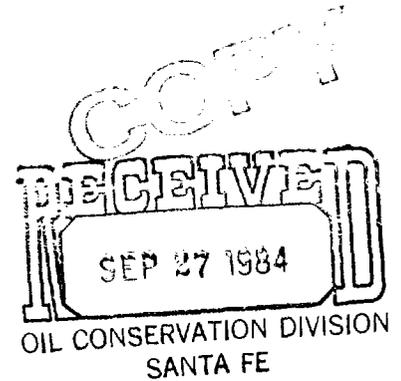
COMPLETION TANGIBLES (351)

051	Rods, Sucker/Polished/Scraper	5,300
053	Valves, Fittings & Miscellaneous Equipment	2,500
	CONTINGENCIES (350.017)	1,000
	SUB-TOTAL TANGIBLES	64,300
	TOTAL COMPLETION COSTS	123,800
	TOTAL WELL COSTS	204,000



Greenwood  
Resources Inc.

315 Inverness Way South  
Englewood, CO 80112  
303-790-1266  
Telex - 45-0429



September 25, 1984

Mr. R.E. Lauitsen  
Lobo Production  
P.O. Box 2364  
Farmington, NM 87499

Mr. D.M. Poage  
El Paso Exploration  
3535 E. 30th St.  
P.O. Box 4289  
Farmington, NM 87499-4289

Mr. Paul Slayton  
Slayton Oil Corporation  
910½ Fairground Rd.  
Farmington, NM 87499

*Case 8406*

RE: Kirtland #181  
Application for Approval

Gentlemen:

Enclosed for your information and files are copies of our application to the New Mexico Oil Conservation Division, Aztec Office concerning the above referenced well.

As an off-set operator, Greenwood Resources Inc. is informing you of it's intention to obtain administrative approval of the following:

- 1) A joint location on the present lease
- 2) A non-standard location 990'FNL & 360'FEL of Sec. 18 on account of topographic conditions caused by residential development.
- 3) Approval of the unorthodox location.

The above will allow the drilling of our #181 well on the present 80 acre lease.

Sincerely,

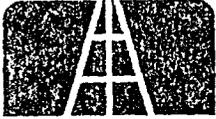
GREENWOOD RESOURCES INC.

*Poul E. Poulsen*

Poul E. Poulsen  
V.P. Engineering

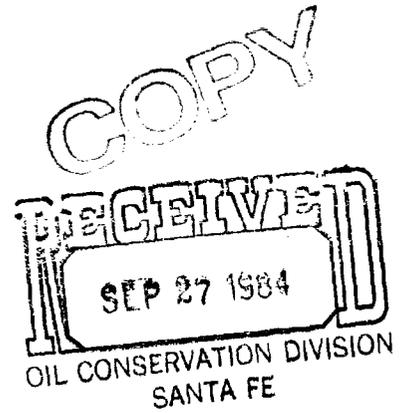
PEP;leb

enc.



Greenwood  
Resources Inc.

315 Inverness Way South  
Englewood, CO 80112  
303-790-1266  
Telex - 45-0429



September 19, 1984

Mr. Ernie Busch  
Energy & Minerals Department  
Oil Conservation Division  
100 Rio Brazos Rd.  
Aztec, NM 87401

RE: Kirtland #181  
Cha Cha (Gallup) Oil Pool  
San Juan County, NM

Dear Mr. Busch:

Greenwood Resources Inc. requests administration approval for the following in the Cha Cha field:

- 1) The drilling of a well as stated in Rule #3 on each of the quarter-quarter sections in the 80 acre proration unit.
- 2) An exception to Rule #3 for an unorthodox location on account of topographic reasons.

This well will be the second well on the 80 acre proration unit and will share the allowable for this unit.

The location of this well fell within a residential development in the town of Kirtland. This location is out of the developed area and lies in an area that has very little real estate value as far as development.

It is felt this location is in the best interest of the land and mineral interests and will allow for the orderly development of this proration unit with a minimum surface interference.

Sincerely,

GREENWOOD RESOURCES INC.

Poul E. Poulsen  
V.P. Engineering

PEP:leb

NO. OF COPIES RECEIVED	
DISTRIBUTION	
SANTA FE	
FILE	
U.S.G.S.	
LAND OFFICE	
OPERATOR	

5A. Indicate Type of Lease  
STATE  FEE

5. State Oil & Gas Lease No.

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work  
 b. Type of Well DRILL  DEEPEN  PLUG BACK   
 OIL WELL  GAS WELL  OTHER \_\_\_\_\_ SINGLE ZONE  MULTIPLE ZONE

2. Name of Operator  
Greenwood Resources Inc.

3. Address of Operator  
315 Inverness Way South, Englewood, CO 80112

4. Location of Well UNIT LETTER A LOCATED 990 FEET FROM THE North LINE  
 AND 360 FEET FROM THE East LINE OF SEC. 18 TWP. 29N RGE. 14W HMPM

7. Unit Agreement Name

8. Farm or Lease Name  
Kirtland

9. Well No.  
181

10. Field and Pool, or Wildcat  
Cha Cha (Gallup)

12. County  
San Juan

19. Proposed Depth  
4700'

19A. Formation  
Gallup

20. Rotary or C.T.  
Rotary

21. Elevations (Show whether DP, RT, etc.)  
5161' GL

21A. Kind & Status Plug. Bond  
Statewide

21B. Drilling Contractor  
Four Corners

22. Approx. Date Work will start  
October 9, 1984

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#	300'	110	Circ
7 7/8"	4 1/2"	9.5#	4700'	970	Circ

- 1) Drill surface hole to 340'
- 2) Set 8 5/8" 23# surface csg @300'. Cmt w/ 110 sxs reg cmt. containing 1/4#/sx flo-seal & 3% CaCl
- 3) Drill 7 7/8" hole to 4750'
- 4) Run GR/Density/ Caliper log
- 5) Run 4750' of 4 1/2" 9.5# ST&C csg DV tool approx. 3095'
- 6) Cmt w/ 970 sxs in 2 stgs, circ cmt.

ABOVE SPACE DESCRIBE PROPOSED PROGRAM; IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW 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.

signed Paul E. Poulson Title V.P. Engineering Date September 19, 1984

(This space for State Use)

APPROVED BY \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_

CONDITIONS OF APPROVAL, IF ANY:

OIL CONSERVATION DIVISION

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT

P. O. BOX 2088  
SANTA FE, NEW MEXICO 87501

Form C-102  
Revised 10-1-78

All distances must be from the outer boundaries of the Section.

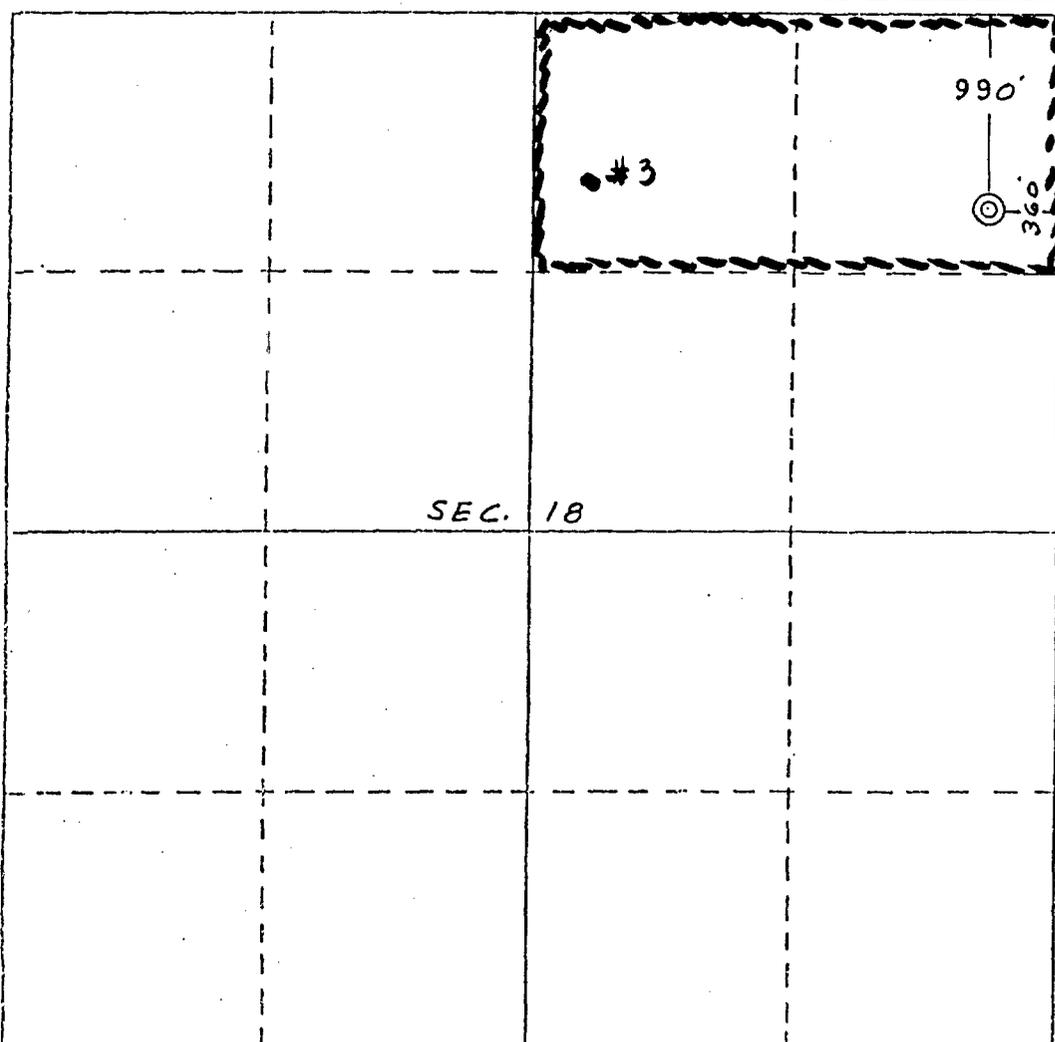
Operator <b>Greenwood Resources</b>			Lease <b>Kirtland</b>			Well No. <b>18 1</b>		
Unit Letter <b>A</b>	Section <b>18</b>	Township <b>29 North</b>	Range <b>14 West</b>	County <b>San Juan</b>				
Actual Footage Location of Well: <b>990</b> feet from the <b>North</b> line and <b>360</b> feet from the <b>East</b> line								
Ground Level Elev. <b>5161</b>	Producing Formation <b>Gallup</b>		Pool <b>Cha Cha</b>			Dedicated Acreage: <b>80</b> Acres		

1. Outline the acreage dedicated to the subject well by colored pencil or hachure 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 interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes  No If answer is "yes," type of consolidation All leases held by Greenwood

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 interests, has been approved by the Division.

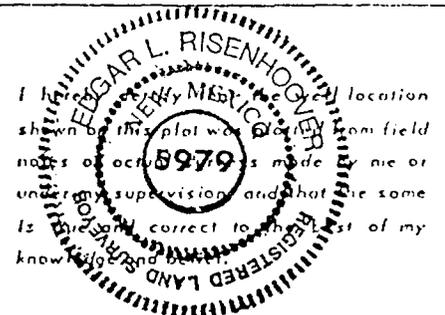


CERTIFICATION

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

*Poul E. Poulsen*  
Poul E. Poulsen

Name  
**V.P. Engineering**  
Position  
**Greenwood Resources Inc.**  
Company  
**September 19, 1984**  
Date

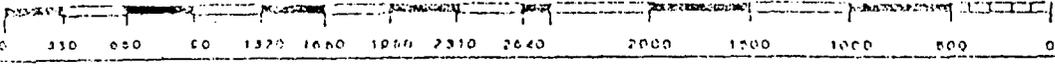


Date Surveyed  
**September 14, 1984**

Registered Professional Engineer  
and/or Land Surveyor

*Edgar L. Risenhoover*  
Certificate No. **5979**

**Edgar L. Risenhoover, L.S.**



R 15 W

COPY

12

7

8

GRI

GRI

LOBO

● 10  
KIRTLAND

● 7

HYNES-KENNEDY

T  
29  
N

13

GRI

GRI

GRI

18

EL PASO  
EXPLOR.

17

● 2

● 6

● 7

● 4

● 4

● 11

● 3

KIRTLAND

SLAYTON

○ 181

● 32-18

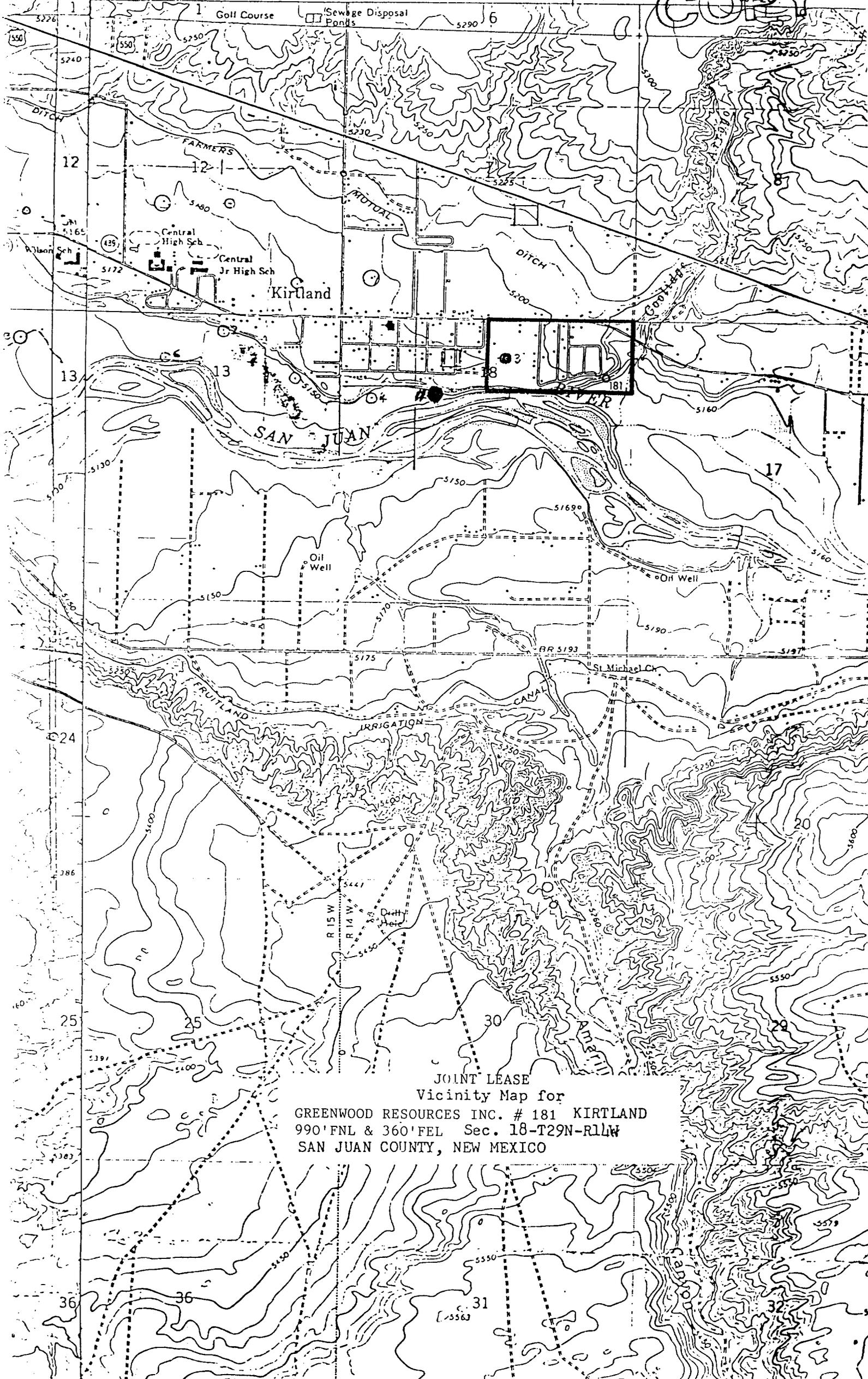
NW CHA CHA UNIT

KIRTLAND

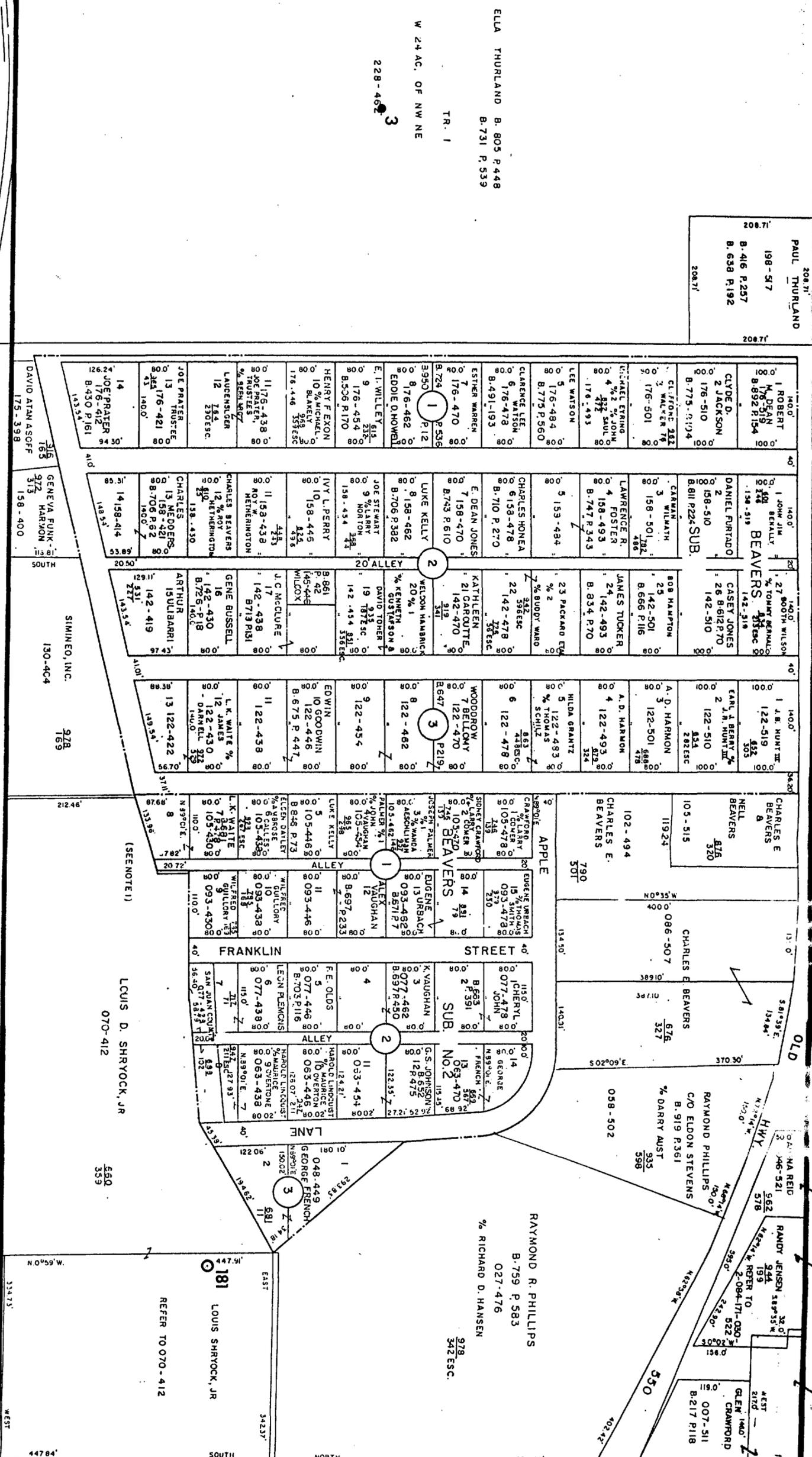
KIRTLAND

● 13-18

◆ 6-5



JOINT LEASE  
 Vicinity Map for  
 GREENWOOD RESOURCES INC. # 181 KIRTLAND  
 990' FNL & 360' FEL Sec. 18-T29N-R14W  
 SAN JUAN COUNTY, NEW MEXICO



208.71  
 PAUL THURLAND  
 198-517  
 B-416 P.257  
 B-638 P.192  
 208.71

ELLA THURLAND B-805 P.448  
 B-731 P.539

W 24 AC. OF NW NE  
 TR. 1  
 228-462  
 3

DAVID ATAN ASCOFF  
 175-358

GENEVA FUNK - HARMON  
 972 158-400

SIMINEO, INC.  
 130-404

978 169

LCUIS D. SHRYOCK, JR  
 070-412

550 359

181  
 LOUIS SHRYOCK, JR  
 REFER TO 070-412

JOINT LEASE LOCATION MAP  
 SUBDIVISION LAYOUT  
 KIRTLAND LEASE  
 WELLS #3 & #181  
 N/2 SE/4 Sec. 18-T29N-R14W  
 SAN JUAN COUNTY, NEW MEXICO

**COPY**

SAN

44784' SOUTH

34237' EAST

33475' WEST

534 29' NORTH



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT

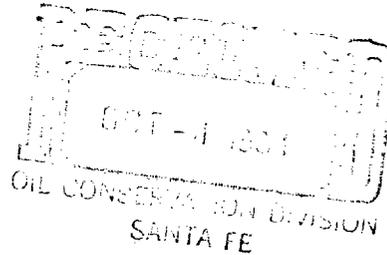
OIL CONSERVATION DIVISION  
AZTEC DISTRICT OFFICE

1000 RIO BRAZOS ROAD  
AZTEC, NEW MEXICO 87410  
(505) 334-6178

OIL CONSERVATION DIVISION  
BOX 2088  
SANTA FE, NEW MEXICO 87501

DATE 10-1-84

RE: Proposed MC \_\_\_\_\_  
Proposed DHC \_\_\_\_\_  
Proposed NSL X \_\_\_\_\_  
Proposed SWD \_\_\_\_\_  
Proposed WFX \_\_\_\_\_  
Proposed PMX \_\_\_\_\_



Gentlemen:

I have examined the application dated 9-24-84  
for the Greenwood Resources Inc. Kirtland #181 A-18-29N-14W  
Operator Lease and Well No. Unit, S-T-R

and my recommendations are as follows:

Approve:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Yours truly,

P. Kessel

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

M.S. (9:45 AM  
12/12/84)  
SFP  
JA 12/17

*AK*

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 8406

Order No. R- 7762

APPLICATION OF GREENWOOD RESOURCES, INC.  
FOR COMPULSORY POOLING AND AN UNORTHODOX OIL WELL LOCATION, SAN JUAN  
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on November 28,  
1984, at Santa Fe, New Mexico, before Examiner  
Michael E. Steiner.

NOW, on this \_\_\_\_\_ day of Dec December, 1984,  
the Division Director, having considered the testimony, the

record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Greenwood Resources, Inc., seeks an order pooling all mineral interests in the Lower Gallup formation underlying the N<sup>1</sup>/<sub>2</sub> NE<sup>1</sup>/<sub>4</sub> of Section 18, Township 29 North, Range 14 West, Cha Cha Gallup Oil Pool, NMPM, San Juan County, New Mexico, to be dedicated to a well to be drilled at an unorthodox oil well location 990 feet from the North line and 360 feet from the East line of said Section 18.

(3) That the N<sup>1</sup>/<sub>2</sub> NE<sup>1</sup>/<sub>4</sub> of said Section 18 is a standard 80-acre oil proration and spacing unit for the Cha Cha - Gallup Oil Pool.

(4) (2) That the applicant has the right to drill and proposes to drill a well <sup>the above described</sup> at ~~an~~ unorthodox location.

(5) (8) That a well at said unorthodox location will better enable applicant to produce the oil underlying the proration units.

(6) (8) That no offset operator <sup>appeared ~~at~~ at the hearing ~~and~~ or otherwise</sup> objected to the proposed unorthodox location.

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

(8) (8) That to avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the oil production in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(9) (8) That the applicant should be designated the operator of the subject well and unit.

(10) (7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

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

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

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

(14) That \$ 3500.<sup>00</sup> per month while drilling and \$ 300.<sup>00</sup> per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that 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.

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

(16) (13) That 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 March 1, 1985, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Lower Gullies formation underlying the N/2 NE/4 of Section 18, Township 29 North, Range

14 West, NMPM, San Juan Chinle Oil Pool, San Juan County, New Mexico,  
are hereby pooled to form a standard 80-acre  
oil spacing and proration unit to be dedicated to a  
well to be drilled at an easterly location 990 feet from the  
North line and 360 feet from the East line of said Section 18.

PROVIDED HOWEVER, that the operator of said unit shall  
commence the drilling of said well on or before the first  
day of March, 198<sup>5</sup>, and shall thereafter continue  
the drilling of said well with due diligence to a depth  
sufficient to test the Lower Gallup formation;

PROVIDED FURTHER, that in the event said operator does not  
commence the drilling of said well on or before the first  
day of March, 198<sup>5</sup>, Order (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 Order (1) of this order should not  
be rescinded.

(2) That Greenwood Operating Resources, Inc. is  
hereby designated the operator of the subject well and unit.

(3) That 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) That 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 that 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) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that 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) That 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) That 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.

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$ 3500.<sup>00</sup> per month while drilling and \$ 300.<sup>00</sup> per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that 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) That any unsevered 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) That 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) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that 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) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

JOE D. RAMEY,  
Director

S E A L

Jason Kellahin  
W. Thomas Kellahin  
Karen Aubrey

KELLAHIN and KELLAHIN  
*Attorneys at Law*  
El Patio - 117 North Guadalupe  
Post Office Box 2265  
Santa Fe, New Mexico 87504-2265

Telephone 982-4285  
Area Code 505

November 30, 1984

RECEIVED

NOV 30 1984

HAND-DELIVERED

OIL CONSERVATION DIVISION

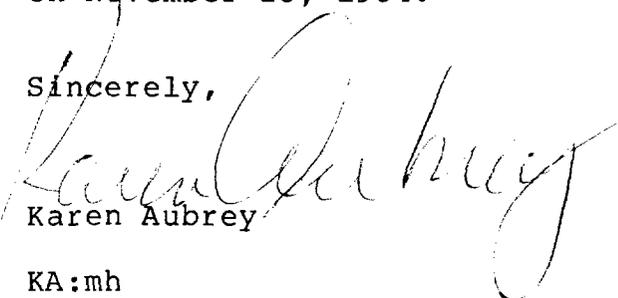
Mr. Michael Stogner  
Oil Conservation Division  
Post Office Box 2088  
Santa Fe, New Mexico 87501

Re: In the Matter of the Application of Greenwood  
Resources, Inc., for Compulsory Pooling and  
Unorthodox Location, San Juan County, New Mexico

Dear Mr. Stogner:

Enclosed please find a proposed Order in connection  
with the Application of Greenwood Resources, Inc.,  
for compulsory pooling and an unorthodox location in  
Case No. 8406. Testimony in this case was presented  
on November 28, 1984.

Sincerely,

  
Karen Aubrey

KA:mh

cc: Ms. Linda Price  
Greenwood Resources  
315 Inverness Way South  
Englewood, Colorado 80112

Mr. Poul Poulson  
Greenwood Resources  
315 Inverness Way South  
Englewood, Colorado 80112

**STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY AND MINERALS  
OIL CONSERVATION DIVISION**

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 8406

ORDER NO. R- \_\_\_\_\_  
RECEIVED

IN THE MATTER OF THE  
APPLICATION OF  
GREENWOOD RESOURCES INC.,  
FOR COMPULSORY POOLING,  
and UNORTHODOX LOCATION,  
SAN JUAN COUNTY, NEW MEXICO.

NOV 30 1984

OIL CONSERVATION DIVISION

**P R O P O S E D**  
**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This cause having come on for hearing at 8:00 o'clock A.M. on November 28, 1984, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this \_\_\_\_\_ day of \_\_\_\_\_, 1984, the Commission Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

**FINDS:**

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That the Applicant, Greenwood Resources, Inc., seeks an Order pooling all mineral interests in the Lower Gallup Formation, underlying the N/2 NE/4 of Section 18, Township 29, North Range 14 West, NMPM, San Juan County, New Mexico.

(3) The N/2 of the NE/4 of Section 18, is a standard spacing unit for the Lower Gallup Formation.

4. That the applicant has the right to drill in the N/2 of the NE/4 of Section 18.

5. That there is an interest owner in the proposed proration unit who has not agreed to pool its interest.

6. That to avoid the drilling of unnecessary wells, to prevent waste, to protect correlative rights, 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 any pool thereunder, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

7. That the Applicant, Greenwood Resources, Inc, should be designated the operator of the subject well and unit.

8. That any non-consenting working interest owners should be afforded the opportunity to pay his share of the estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

9. That any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs, plus an additional 200% thereof as a reasonable charge for the risk involved in the drilling of the well.

10. The evidence supports a 200% risk factor, including but not limited to the fact that the proposed well will be located on the edge of the reservoir limits as they are presently known.

11. That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs, but that actual well costs should be adopted as reasonable well costs in the absence of such objection.

12. That following a 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.

13. That \$3,500.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) while drilling and that \$300.00 per month should be fixed as a reasonable charge for supervision while producing; that this charge should be adjusted annually based upon the percentage increase or decrease in the average weekly earnings of crude petroleum gas productin workers; that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest owner, 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.

14. That 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.

15. That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before the expiration of 120 days from the effective dated Order, the order pooling said unit should become null and void and of no effect whatsoever.

16. That applicant seeks approval of an unorthodox oil well location for its Kirkland No. 18-1 Well at a non-standard location 990 feet from the North line and 360 feet from the East line of Section 18, Township 29 North, Range 14 West, NMPM, to test the lower Gallup Formation, San Juan County, New Mexico, that the N/2 of the NE/4 of said section 18 is to be dedicated to the well.

17. That a well that set on unorthodox location will better enable applicant to produce the oil underlying the proration unit.

18. That offset operators Lobo Production and El Paso Exploration have consented to the proposed unorthodox location.

19. That by letter, offset operator Slayton Oil Corporation has objected to the proposed location.

20. That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, will avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED, that:

1. That all mineral interests, whatever they may be, in the Lower Gallup Formation underlying the N/2 of the NE/4 of Section 18, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a standard 80-acre spacing and proration unit dedicated to the Kirtland 18-1 Well.

Provided, however, that the operator of said unit shall commence the drilling of said well on or before the expiration of 120 days after the effective date of this Order, and shall thereafter continue to complete said well with due diligence.

Provided further, that in the event said operator does not commence the drilling of said well on or before the expiration of 120 days after the effective date of this Order, Order 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 completed or abandoned within 120 days after commencement thereof, said operator shall appear

before the Division Director and show cause why Order No. (1) of this Order should not be rescinded.

2. That Greenwood Resources is hereby designated the operator of the subject well and unit.

3. That 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 with an itemized schedule of estimated well costs.

4. That 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 that 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. That the operator shall furnish the Division and each working interest owner an itemized schedule of actual well costs within 90-days following the completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45-days following the receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to the actual well costs within the said 45-day period, the Division will determine reasonable well costs after public notice of hearing.

6. That within 60-days following the 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. That 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.
- B. As a charge for the risk involved in the drilling of the well, 200% 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. That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

9. That \$3,500.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling and that \$300.00 per month is hereby fixed as a reasonable charge for supervision while producing, provided that this rate shall be adjusted on the first day of April of each year following the effective date of this Order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of crude petroleum and gas production workers for the last calendar year, compared to the preceding calendar year as shown by "the index of average weekly earnings of crude petroleum and gas production workers" as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge 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. That any unsevered mineral interest shall be considered a seven-eighths working interest and a one-eighth royalty interest for the purpose of allocating costs and charges under the terms of this Order.

11. That any well costs or charges which are to be paid out of production shall be withheld only from the working interest share of production and no costs or charges shall be withheld from production attributable to royalty interests.

12. That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow to be paid to the true owner thereof, upon demand and proof of ownership; that the operator shall notify the Division of the name and addresses of the escrow agent within 30-days from the date of first deposit with said escrow agent.

13. That an unorthodox well location for the Lower Gallup Formation is hereby approved for the Kirkland No. 18-1 Well to be located at a point 990 feet from the North line and 360 feet from the East line of Section 18, Township 29 North, Range 14 West, NMPM, to test the lower Gallup Formation, San Juan County, New Mexico, that an 80-acre proration unit consisting of the N/2 of the NE/4 of said section 18 shall be dedicated to the above described well.

14. That jurisdiction of this cause is retained for the entry of such further Orders as the Commission may deem necessary.

DONE AT SANTA FE, NEW MEXICO, on the date and year hereinabove designated.

- 8 -  
Case No. 8406  
Order No. R-\_\_\_\_\_

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

RICHARD L. STAMETS  
Director

S E A L

**STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY AND MINERALS  
OIL CONSERVATION DIVISION**

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 8406

ORDER NO. R- \_\_\_\_\_

IN THE MATTER OF THE  
APPLICATION OF  
GREENWOOD RESOURCES INC.,  
FOR COMPULSORY POOLING,  
and UNORTHODOX LOCATION,  
SAN JUAN COUNTY, NEW MEXICO.

RECEIVED

NOV 30 1984

OIL CONSERVATION DIVISION

**P R O P O S E D  
ORDER OF THE DIVISION**

BY THE DIVISION:

This cause having come on for hearing at 8:00 o'clock A.M. on November 28, 1984, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this \_\_\_\_\_ day of \_\_\_\_\_, 1984, the Commission Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That the Applicant, Greenwood Resources, Inc., seeks an Order pooling all mineral interests in the Lower Gallup Formation, underlying the N/2 NE/4 of Section 18, Township 29, North Range 14 West, NMPM, San Juan County, New Mexico.

(3) The N/2 of the NE/4 of Section 18, is a standard spacing unit for the Lower Gallup Formation.

4. That the applicant has the right to drill in the N/2 of the NE/4 of Section 18.

5. That there is an interest owner in the proposed proration unit who has not agreed to pool its interest.

6. That to avoid the drilling of unnecessary wells, to prevent waste, to protect correlative rights, 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 any pool thereunder, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

7. That the Applicant, Greenwood Resources, Inc, should be designated the operator of the subject well and unit.

8. That any non-consenting working interest owners should be afforded the opportunity to pay his share of the estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

9. That any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs, plus an additional 200% thereof as a reasonable charge for the risk involved in the drilling of the well.

10. The evidence supports a 200% risk factor, including but not limited to the fact that the proposed well will be located on the edge of the reservoir limits as they are presently known.

11. That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs, but that actual well costs should be adopted as reasonable well costs in the absence of such objection.

12. That following a 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.

13. That \$3,500.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) while drilling and that \$300.00 per month should be fixed as a reasonable charge for supervision while producing; that this charge should be adjusted annually based upon the percentage increase or decrease in the average weekly earnings of crude petroleum gas production workers; that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest owner, 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.

14. That 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.

15. That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before the expiration of 120 days from the effective dated Order, the order pooling said unit should become null and void and of no effect whatsoever.

16. That applicant seeks approval of an unorthodox oil well location for its Kirkland No. 18-1 Well at a non-standard location 990 feet from the North line and 360 feet from the East line of Section 18, Township 29 North, Range 14 West, NMPM, to test the lower Gallup Formation, San Juan County, New Mexico, that the N/2 of the NE/4 of said section 18 is to be dedicated to the well.

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18. That offset operators Lobo Production and El Paso Exploration have consented to the proposed unorthodox location.

19. That by letter, offset operator Slayton Oil Corporation has objected to the proposed location.

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IT IS THEREFORE ORDERED, that:

1. That all mineral interests, whatever they may be, in the Lower Gallup Formation underlying the N/2 of the NE/4 of Section 18, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a standard 80-acre spacing and proration unit dedicated to the Kirtland 18-1 Well.

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Provided further, that in the event said operator does not commence the drilling of said well on or before the expiration of 120 days after the effective date of this Order, Order 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.

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before the Division Director and show cause why Order No. (1) of this Order should not be rescinded.

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4. That 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 that 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.

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---

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9. That \$3,500.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling and that \$300.00 per month is hereby fixed as a reasonable charge for supervision while producing, provided that this rate shall be adjusted on the first day of April of each year following the effective date of this Order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of crude petroleum and gas production workers for the last calendar year, compared to the preceding calendar year as shown by "the index of average weekly earnings of crude petroleum and gas production workers" as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently is use, plus or minus the computed adjustment; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge 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. That any unsevered mineral interest shall be considered a seven-eighths working interest and a one-eighth royalty interest for the purpose of allocating costs and charges under the terms of this Order.

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14. That jurisdiction of this cause is retained for the entry of such further Orders as the Commission may deem necessary.

DONE AT SANTA FE, NEW MEXICO, on the date and year hereinabove designated.

- 8 -

Case No. 8406  
Order No. R-           

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

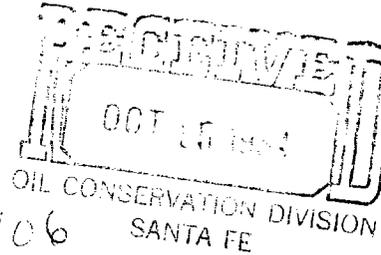
RICHARD L. STAMETS  
Director

S E A L

GQ

# SLAYTON OIL CORPORATION

Mr. Gilbert Quintana  
New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico



Case 8406

RE: Kirtland #181

Dear Mr. Quintana:

Slayton Oil Corporation does hereby object to the drilling of Greenwood Resorces well #181 on a non-standard location.

This location would be too close to our acreage to the East and south of their staked location.

Sincerely,

Slayton Oil Corporation

  
Paul Slayton  
President



Greenwood Resources Inc.



315 Inverness Way South  
Englewood, CO 80112  
303-790-1266  
Telex - 45-0429

RETURN THIS ORIGINAL

October 2, 1984

Mr. R.E. Lauitsen  
Lobo Production  
P.O. Box 2364  
Farmington, NM 87499

Mr. D.M. Poage  
El Paso Exploration  
3535 E. 30th St.  
P.O. Box 4289  
Farmington, NM 87499-4289

Mr. Paul Slayton  
Slayton Oil Corporation  
910 1/2 Fairgrounds Rd.  
Farmington, NM 87499

*Case 8-106*

RE: Kirtland #181  
Section 18-T29N-R14W  
San Juan County, NM

Gentlemen:

In reference to our letter dated September 25, 1984, we had notified you of our intent to drill a well in an unorthodox location on account of topographic conditions. Greenwood needs to have you sign a waiver in order for us to continue with procedures. If you do not have any objections to the above stated location, please indicate so by signing herein-below.

Please forward one original to Mr. Ernie Busch, State of New Mexico, Oil Conservation Division, 1000 Rio Brazos Rd, Aztec, New Mexico 87401. Return the second original to Greenwood Resources Inc. at the address stated at the top of this page.

Feel free to contact me if you have any questions concerning the above.

Sincerely,

GREENWOOD RESOURCES INC.

*Poul E. Poulsen*  
Poul E. Poulsen  
V.P. Engineering

We herein waive our objection to the above unorthodox location:

By: *David R. Jones*

Title: Senior Landman

Company: El Paso Exploration Company

Dated: October 16, 1984

607 18 1984

Oil Cons. Div.  
Dist. 3