

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION



March 28, 1963

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. 9290
ORDER NO. R-8622

Applicant:

Foran Oil Company

Dear Sir:

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

Sincerely,

Florence Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

Other William F. Carr

KELLAHIN, KELLAHIN AND AUBREY

Attorneys at Law

W. Thomas Kellahin
Karen Aubrey

El Patio - 117 North Guadalupe

Telephone 982-4285
Area Code 505

Jason Kellahin
Of Counsel

Post Office Box 2265

Santa Fe, New Mexico 87504-2265

APR 13 1988
April 13, 1988

"Certified Return-Receipt Requested"

Doris Cross McAdoo
2048 Amherst Drive
S. Pasadena, CA 91030

Re: Foran Oil Company
Caudill No. 2-8
Twin Lakes Prospect
NMOCD Order R-8622
Section 8, T16S, R37E, NMPM
Lea County, New Mexico

Dear Interest Holder:

On behalf of Foran Oil Company and in accordance with the terms of the New Mexico Oil Conservation Division Order R-8622, 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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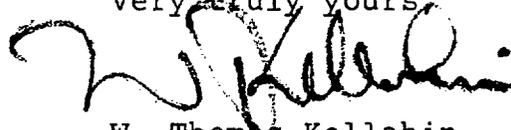
KELLAHIN, KELLAHIN & AUBREY

Doris Cross McAdoo
April 13, 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



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

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W. Thomas Kellahin

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Jason Kellahin

Of Counsel

April 13, 1988

"Certified Return-Receipt Requested"

Estate of Harriet McAdoo Platt
c/o Cynthia McAdoo Wheatland
33 Branch Street
Bostons, Mass. 02108

Re: Foran Oil Company
Caudill No. 2-8
Twin Lakes Prospect
NMOCD Order R-8622
Section 8, T16S, R37E, NMPM
Lea County, New Mexico

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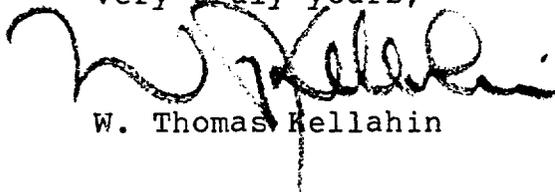
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Very truly yours,

A handwritten signature in dark ink, appearing to read 'W. Thomas Kellahin', written in a cursive style. The signature is positioned above the typed name 'W. Thomas Kellahin'.

W. Thomas Kellahin

WTK:ca
Enc.

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

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Santa Fe, New Mexico 87504-2265

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Jason Kellahin
Of Counsel

April 13, 1988

"Certified Return-Receipt Requested"

J. H. Van Zant II
1730 Commerce Building
307 W. 7th Street
Fort Worth, TX 76102-5173

Re: Foran Oil Company
Caudill No. 2-8
Twin Lakes Prospect
NMOCD Order R-8622
Section 8, T16S, R37E, NMPM
Lea County, New Mexico

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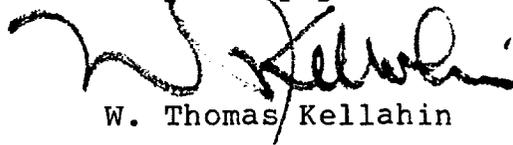
KELLAHIN, KELLAHIN & AUBREY

J. H. Van Zant II
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Karen Aubrey

Jason Kellahin
Of Counsel

April 13, 1988

"Certified Return-Receipt Requested"

Jeanne Van Zant Sanders
Suite 508, Sinclair Bldg.
106 W. 5th Street
Fort Worth, Texas 76102

Re: Foran Oil Company
Caudill No. 2-8
Twin Lakes Prospect
NMOCD Order R-8622
Section 8, T16S, R37E, NMPM
Lea County, New Mexico

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KELLAHIN, KELLAHIN & AUBREY

Jeanne Van Zant Sanders
April 13, 1988
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W. Thomas Kellahin

WTK:ca
Enc.

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

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Karen Aubrey

Jason Kellahin

Of Counsel

April 13, 1988

"Certified Return-Receipt Requested"

E. B. White, Jr.
P. O. Box 2052
Midland, Texas 79720

Re: Foran Oil Company
Caudill No. 2-8
Twin Lakes Prospect
NMOCD Order R-8622
Section 8, T16S, R37E, NMPM
Lea County, New Mexico

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KELLAHIN, KELLAHIN & AUBREY

E. B. White, Jr.
April 13, 1988
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Karen Aubrey

Jason Kellahin

Of Counsel

April 13, 1988

"Certified Return-Receipt Requested"

Harry A. Miller, Jr.
Margaret Ann Miller Carrico
Harry A. Miller III
Suite 600, 303 W. Wall St.
Midland, Texas 79701

Re: Foran Oil Company
Caudill No. 2-8
Twin Lakes Prospect
NMOCD Order R-8622
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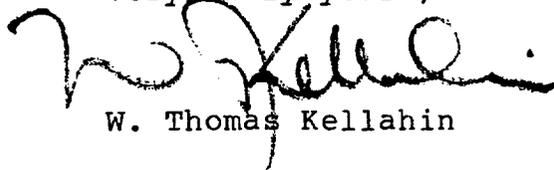
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April 13, 1988
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Karen Aubrey

Jason Kellahin
Of Counsel

April 13, 1988

"Certified Return-Receipt Requested"

Nitram Enterprises Inc.
P. O. Box 3341
Midland, Texas 79702

Re: Foran Oil Company
Caudill No. 2-8
Twin Lakes Prospect
NMOCD Order R-8622
Section 8, T16S, R37E, NMPM
Lea County, New Mexico

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KELLAHIN, KELLAHIN & AUBREY

Nitram Enterprises Inc.
April 13, 1988
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Oil Conservation Division (SF)

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Karen Aubrey

Jason Kellahin
Of Counsel

April 13, 1988

"Certified Return-Receipt Requested"

Standard Oil Production Co.
P. O. Box 4587
Houston, Texas 77210

Attn: Mr. James D. Sikes

Re: Foran Oil Company
Caudill No. 2-8
Twin Lakes Prospect
NMOCD Order R-8622
Section 8, T16S, R37E, NMPM
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KELLAHIN, KELLAHIN & AUBREY

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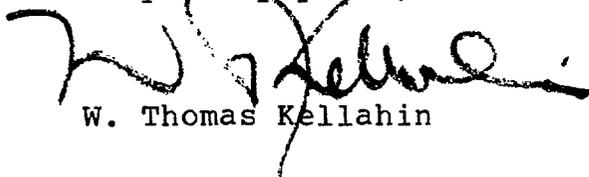
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Karen Aubrey

Jason Kellahin
Of Counsel

April 13, 1988

"Certified Return-Receipt Requested"

Harvey E. Yates Corp.
Explorers Petroleum Corp.
Spiral Inc.
P. O. Box 1933
Roswell, New Mexico 88201

Re: Foran Oil Company
Caudill No. 2-8
Twin Lakes Prospect
NMOCD Order R-8622
Section 8, T16S, R37E, NMPM
Lea County, New Mexico

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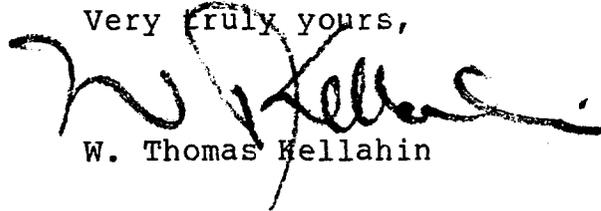
KELLAHIN, KELLAHIN & AUBREY

Harvey E. Yates Company
Explorers Petroleum Corp.
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Jason Kellahin
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April 13, 1988

"Certified Return-Receipt Requested"

Yates Energy Corp.
Fred G. Yates, Inc.
1010 Sunwest Centre
Roswell, New Mexico 88201

Re: Foran Oil Company
Caudill No. 2-8
Twin Lakes Prospect
NMOCD Order R-8622
Section 8, T16S, R37E, NMPM
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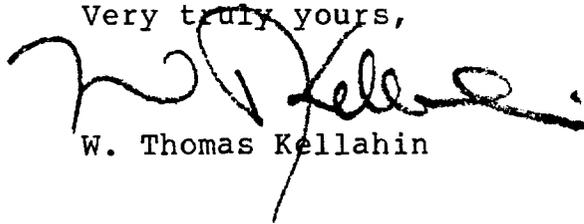
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Yates Energy Corp.
Fred G. Yates, Inc.
April 13, 1988
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W. Thomas Kellahin

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Enc.

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

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. 9290
Order No. R-8622

APPLICATION OF FORAN OIL COMPANY
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 February 3, 1988, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 28th 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 from the surface to a depth of approximately 12,000 feet underlying the W/2 SW/4 of Section 8, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, to form an 80-acre oil spacing and proration unit for any and all formations and/or pools within said vertical limits developed on 80-acre spacing and the NW/4 SW/4 of said Section 8 to form a 40-acre oil spacing and proration unit for any and all formations and/or pools within said vertical limits developed on statewide 40-acre spacing.

(3) Both units are to be dedicated to a single well to be drilled at a standard location in the NW/4 SW/4 (Unit L) of said Section 8.

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

(5) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste, and to afford to the owner of each interest in said units the opportunity to recover or receive without unnecessary expense his just and fair share of the production 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.

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

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

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

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

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

(11) At the time of the hearing the applicant proposed that the reasonable monthly fixed charges for supervision while re-entering/deepening and producing should be \$5500.00 and \$550.00, respectively.

(12) The above drilling and producing charges are in excess of the normal monthly fixed charges in this area for a well to a comparable depth and should therefore be adjusted to reflect a more reasonable rate.

(13) \$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.

(14) 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) 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.

(16) 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.

(17) 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, whatever they may be, from the surface to an approximate depth of 12,000 feet underlying the W/2 SW/4 of Section 8, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, are hereby pooled to form an 80-acre oil spacing and proration unit for any and all formations and/or pools within said vertical limits developed on 80-acre spacing and the NW/4 SW/4 of said Section 8 to form a 40-acre oil spacing and proration unit for any and all formations and/or pools within said vertical limits developed on statewide 40-acre spacing, both aforementioned units to be dedicated to a well to be drilled at a standard location in the NW/4 SW/4 (Unit L) of said Section 8.

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 of approximately 12,000 feet;

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.

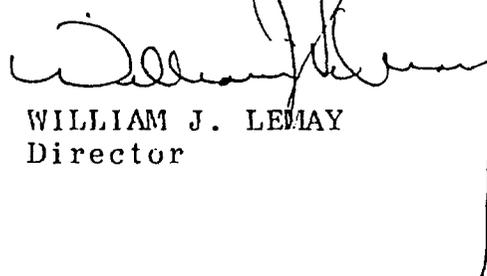
(13) Should all the parties to this force pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

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

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



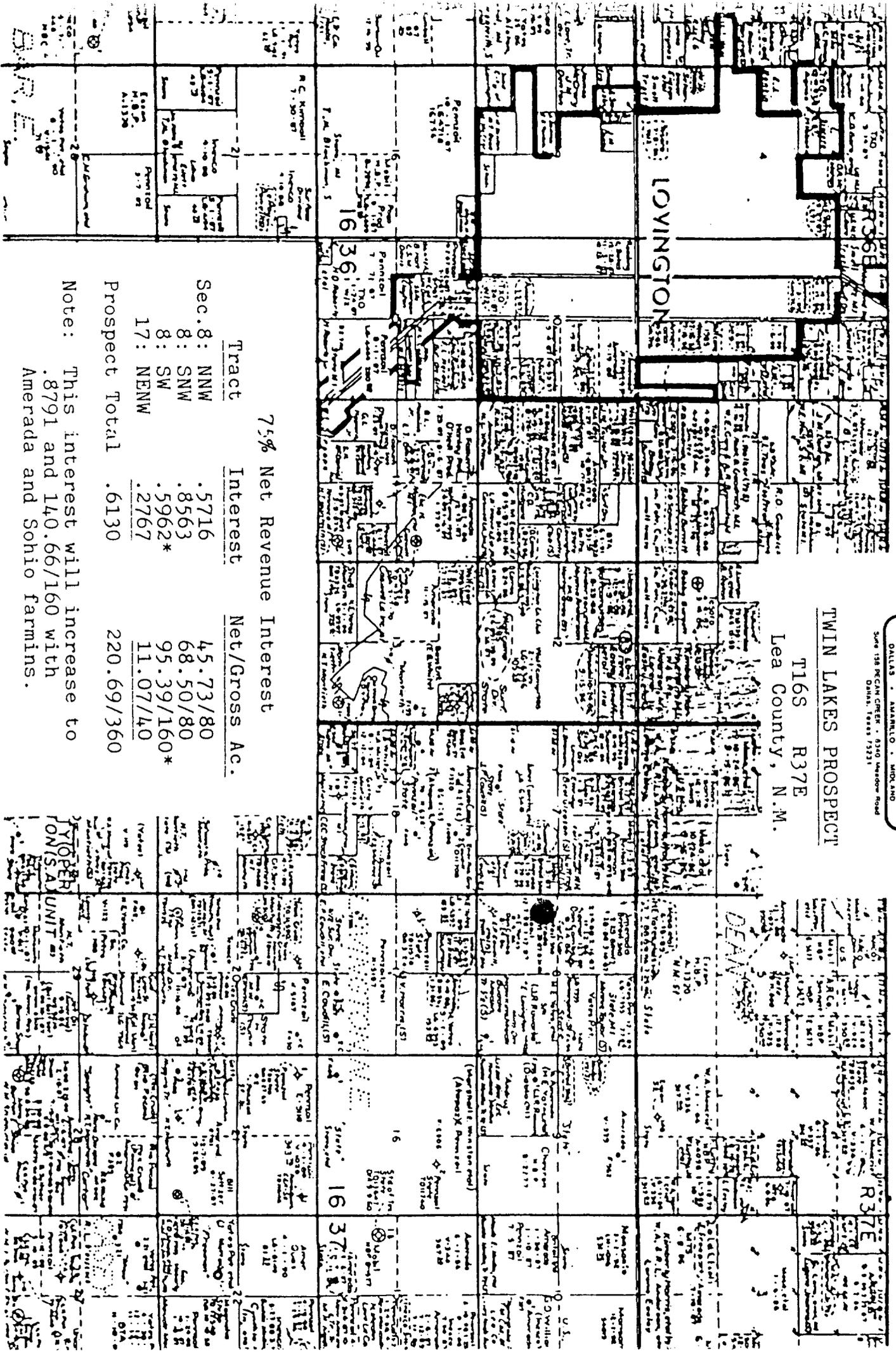
WILLIAM J. LEMAY
Director

S E A L



OILFIELD - AMARILLO - WOLF AND
 SUE 158 PECAN CREEK - 6340 WARDLOW ROAD
 DALLAS, TEXAS 75231

TWIN LAKES PROSPECT
 T16S R37E
 Lea County, N.M.



75% Net Revenue Interest

Tract	Interest	Net/Gross Ac.
Sec. 8: NNW	.5716	45.73/80
8: SNW	.8563	68.50/80
8: SW	.5962*	95.39/160*
17: NENW	.2767	11.07/40
Prospect Total	.6130	220.69/360

Note: This interest will increase to .8791 and 140.66/160 with Amerada and Sohio farmmins.



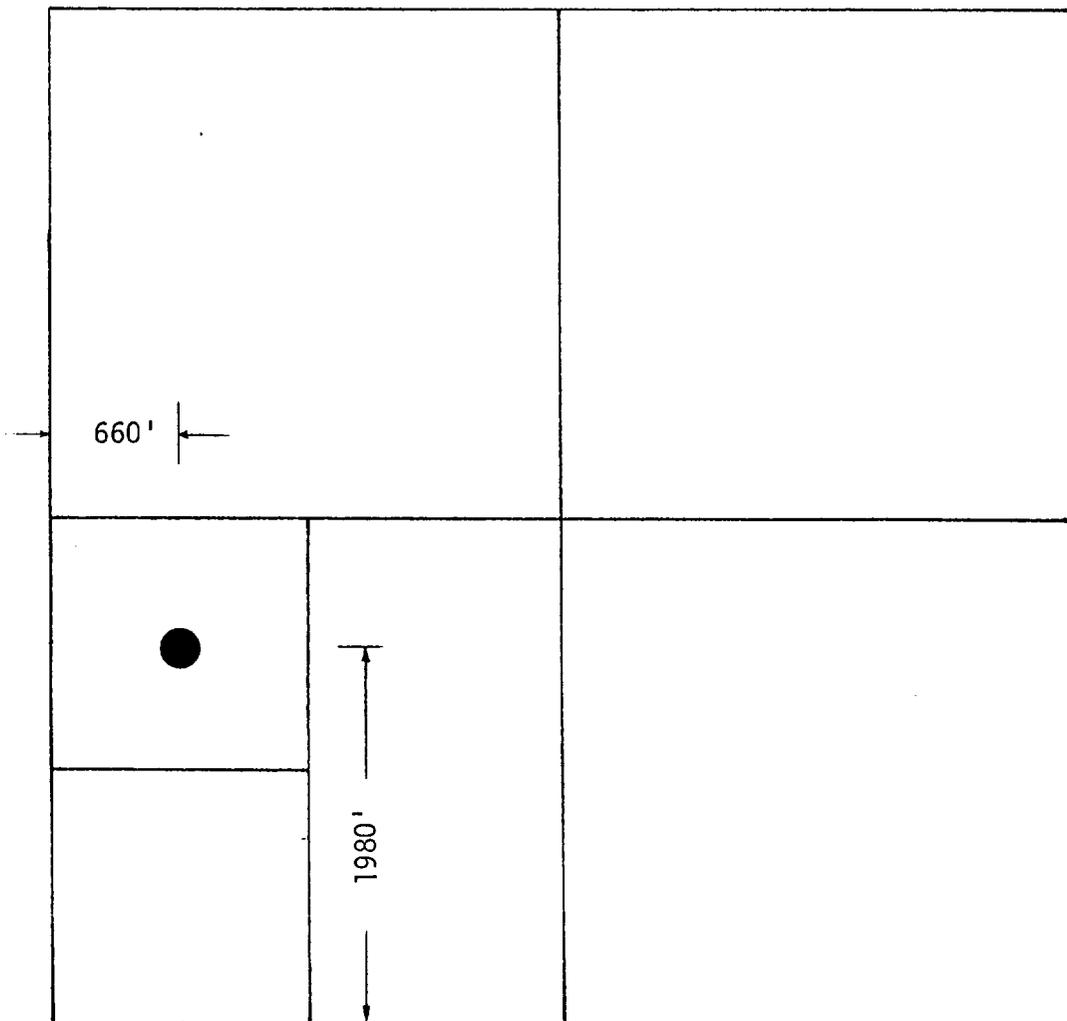
Proposed Caudill No. 2-8 Well

Twin Lakes Prospect
11,800' Strawn Test

Township 16 South - Range 37 East
Lea County, New Mexico

BEFORE ENGINEER STOGNER
Oil Conservation Division
Exhibit No. <u>2</u>
Case No. _____

Section 8



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 25, 1988

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

Re: Foran Oil Company
Caudill 2-8 Well
Twin Lakes Prospect
NMOCD Case 9290
Order R-8622

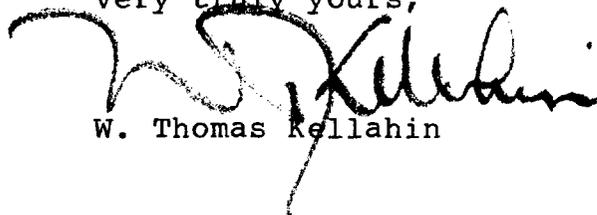
Dear Mr. LeMay:

Our firm represented Foran Oil Company before the Division in two compulsory pooling cases. The first was for the Rouse No. 1-5 Well now being drilled pursuant to Case 9289, Order R-8616.

Foran Oil Company desires to use the same rig to drill and complete the Rouse well and the Caudill 2-8 well which is also in this area. They do not expect to complete the Rouse well until late June.

Order R-8622 for the Caudill 2-8 well required that it be commenced by June 1, 1988. We would appreciate an extension of that drilling commencement date until September 1, 1988 to give Mr. Foran the opportunity to use the same rig for both of these wells.

Very truly yours,



W. Thomas Kellahin

WTK:ca

cc: Joe Foran

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. 9290
Order No. R-8622

APPLICATION OF FORAN OIL COMPANY
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 February 3, 1988, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 28th 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 from the surface to a depth of approximately 12,000 feet underlying the W/2 SW/4 of Section 8, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, to form an 80-acre oil spacing and proration unit for any and all formations and/or pools within said vertical limits developed on 80-acre spacing and the NW/4 SW/4 of said Section 8 to form a 40-acre oil spacing and proration unit for any and all formations and/or pools within said vertical limits developed on statewide 40-acre spacing.

(3) Both units are to be dedicated to a single well to be drilled at a standard location in the NW/4 SW/4 (Unit L) of said Section 8.

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

(5) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste, and to afford to the owner of each interest in said units the opportunity to recover or receive without unnecessary expense his just and fair share of the production 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.

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

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

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

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

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

(11) At the time of the hearing the applicant proposed that the reasonable monthly fixed charges for supervision while re-entering/deepening and producing should be \$5500.00 and \$550.00, respectively.

(12) The above drilling and producing charges are in excess of the normal monthly fixed charges in this area for a well to a comparable depth and should therefore be adjusted to reflect a more reasonable rate.

(13) \$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.

(14) 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) 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.

(16) 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.

(17) 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, whatever they may be, from the surface to an approximate depth of 12,000 feet underlying the W/2 SW/4 of Section 8, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, are hereby pooled to form an 80-acre oil spacing and proration unit for any and all formations and/or pools within said vertical limits developed on 80-acre spacing and the NW/4 SW/4 of said Section 8 to form a 40-acre oil spacing and proration unit for any and all formations and/or pools within said vertical limits developed on statewide 40-acre spacing, both aforementioned units to be dedicated to a well to be drilled at a standard location in the NW/4 SW/4 (Unit L) of said Section 8.

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 of approximately 12,000 feet;

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.

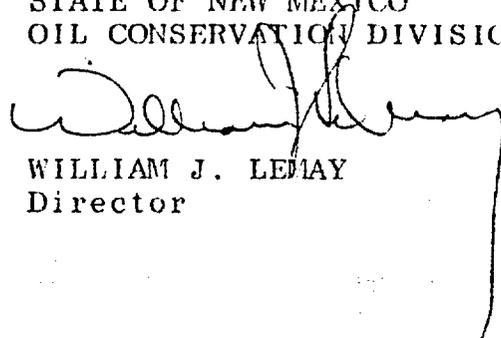
(13) Should all the parties to this force pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

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

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

S E A L



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

April 28, 1988

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Case 9290

Kellahin, Kellahin & Aubrey
P. O. Box 2265
Santa Fe, New Mexico 87504-2265

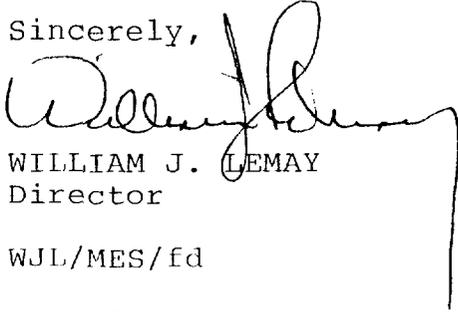
Attention: W. Thomas Kellahin

Re: Foran Oil Company
Extension of Drilling
Commencement Date Pursuant
To Division Order No. R-8622

Dear Mr. Kellahin:

This is in reference to your letter of April 25, 1988, in which you request an extension of the drilling commencement date until September 1, 1988, for your Caudill 2-8 Well. It is my understanding that this request is being made because Foran Oil Company desires to use the same drilling rig that will be utilized on an offsetting well which should be completed in late June. It appears that an extension of 90 days is somewhat excessive; therefore, you are hereby authorized a 45-day extension on the provisions of said Order No. R-8622. If at that time a further extension is needed, the Division will entertain such a request for good cause shown.

Sincerely,


WILLIAM J. LEMAY
Director

WJL/MES/fd

cc: Joe Foran