

Clem L. Ware

Petroleum Land Consultant
Certified Professional Landman
Certificate No. 14

Case No. 9289

DEC 28 1987

WACO ENTERPRISES
THE WARE COMPANY

OIL CONSERVATION DIVISION
SANTA FE

December 22, 1987

OIL AND GAS
REAL ESTATE - INVESTMENTS

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

Foran Oil Company
Request for Public Hearing
Compulsory Pooling and Un-
orthodox Well Location in-
volving Lots 11 through 14
and the SW/4 of Section 5,
T-16-S, R-36-E NMPM Lea
County, New Mexico

Dear Mr. LeMay:

Under cover of December 15, 1987, Mr. W. Thomas Kellahin, on behalf of Foran Oil Company filed with your office an Application for an order approving an unorthodox well location and for an order pooling all of the mineral interests underlying the following lands in Lea County, New Mexico:

Lots 11 through 14, and SW/4 of Section 5, T-16-S, R-36-E as to form a gas spacing and proration unit for any and all formations and pools within said vertical limits developed on 320 acre spacing.

Lots 11 and 14 to form an 80 acre oil spacing and proration Unit for any and all formations and pools within said vertical limits developed on 80 acre spacing.

Lot 14 to form a 40 acre oil spacing and proration unit for any and all formations and pools within said vertical limits developed on 40 acre spacing.

In numbered paragraph 2 of Foran's Application it is stated that Foran has "sought either voluntary agreement for pooling or farmout from the remaining mineral or working interest owners in the applicable spacing and proration units but HAS BEEN UNABLE TO OBTAIN VOLUNTARY AGREEMENT FROM THE PARTIES SHOWN ON EXHIBIT "B".(A?)

As agent for C.E. Corrigan and Hugh Corrigan III, Trustee of the Hugh Corrigan III Trust, I wish to advise you that at no time in any communications from or to Foran Oil Company was the matter of Pooling for either 320 acres, 80 acres or 40 acres ever discussed. Further my clients have sent to Foran Oil Company a Lease Contribution Agreement with Lease attached covering my clients mineral interest in Lots 13 and 14 and the South 7.5 acres of Lots 11 and 12, covering rights from the surface of the ground down to, but not below, the base of the Morrow formation subject to the drilling of the well which is the subject of the Foran application.

Mr. William J. LeMay

(2)

12/22/87-Foran

As yet, Foran has not responded to our Lease Contribution offer. We believe that the pooling application if approved should be limited to that formation from which the proposed well is successfully completed, or in any event, the pooling order should consist of three separate orders, One for the 320 acre Morrow Unit, One for the 80 acre unit and a separate order for the 40 acre unit. A Blanket order covering this application will materially violate my clients correlative rights and do nothing to promote the conservation of natural resources.

We would also respectfully request that a showing be made by Foran as to the total costs of drilling, equipping and completing the aforementioned well at this unorthodox location, including the costs of operation and supervision of said operations on which the 200% risk factor prayed for would be based.

For your information, I enclose a copy of our letter of December 8, 1987 transmitting the aforementioned Lease Contribution Letter Agreement.

Had Foran approached us with a proposal to include pooling for oil or gas, I am certain my clients would have given very careful consideration to such request.

Yours very truly,


C.L. Ware CPL#14

enc. as stated

cc C.E. Corrigan
Hugh Corrigan III, Trustee
W. Thomas Kellahin
Joe Foran

HUGH CORRIGAN III
1926 CRESCENT PLACE
MIDLAND, TEXAS 79705

December 8, 1987

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

Lease Contribution
Pt of Section 5,
T-16-S,R-36-E,NMPM
Lea County, New Mexico

Attention: Randy Crenshaw

Gentlemen:

Pursuant to your letter request of December 2, 1987, we have prepared and enclose for your examination and execution, triplicate originals of our form of Lease Contribution Letter Agreement dated December 8, 1987 with a copy of our form of Oil and Gas Lease attached thereto.

Our lease form requires execution by both the Lessor and Lessee and therefore, we request you accept two copies of the Letter Agreement in the space provided for the purpose and execute and acknowledge the Oil and Gas Lease attached to each copy and return two accepted and executed copies of the Agreement and Lease to Mr. C.L.Ware as provided on Page four of the Letter Agreement. When and if the Lease is earned in accordance with the Letter Agreement, execution of the Lease will be completed by the Lessor and a fully executed copy thereof furnished you for recording.

The extra copy of the Letter and Lease may be retained by you for your files.

Please address any questions regarding this trade to Mr. Ware at Area Code 915-682-2116, Midland, Texas 79705.

Yours very truly,

/s/ Hugh Corrigan III

Hugh Corrigan III

Enclosures: As Stated

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION



March 24, 1988

GARREY CARRUTHERS
GOVERNOR

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

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

Re: CASE NO. 9289
ORDER NO. R-8616

Applicant:

Foran Oil Company

Dear Sir:

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

Sincerely,

Florene Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

Other James Bruce

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION



GARREY CARRUTHERS
GOVERNOR

April 11, 1988

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

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

Re: CASE NO. 9289
ORDER NO. R-8616-A

Applicant:

Foran Oil Company

Dear Sir:

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

Sincerely,

Florene Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD x

Other James Bruce

KELLAHIN, KELLAHIN AND AUBREY

Attorneys at Law

El Patio - 117 North Guadalupe

Post Office Box 2265

Santa Fe, New Mexico 87504-2265

Telephone 982-4285

Area Code 505

W. Thomas Kellahin

Karen Aubrey

Jason Kellahin

Of Counsel

April 12, 1988

"Certified Return-Receipt Requested"

TXO Production Corporation
900 Wilco Building
Midland, Texas 79701

Re: Foran Oil Company
NMOCD Order R-8616 and R-8616-A
Section 5, T16S, R36E, NMPM
Lea County, New Mexico

Dear Sir:

On behalf of Foran Oil Company and in accordance with the terms of the New Mexico Oil Conservation Division Order R-8616 and R-8616-A, I am providing you with notice of your right to elect to participate in the well to be drilled pursuant to these orders.

Should you desire to participate in this well and avoid the payment of the 200% risk factor penalty out of your share of production, then within thirty days of the date you receive this letter, Foran Oil Company must receive a cashier's check for your proportionate share of the completed well costs and a letter signed by you agreeing to execute a standard joint operating agreement.

If you decide not participate then you need to do nothing further. In that event, Foran Oil Company will pay your share of the costs of the well and will recover your share out of production, plus an additional 200%.

To aid you in your decision, I have enclosed certain exhibits from the hearing:

- (1) Exhibit 1 is a landman's plat of the area;
- (2) Exhibit 3 is the approximate location of the well;
- (3) Exhibit 2 is the plat showing the various orientations of the spacing units for the well;
- (4) Exhibit 13 is the estimated well costs for the well; and
- (5) Exhibit 6 is the estimated percentage of interest you have in each of the spacing units.

9289
M.S.
RECEIVED
APR 12 1988
OIL CONSERVATION DIVISION

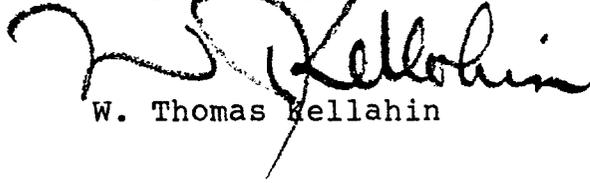
KELLAHIN, KELLAHIN & AUBREY

TXO Production Company
April 12, 1988
Page 2

You should read the Division Order with care. The reason for Order R-8616-A is that it corrects the error in the description of the location of the spacing units as shown on R-8616.

I have not attempted to calculate for you the actual sum of money you must send to Mr. Foran in order to participate. If you desire to know that information you may call Mr. Foran at (214) 373-8788. His address is: Foran Oil Company, Suite 158, Pecan Creek, 8340 Meadow Road, Dallas, Texas 75231.

Very truly yours,



W. Thomas Kellahin

WTK:ca
Enc.

cc: Mr. Joe Foran
Oil Conservation Division (SF)

KELLAHIN, KELLAHIN AND AUBREY

Attorneys at Law

El Patio - 117 North Guadalupe

Post Office Box 2265

Santa Fe, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

W. Thomas Kellahin
Karen Aubrey

Jason Kellahin
Of Counsel

April 12, 1988

"Certified Return-Receipt Requested"

Hugh Corrigan II Trust
C. E. Corrigan
c/o C. L. Ware
2500 Castleford Road
Midland, Texas 79705

Re: Foran Oil Company
NMOCD Order R-8616 and R-8616-A
Section 5, T16S, R36E, NMPM
Lea County, New Mexico

RECEIVED

APR 12 1988

OIL CONSERVATION DIVISION

Dear Sir:

On behalf of Foran Oil Company and in accordance with the terms of the New Mexico Oil Conservation Division Order R-8616 and R-8616-A, I am providing you with notice of your right to elect to participate in the well to be drilled pursuant to these orders.

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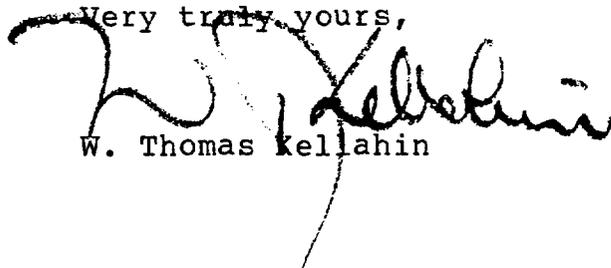
KELLAHIN, KELLAHIN & AUBREY

Hugh Corrigan II Trust
April 12, 1988
Page 2

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Very truly yours,

A handwritten signature in dark ink, appearing to read 'W. Thomas Kellahin', is written over the typed name. The signature is fluid and cursive, with a large initial 'W'.

W. Thomas Kellahin

WTK:ca
Enc.

cc: Mr. Joe Foran
Oil Conservation Division (SF)

KELLAHIN, KELLAHIN AND AUBREY

Attorneys at Law

El Patio - 117 North Guadalupe

Post Office Box 2265

Santa Fe, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

W. Thomas Kellahin
Karen Aubrey

Jason Kellahin
Of Counsel

April 12, 1988

"Certified Return-Receipt Requested"

J. Patrick Corrigan Trust
c/o Doug Ferguson
P. O. Drawer 432
Midland, Texas 79702

Re: Foran Oil Company
NMOCD Order R-8616 and R-8616-A
Section 5, T16S, R36E, NMPM
Lea County, New Mexico

RECEIVED
APR 12 1988
OIL CONSERVATION DIVISION

Dear Sir:

On behalf of Foran Oil Company and in accordance with the terms of the New Mexico Oil Conservation Division Order R-8616 and R-8616-A, I am providing you with notice of your right to elect to participate in the well to be drilled pursuant to these orders.

Should you desire to participate in this well and avoid the payment of the 200% risk factor penalty out of your share of production, then within thirty days of the date you receive this letter, Foran Oil Company must receive a cashier's check for your proportionate share of the completed well costs and a letter signed by you agreeing to execute a standard joint operating agreement.

If you decide not participate then you need to do nothing further. In that event, Foran Oil Company will pay your share of the costs of the well and will recover your share out of production, plus an additional 200%.

To aid you in your decision, I have enclosed certain exhibits from the hearing:

- (1) Exhibit 1 is a landman's plat of the area;
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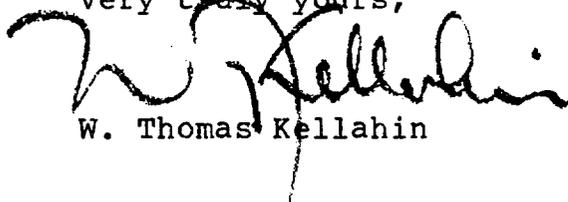
KELLAHIN, KELLAHIN & AUBREY

J. Patrick Corrigan Trust
April 12, 1988
Page 2

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I have not attempted to calculate for you the actual sum of money you must send to Mr. Foran in order to participate. If you desire to know that information you may call Mr. Foran at (214) 373-8788. His address is: Foran Oil Company, Suite 158, Pecan Creek, 8340 Meadow Road, Dallas, Texas 75231.

Very truly yours,

A handwritten signature in cursive script, appearing to read 'W. Thomas Kellahin', written in black ink. The signature is fluid and somewhat stylized, with a large initial 'W' and a long, sweeping underline.

W. Thomas Kellahin

WTK:ca
Enc.

cc: Mr. Joe Foran
Oil Conservation Division (SF)

KELLAHIN, KELLAHIN AND AUBREY

Attorneys at Law

El Patio - 117 North Guadalupe

Post Office Box 2265

Santa Fe, New Mexico 87504-2265

Telephone 982-4285

Area Code 505

W. Thomas Kellahin

Karen Aubrey

Jason Kellahin

Of Counsel

April 12, 1988

"Certified Return-Receipt Requested"

Diana Brunell
5622 E. 97th Street
Tulsa, Oklahoma 74137

Re: Foran Oil Company
NMOCD Order R-8616 and R-8616-A
Section 5, T16S, R36E, NMPM
Lea County, New Mexico

RECEIVED
APR 12 1988
OIL CONSERVATION DIVISION

Dear Ms. Brunell:

On behalf of Foran Oil Company and in accordance with the terms of the New Mexico Oil Conservation Division Order R-8616 and R-8616-A, I am providing you with notice of your right to elect to participate in the well to be drilled pursuant to these orders.

Should you desire to participate in this well and avoid the payment of the 200% risk factor penalty out of your share of production, then within thirty days of the date you receive this letter, Foran Oil Company must receive a cashier's check for your proportionate share of the completed well costs and a letter signed by you agreeing to execute a standard joint operating agreement.

If you decide not participate then you need to do nothing further. In that event, Foran Oil Company will pay your share of the costs of the well and will recover your share out of production, plus an additional 200%.

To aid you in your decision, I have enclosed certain exhibits from the hearing:

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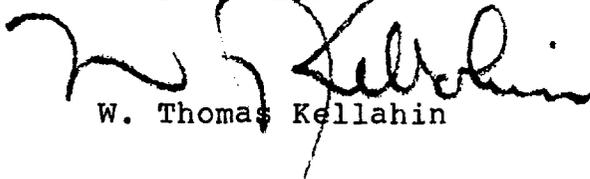
KELLAHIN, KELLAHIN & AUBREY

Diana Brunell
April 12, 1988
Page 2

You should read the Division Order with care. The reason for Order R-8616-A is that it corrects the error in the description of the location of the spacing units as shown on R-8616.

I have not attempted to calculate for you the actual sum of money you must send to Mr. Foran in order to participate. If you desire to know that information you may call Mr. Foran at (214) 373-8788. His address is: Foran Oil Company, Suite 158, Pecan Creek, 8340 Meadow Road, Dallas, Texas 75231.

Very truly yours,



W. Thomas Kellahin

WTK:ca
Enc.

cc: Mr. Joe Foran
Oil Conservation Division (SF)

KELLAHIN, KELLAHIN AND AUBREY

Attorneys at Law

El Patio - 117 North Guadalupe

Post Office Box 2265

Santa Fe, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

W. Thomas Kellahin
Karen Aubrey

Jason Kellahin
Of Counsel

April 12, 1988

"Certified Return-Receipt Requested"

Raynette Bluffin Littell
165-A Wiseman Way
Upland, California 91786

Re: Foran Oil Company
NMOCD Order R-8616 and R-8616-A
Section 5, T16S, R36E, NMPM
Lea County, New Mexico

RECEIVED
APR 12
OIL CONSERVATION DIVISION

Dear Ms. Littell:

On behalf of Foran Oil Company and in accordance with the terms of the New Mexico Oil Conservation Division Order R-8616 and R-8616-A, I am providing you with notice of your right to elect to participate in the well to be drilled pursuant to these orders.

Should you desire to participate in this well and avoid the payment of the 200% risk factor penalty out of your share of production, then within thirty days of the date you receive this letter, Foran Oil Company must receive a cashier's check for your proportionate share of the completed well costs and a letter signed by you agreeing to execute a standard joint operating agreement.

If you decide not participate then you need to do nothing further. In that event, Foran Oil Company will pay your share of the costs of the well and will recover your share out of production, plus an additional 200%.

To aid you in your decision, I have enclosed certain exhibits from the hearing:

- (1) Exhibit 1 is a landman's plat of the area;
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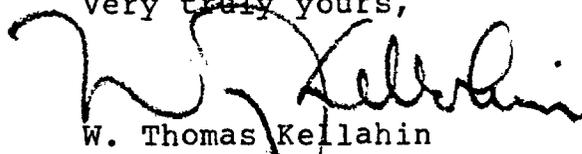
KELLAHIN, KELLAHIN & AUBREY

Raynette Bluffin Littell
April 12, 1988
Page 2

You should read the Division Order with care. The reason for Order R-8616-A is that it corrects the error in the description of the location of the spacing units as shown on R-8616.

I have not attempted to calculate for you the actual sum of money you must send to Mr. Foran in order to participate. If you desire to know that information you may call Mr. Foran at (214) 373-8788. His address is: Foran Oil Company, Suite 158, Pecan Creek, 8340 Meadow Road, Dallas, Texas 75231.

Very truly yours,



W. Thomas Kellahin

WTK:ca
Enc.

cc: Mr. Joe Foran
Oil Conservation Division (SF)

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

CASE NO. 9289
ORDER NO. R-8616-A

APPLICATION OF FORAN OIL COMPANY
FOR COMPULSORY POOLING AND AN
UNORTHODOX WELL LOCATION, LEA
COUNTY, NEW MEXICO

NUNC PRO TUNC ORDER

BY THE DIVISION:

It appearing to the Division that Order No. R-8616 dated March 23, 1988, does not correctly state the intended order of the Division,

IT IS THEREFORE ORDERED THAT:

(1) Finding Paragraph No. (2) on page 1 of Order No. R-8616 be and the same is hereby amended to read in its entirety as follows:

"(2) The applicant, Foran Oil Company, seeks an order pooling all mineral interests underlying the following described acreage in Section 5, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico:

Lots 11 through 14 and the SW/4 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing;

Lots 11 and 12 to form an 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing; and

Lot 11 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing."

(2) Decretory Paragraph No. (1) on page 3 of said Order No. R-8616 be and the same is hereby amended to read as follows:

"(1) All mineral interests, whatever they may be, underlying the following described acreage in Section 5, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico, are hereby pooled:

Lots 11 through 14 and the SW/4 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing;

Page 2
Case No. 9289
Order No. R-8616-A

Lots 11 and 12 to form an 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing; and

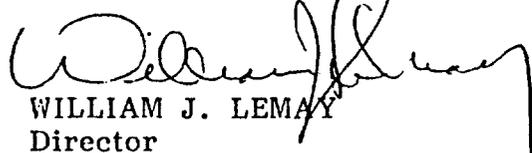
Lot 11 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing.

All of the above-described units are to be dedicated to a single well to be drilled at an unorthodox well location 3950 feet from the North line and 1550 feet from the West line (Unit K) of said Section 5."

(3) The corrections set forth in this order be entered nunc pro tunc as of March 23, 1988.

DONE at Santa Fe, New Mexico, on this 8th day of April, 1988.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L

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

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

CASE NO. 9289
Order No. R-8616

APPLICATION OF FORAN OIL COMPANY
FOR COMPULSORY POOLING AND AN
UNORTHODOX WELL LOCATION, LEA
COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 3, 1988, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 23rd day of March, 1988, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) The applicant, Foran Oil Company, seeks an order pooling all mineral interests underlying the following described acreage in Section 5, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico:

Lots 11 through 14 and the SW/4 of Section 5 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing;

Lots 11 and ¹²~~14~~ to form an 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing; and

Lot ¹¹~~14~~ to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing.

(3) All of the above-described units are to be dedicated to a single well to be drilled at an unorthodox well location 3950 feet from the North line and 1550 feet from the West Line (Unit K) of said Section 5.

(4) The proposed well location is situated on the outskirts of the City of Lovington, New Mexico in a populated area and after much negotiation with the surface owners in the area and by approval of the Lovington/Lea County Extra-Territorial Zoning Authority, said well location was agreed upon.

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

(6) At the time of the hearing a representative of Charles Gillespie, who owns mineral interests in Lots 3, 4, 5 and 6 of said Section 5 directly offsetting the north of the proposed units, appeared at the hearing and objected to the unorthodox well location portion of this application with respect to the 320-acre spacing units.

(7) There was no evidence presented at the hearing to justify either a denial or an assessment of a penalty on any such production spaced on 320-acre units.

(8) The proposed unorthodox well location should be approved.

(9) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste, and to afford to the owner of each interest in said units the opportunity to recover or receive without unnecessary expense his just and fair share of the hydrocarbons in any pool completion resulting from this order, the subject application should be approved by pooling all mineral interests, whatever they may be, within said units.

(10) The applicant should be designated the operator of the subject well and units.

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

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

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

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

(15) \$5000.00 per month while drilling and \$500.00 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.

(16) 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.

(17) Upon the failure of the operator of said pooled units to commence drilling of the well to which said units are dedicated on or before June 1, 1988, the order pooling said units should become null and void and of no effect whatsoever.

(18) 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.

(19) The operator of the well and units 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 underlying the following described acreage in Section 5, Township 16 South, Range 36 East, NMPM, Lea County, New Mexico:

Lots 11 through 14 and the SW/4 of Section 5 to form a 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing;

Lots 11 and 14 to form an 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing; and

Lot 14 to form a 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing.

All of the above-described units are to be dedicated to a single well to be drilled at an unorthodox well location 3950 feet from the North line and 1550 feet from the West line (Unit K) of said Section 5.

PROVIDED HOWEVER THAT, the operator of said units shall commence the drilling of said well on or before the first day of June, 1988, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Morrow formation;

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the first day of June, 1988, 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) Foran Oil Company is hereby designated the operator of the subject well and units.

(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 units 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.

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

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

(9) \$5000.00 per month while drilling and \$500.00 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 the parties to this force pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

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

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

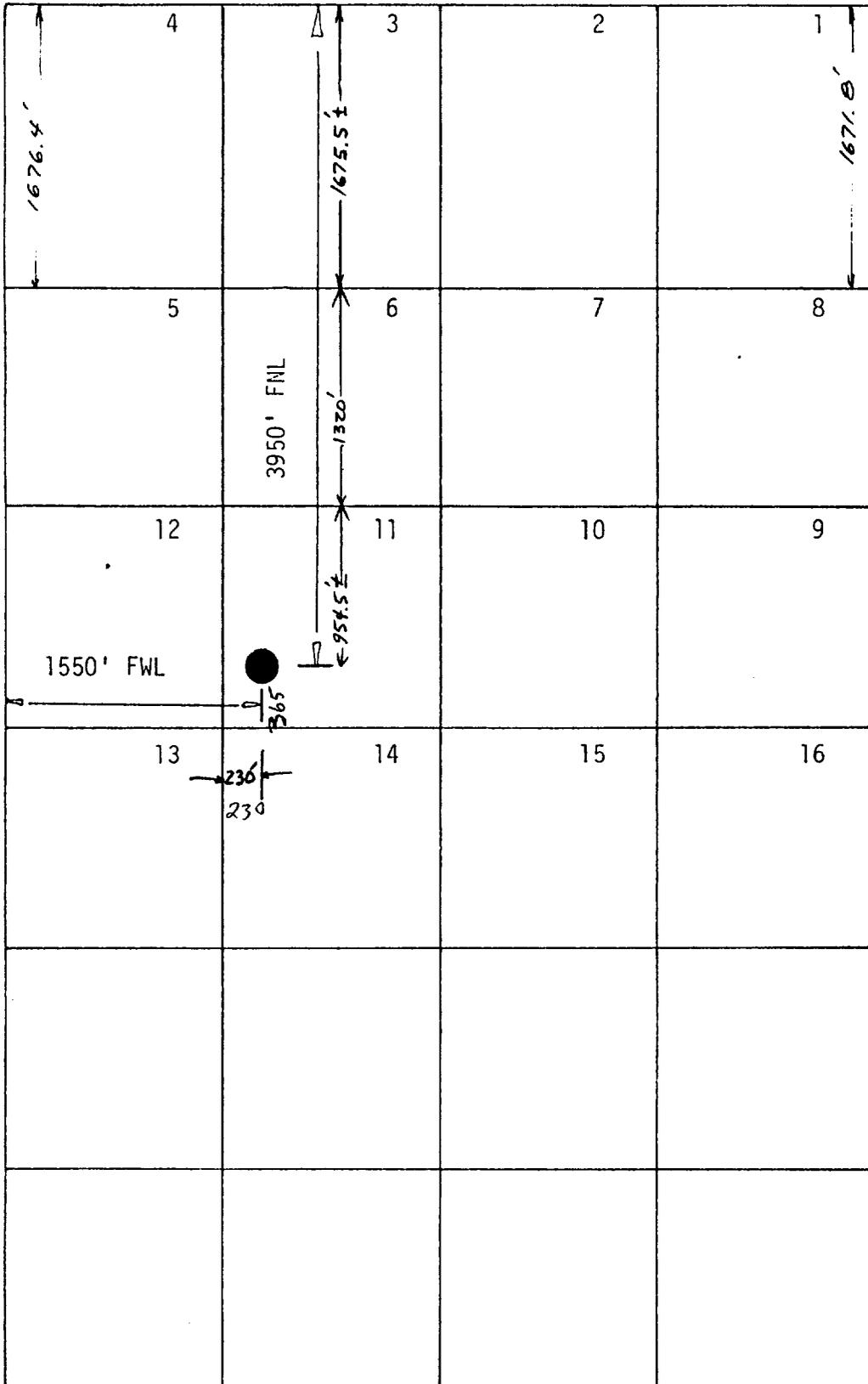

WILLIAM J. LEMAY
Director

S E A L



Proposed Rouse #1-5 Well
 East Townsend Prospect
 12,300' Morrow Test
 Township 16 South - Range 36 East
 Lea County, New Mexico

Section 5



80 = New STAM OIL
 Field designer
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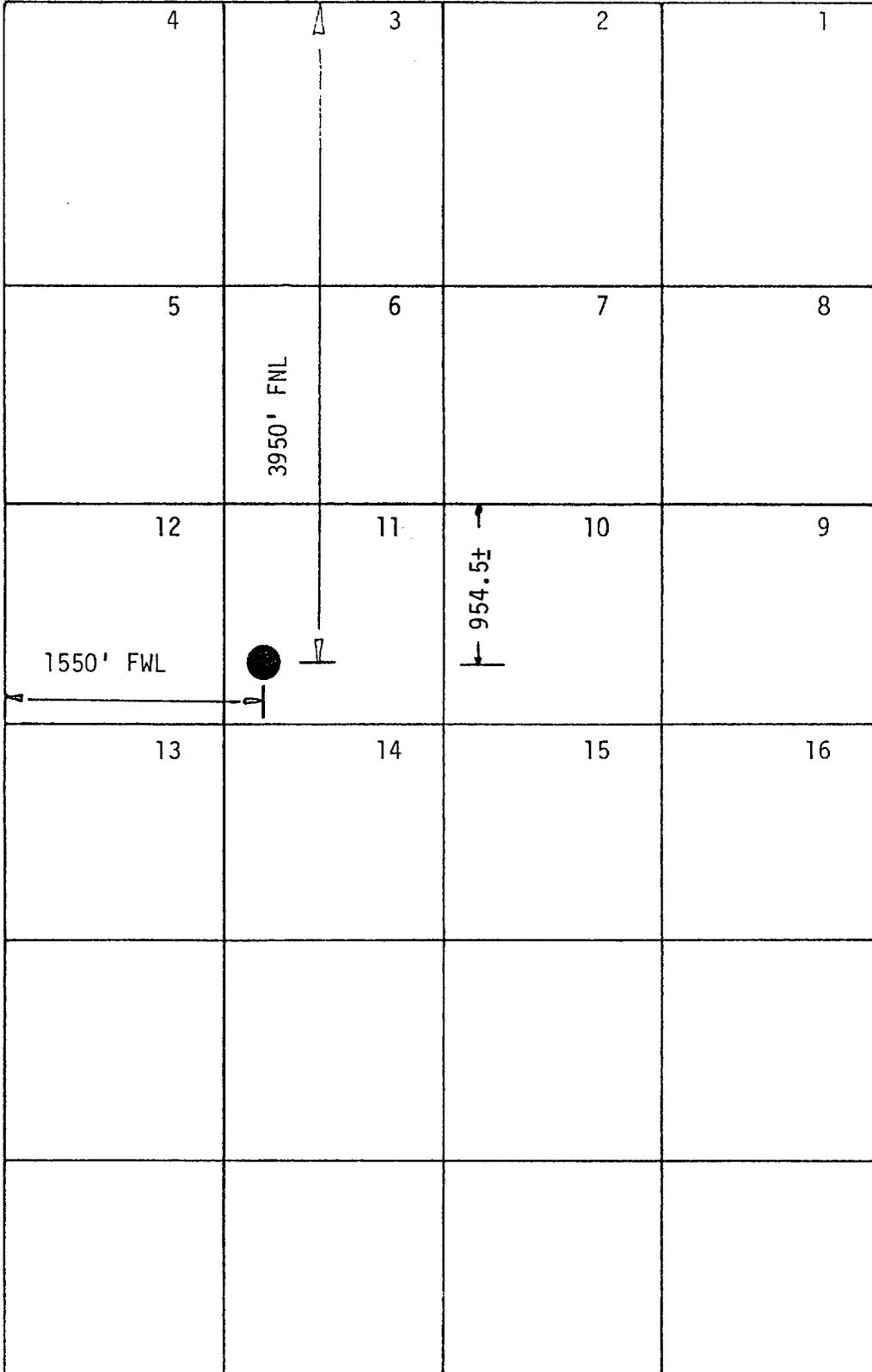
BEFORE RECORDING DOCUMENT
 OF STATE OF NEW MEXICO

 Case No. _____



Proposed Rouse #1-5 Well
 East Townsend Prospect
 12,300' Morrow Test
 Township 16 South - Range 36 East
 Lea County, New Mexico

Section 5



BEFORE CIVILIAN STORAGE
 Oil Conservation Division
 Permit No. 2
 Case No. _____

Foran Oil Company

Date: 1-29-88

Prospect Name: West Lovington
 County: Lea
 State: New Mexico

Project: Drill a 12300' Morrow
 test, plug back and
 complete in Strawn

		Dryhole	Comp	Total
Location & Damages		23000	1500	24500
Drilling Footage	12300' @ \$13.65/ft	167895		167895
Drilling Daywork	\$4200/day	16800	4200	21000
Cementing & Services		14000	9300	23300
Drill Stem Test & Coring		11200		11200
Logging		25000		25000
Geological	\$400/day 24 days	9600		9600
Mud Materials		29500		29500
Trucking, Labor, Csg Crew, Yellow Jacket		12800	3700	16500
Supervision	\$350/day 58 days	14000	6300	20300
Bits & Rentals PVT, Mud Cleaner, etc		10500	5500	16000
Fuel/Water		5500	1200	6700
Combined Fixed Rate		5000	2500	7500
Plugging & Abandonment		9300		0
Well Surveys/Testing	BHP survey			0
Completion Unit	\$1400/day 8 days		11200	11200
Centralizers & Float Equip		1000	650	1650
Perforating/Logging	CBL/perf		7500	7500
Frac/Acid/Other			2500	2500
Contingency		25000	5000	30000

Subtotal Intangibles		380095	61050	441145

Casing Conductor				0
Casing Surface	450' 13 3/8 @ \$24.50/ft	11025		11025
Casing Inter	4700' 8 5/8 @ \$14.60/ft	68620		68620
Casing Liner				0
Casing Production	11600' 5 1/2 @ \$9.95/ft		115420	115420
Tubing	11600' 2 3/8 @ \$3.25/ft		37700	37700
Well Head		4000	3000	7000
Other Sub-Surface Equipment				0
Tanks			7500	7500
Separators & Heaters			14500	14500
Flow Lines			3000	3000
Rods/Downhole			3000	3000
Pump Unit & Engine				0
Installation Costs		2500	10000	12500
Non-Controllable Equipment			5000	5000

Subtotal Tangibles		86145	199120	285265
Subtotal Intangibles		380095	61050	441145
=====				
Totals		466240	260170	726410

Prepared By: *John Mafey*

BEFORE HARRISON STORNER

Oil and Gas Division

Case No. 9

Case No. _____

OUTSTANDING INTERESTS - East Townsend Prospect

Lots 11-14 and SW/4 (320 ac.)
Section 5, T16S-R36E
Lea County, N.M.

Summary

	<u>320 Acre Unit</u>		<u>80 Acre Unit</u>		<u>40 Acre Unit</u>	
	<u>Net Acres</u>	<u>% of Unit</u>	<u>Net Acres</u>	<u>% of Unit</u>	<u>Net Acres</u>	<u>% of Unit</u>
T.X.O. 900 Wilco Bldg. Midland, TX 79701	67.212	21.004	51.667	64.58376	25.8315	64.57868
C.E. Corrigan and the Hugh Corrigan III Trust c/o C.L. Ware 2500 Castleford Rd. Midland, TX 79705	2.2265625	.6958	.3515625	.43945	.1757813	.43945
Diana Brunel 5622 E. 97th Street Tulsa, OK 74137-4914	2.2619025	.70684	.3571452	.44643	.1785713	.44643
Raynette Bluffin Littell 165-A Wiseman Way Upland, CA 91786	1.1309524	.353423	.17857143	.22321	.0892857	.22321