

50 YEARS



TONEY ANAYA
GOVERNOR

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION



1935 - 1985

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

September 4, 1986

Mr. Thomas Kellahin
Kellahin & Kellahin
Attorneys at Law
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Re: Case No. 8978
Order No. R-8296

Dear Mr. Kellahin:

In accordance with Order (3) of the above-referenced order, the operator is required to furnish each known working interest owner a copy of said order by registered mail.

By copy of this letter the notice method is hereby changed from "registered" to "certified."

Sincerely,

A handwritten signature in cursive script, appearing to read "R. L. Stamets".

R. L. STAMETS
Director

RLS/fd

cc: Mr. Kenneth Bateman
White, Koch, Kelly & McCarthy
P. O. Box 787
Santa Fe, New Mexico 87501



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

TONY ANAYA
GOVERNOR

September 3, 1986

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

Mr. Thomas Kellahin
Kellahin & Kellahin
Attorneys at Law
Post Office Box 2265
Santa Fe, New Mexico

Re: CASE NO. 8978
ORDER NO. R-8296

Applicant:

Foran Oil Company or Estoril
Producing Corporation

Dear Sir:

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

Sincerely,

R. L. STAMETS
Director

RLS/fd

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

Other Kenneth Bateman

W. Thomas Kellahin
Karen Aubrey

Jason Kellabin
Of Counsel

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

September 3, 1986

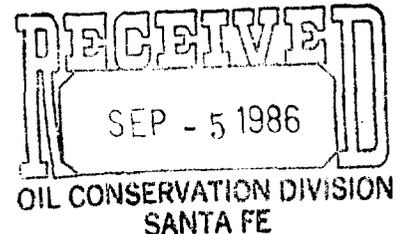
Case 8978

Texaco Inc, USA
P. O. Box 3109
Midland, Texas 79702

"Certified"
Return-Receipt Requested

Attn: Mr. Curtis D. Smith

Re: Foran Oil Company
New Mexico Compulsory
Pooling Order R-8296
S/2SW/4, Sec 6, T16S, R37E
Lea County, New Mexico



Dear Mr. Smith:

Our firm represents Foran Oil Company and has received from the New Mexico Oil Conservation Division the enclosed Division Order R-8296 which compulsory pools the referenced acreage.

In accordance with the terms and conditions of the order, Texaco is hereby notified that within ten days from the date of receipt of this order, Texaco is required to prepay to Foran Oil Company at 8340 Meadow Road, Suite 158, Dallas, Texas 75231, Texaco's share of the estimated well costs as shown on the enclosed AFE for the subject well. (Division Exhibit 7).

In the event Texaco fails to timely pay its share of the estimated well costs then its share of production shall be subject to the costs and penalties provided in the order.

Very truly yours,

Original signed by
W. THOMAS KELLAHIN
W. Thomas Kellahin

WTK:ca
Enc.

cc: Kenneth Bateman, Esq.
Richard L. Stamets (OCD)
Mr. Joe Foran

W. Thomas Kellahin
Karen Aubrey

Jason Kellahin
Of Counsel

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

September 4, 1986

RECEIVED

SEP 4 1986

OIL CONSERVATION DIVISION

Mr. Richard L. Stamets
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

"Hand Delivered"

Re: Foran Oil Company
Compulsory Pooling Order
R-8296

Dear Mr. Stamets:

I have received the enclosed Compulsory Pooling Order and would appreciate a Nunc Pro Tunc Order correcting an error in the method by which the Division has directed notification to the pooled party. You will note that this order requires notification by "Registered Mail" which is not nearly as satisfactory as the "Certified Mail" notice method required by other Compulsory Pooling Orders. In addition, the order is in conflict with Division's general notice rules (Order R-8054) which requires notification by certified mail.

Very truly yours,



W. Thomas Kellahin

WTK:ca
Enc.

cc: Foran Oil Company
Suite 158, Pecan Creek
8340 Meadow Road
Dallas, Texas 75231

Kenneth Bateman, Esq.
White, Koch, Kelly & McCarthy, P.A.
P. O. Box 787
Santa Fe, New Mexico 87501

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 8978
Order No. R-8296

APPLICATION OF FORAN OIL
COMPANY OR, IN THE ALTERNATIVE,
ESTORIL PRODUCING CORPORATION
FOR COMPULSORY POOLING, LEA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 20, 1986, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 3rd day of September, 1986, 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) Division Case Nos. 8977 and 8978 were consolidated at the time of the hearing for the purpose of testimony.
- (3) The applicant, Foran Oil Company, seeks an order pooling all mineral interests in the Northeast Lovington-Pennsylvanian Pool underlying the S/2 SW/4 of Section 6, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico.
- (4) The applicant further seeks the designation of Estoril Producing Corporation as the operator of the subject well and unit.
- (5) The subject of Division Case No. 8977, also heard on this day, is the application of Foran Oil Company for the pooling of all mineral interests in the Northeast Lovington-

Pennsylvanian Pool underlying the N/2 SE/4 of Section 1, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico.

(6) The operator of the proposed unit has the right to drill and proposes to drill a well at a standard location thereon.

(7) Texaco Inc., a 25 percent interest owner in the proposed proration unit in the immediate case and also in the unit which is the subject of Division Case No. 8977, has not agreed to pool their interest and appeared at the hearing in opposition to the application.

(8) Due to expiring farmout agreements, the operator must commence either the well in the subject case or the well which is the subject of Division Case No. 8977 prior to September 1, 1986.

(9) It is the intention of the operator to first drill the well located in Section 6, which is the subject of this case.

(10) The applicant on behalf of the operator and Texaco Inc. agreed at the hearing that the proposed risk penalty, overhead charges, AFE, and designation of Estoril Producing Corporation as the operator of the subject well are fair and reasonable.

(11) Texaco Inc. requested at the hearing that the Division require the operator to provide Texaco with well logs and access to the rig for the well to be drilled pursuant to this case.

(12) Testimony by Texaco indicated that obtaining this information would better enable them to make a decision on whether or not to participate in the drilling of the second well pursuant to Division Case No. 8977.

(13) Further testimony by Texaco indicated that, due to the time constraints for the drilling of both wells, they could reach a decision on whether or not to participate in the drilling of the second well within seven days of receiving the geologic information.

(14) The applicant testified that due to the geologic nature of the Northeast Lovington-Pennsylvanian Pool, any geologic information obtained in the drilling of the subject well may not be of any value in evaluating the

potential success of the well to be drilled pursuant to Division Case No. 8977.

(15) The request by Texaco that it, as a non-conserving interest owner, be required to be furnished geologic information on the subject well is unreasonable and any disclosure should be at the discretion of the operator.

(16) Texaco's request for access to the rig while drilling, logging, or completing the subject well should similarly be left to the discretion of the applicant, or operator.

(17) To avoid the drilling of unnecessary wells, to protect correlative rights, to avoid 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 in said pool, the subject application should be approved by pooling all mineral interests whatever they may be, within said unit.

(18) Estoril Producing Corporation should be designated the operator of the subject well and unit.

(19) 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.

(20) In view of the fact that Texaco Inc. has received a schedule of estimated well costs (AFE) at the hearing and due to the time constraints that exist in the drilling of the subject well, the 30-day voluntary election period for Texaco would normally have should be reduced.

(21) A fair and equitable election period for Texaco would be ten days from the date of receipt of this order.

(22) 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.

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

(24) 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.

(25) \$5500.00 per month while drilling and \$550.00 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.

(26) 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.

(27) 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 December 1, 1986, the order pooling said unit should become null and void and of no effect whatsoever.

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

(29) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, in the Strawn formation underlying the S/2 SW/4 of Section 6, Township 16 South, Range 37 East, NMPM, Northeast Lovington-Pennsylvanian Pool, Lea 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 a standard location thereon.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 1st day of December, 1986, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Strawn formation;

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 1st day of December, 1986, Ordering Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Ordering Paragraph No. (1) of this order should not be rescinded.

(2) Estoril Producing Corporation is hereby designated the operator of the subject well and unit.

(3) After the effective date of this order, the operator shall furnish each known working interest owner in the subject unit a copy of this order by registered mail, return receipt requested.

(4) Within 10 days from the date of receipt of this order, 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 10 days from the date of receipt of this order.

(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 10 days from the date of receipt of this order.

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

(9) \$5500.00 per month while drilling and \$550.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for _____ operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) 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) 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 immediately be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) Should all parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(14) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(15) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



R. L. STAMETS
Director

S E A L

fd/

W. Thomas Kellahin
Karen Aubrey

Jason Kellahin
Of Counsel

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

August 25, 1986

Mr. David R. Catanach
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

RECEIVED
AUG 25 1986
"Hand Delivered" OIL CONSERVATION DIVISION

Re: Foran Oil Company
Case 8978 and
Case 8977

Dear Mr. Catanach:

In accordance with your request at the hearing held on August 20, 1986, please find enclosed proposed orders for entry in Case 8977 and Case 8978.

I am advised by Mr. Foran that he must commence one of the wells prior to September 1, 1986, or lose his Mesa Farmout. It is therefore of utmost importance to him to at least have the order for Case 8978 entered as soon as possible. You will recall that Texaco had no objection to the forced pooling order for the first well.

In order to avoid the possibility that Texaco can learn the results of this well prior to its election period expiring, we are requesting that the election period for each well be ten days.

I seldom request an expedited order, but in this case it is most needed and appreciated.

Very truly yours,


W. Thomas Kellahin

WTK:ca

cc: Ken Bateman, Esq.
Joe Foran

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

THE APPLICATION OF FORAN
OIL COMPANY FOR COMPULSORY
POOLING, LEA COUNTY,
NEW MEXICO.

CASE NO. 8978
Order R-

FORAN OIL COMPANY PROPOSED
ORDER OF THE DIVISION

BY THE DIVISION:

This cases came on for hearing at 8:15 a.m. on August 20, 1986, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this ___ day of _____, 1986, the Division Director, having considered the testimony, the record, 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, Foran Oil Company, seeks an order designating Estoril Producing Corporation as operator and pooling all mineral interests in the Strawn formation of the Northeast Lovington-Pennsylvanian Pool, underlying the S/2SW/4 of Section 6, T16S, R37E, Lea County, New Mexico.

CASE NO. 8978

ORDER NO. R-

(3) That the applicant has obtained the voluntary agreement of all working interest owners in the subject tract with the exception of Texaco Inc. which has a 25% working interest.

(4) That the applicant and Texaco stipulated at the hearing that the applicant has made a good faith diligent effort to obtain the voluntary joinder of TEXACO Inc. and that TEXACO Inc. was unable to agree.

(5) That the applicant and Texaco Inc. have further stipulated that a 200% risk factor penalty should be assessed against Texaco for the risk of drilling and completing the subject well and that said risk factor is reasonable.

(6) That the applicant and Texaco have further stipulated that Estoril Production Corporation is an appropriate operator for this well and that overhead charges of \$5,500 per month while drilling and \$550.00 per month while producing are fair and reasonable.

(8) That Texaco has requested the Division to require the applicant to provide Texaco with geologic data and access to the rig for the well to be drilled pursuant to OCD Case 8978 and that Texaco would have seven days thereafter in which to exercise its election to participate in the well to be drilled pursuant to OCD Case 8977.

(9) Texaco's request would allow it to go non-consent in the prior well and still obtain wellbore information normally reserved for participating working interest owners. Said request would be an unreasonable burden upon the applicant and should be denied.

(10) Texaco informed the Examiner at the hearing that it can make its election within seven days. Applicant informed the Examiner that it must commence either well in Case 8978 or Case 8977 prior to September 1, 1986 or lose its Farmout Agreement with Mesa Petroleum Corporation. That a thirty day election period for Texaco would create the possibility that Texaco's election period may not be made prior to logging of the subject well and would give Texaco the opportunity to know the results of the well within the election period without requiring Texaco to share any of the risk.

(11) That a fair and reasonable election period for Texaco would be ten days.

CASE NO. 8978
ORDER NO. R-

(12) That the applicant and Texaco Inc. have stipulated that Estoril's AFE of \$499,450 for a completed well and \$340,150 for a dry hole are fair and reasonable.

(13) 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.

(14) 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.

(15) 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.

(16) 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.

(17) 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 date of this order, 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 Strawn formation of the Northeast Lovington-Pennsylvanian Pool underlying the S/2SW/4 of Section 6, T16S, R37E, Lea County, New Mexico, are hereby pooled to form a standard 80-acre spacing and proration unit.

PROVIDED HOWEVER, that the operator of said unit shall commence said well on or before the expiration of 120

CASE NO. 8978

ORDER NO. R-

days after the effective date of this order, and shall thereafter continue the drilling of said well with due diligence.

PROVIDED FURTHER, that in the event said operator does not commence said well on or before the expiration of 120 days after the effective date of this order, 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 completed, or abandoned, within 120 days after commencement therefor, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Estoril Producing Corporation 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 10 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; and 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.

CASE NO. 8978
ORDER NO. R-

(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 rate 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 10 days from the date the schedule of estimated well costs is furnished to him; and

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

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

(9) That \$5,500.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$550.00 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 _____ 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 Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceeding 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

CASE NO. 8978
ORDER NO. R-

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 (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 Lea 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 addresses 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

RICHARD L. STAMETS
Director



August 18, 1986

Mr. Joe Foran, President
Foran Oil Company
Pecan Creek, Suite 158
8340 Meadow Road
Dallas TX 75231

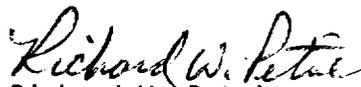
Dear Mr. Foran:

Subject: Case No. 8978

With reference to your compulsory pooling application before the New Mexico Oil Conservation Division, this is to advise that Mesa supports your attempts to drill your proposed well. We acknowledge and appreciate your diligent and good faith efforts to obtain either the joinder of all parties or their support through non-consent (300%) penalty or a farmout along the lines of Mesa's support.

Although it was our understanding that you were going to receive the support of all other owners of working interests, we now understand that Texaco, Inc. has decided against any of the three (3) options listed above. Since you have received support from Mesa, Sequoia Associates Limited, BHP Petroleum, Amerada and Sun, we are hopeful that you will be allowed to drill. During these times, our industry should support any competent operator willing to drill wells.

Sincerely,


Richard W. Petrie
Manager - Land

kdm

Copy to ~~Mr.~~ Richard Stamets
Chief Examiner
New Mexico Oil Conservation Division
Post Office Box 2088
Santa Fe NM 87504