

PHONE (505) 623-6601

HEYCO



HARVEY E. YATES COMPANY

PETROLEUM PRODUCERS

P.O. BOX 1933 SECURITY NATIONAL BANK BUILDING ROSWELL, NEW MEXICO 88201

Quintana

February 18, 1985

Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87501
Attention: Gilbert Quintana

Re: Case # 8372
Order # 7770

Dear Sir:

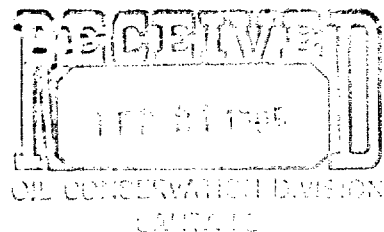
As requested in the above captioned order we have enclosed 2 copies of the itemized schedule of estimated well costs.

Please feel free to call me if you have any questions.

Very truly yours,

Robert H. Bell
Land Department

RHB/efj
Enclosures



LEASE Woodward WELL NUMBER 1 ACCT. NO. _____LOCATION 1980' FNL & 1980' FEL, Sec. 24, T-14S, R-35ECOUNTY Lea DEPTH 13,550' PRODUCING FORMATION Mississippian

DRILLING & COMPLETION COSTS:

	Dry Hole Costs	Producing well Costs
9200 INTANGIBLE DRILLING COSTS		
9210 Staking, damages, & legal fees	\$ 2,500	\$ 2,500
9211 Location, right of way	16,000	16,000
9212 Footage 13,550 @ 19.60	264,225	264,225
9213 Daywork 4 @ 4600	18,400	18,400
9214 Surface casing service	4,000	4,000
9215 Drilling mud, additives & water	55,000	55,000
9216 Mud logging unit, surveys, etc.	14,750	14,750
9217 Intermediate casing service	9,000	9,000
9218 General misc. - test BOP, ratihole, etc.	1,250	1,250
9220 Rental tools & equipment	2,000	2,000
9221 Company supervision	7,000	7,000
9224 Misc. bits, tools, supplies purchased	2,000	2,000
TOTAL INTANGIBLE DRILLING COSTS	396,125	396,125
9230 INTANGIBLE FORMATION EVALUATION		
9231 Coring, tools, service		
9232 DST 3 @ 3500	10,500	10,500
9233 Logs, sample sacks, etc.	45,000	45,000
9234 Miscellaneous	1,000	1,000
TOTAL INTANGIBLE FORMATION EVALUATION	56,500	56,500
9240 INTANGIBLE COMPLETION COSTS		
9241 Completion unit 12 @ 1300		15,600
9243 Mud, water & additives for completion		1,800
9244 Cement, tools, & service		15,000
9245 Electric logs, testing, etc.		7,500
9246 Tool & equip. rental & trucking		7,000
9247 Stimulation, treating, etc.		14,000
9248 Company supervision		3,900
9251 Bits, tools, supplies		1,000
9252 Plug back		2,800
9500 Plugging expense	12,500	
TOTAL INTANGIBLE COMPLETION COSTS	12,500	68,600
9300 TANGIBLE DRILLING & COMPLETION		
9301 Surface casing 13 3/8" @ 375'	7,200	7,200
9302 Intermediate casing 8 5/8" @ 4600'	68,780	68,780
9303 Production casing 5 1/2" @ 13,450'		159,970
9304 Production tubing 2 3/8" @ 13,450'		57,570
9305 Casing head		2,000
9306 Casing spool		2,500
9307 Tubing head		5,500
9308 Christmas tree		7,500
9310 Subsurface equipment		2,500
9311 Misc pipe connections		4,600
9312 Packer & special equipment		
9313 Miscellaneous - contingencies	27,055	41,967
TOTAL TANGIBLE DRILLING & COMPLETION	103,035	360,087
9400 GENERAL LEASE & BATTERY EQUIPMENT		
9401 Pumping unit - prime mover		
9402 Separators, gas prod. units, etc.		8,000
9405 Tanks 300 bbl.		4,000
9406 Meter runs & meter		
9410 Installation costs		4,950
9411 Flow lines, valves, misc.		2,000
9415 Miscellaneous lease equipment		750
TOTAL GENERAL LEASE & BATTERY EQUIPMENT		19,700
TOTAL INTANGIBLE COSTS	465,125	521,225
TOTAL TANGIBLE COSTS	103,035	360,087
TOTAL LEASE & BATTERY EQUIPMENT		19,700
TOTAL COSTS	\$ 568,160	\$ 901,012

Prepared by: Ray F. Nokes DATE 9/11/84

APPROVED BY: _____

"It is recognized that the amounts provided for herein are estimated only, and approval of this authorization shall extend to the actual costs incurred in conducting the operations specified, whether more or less than herein set out."

Company _____

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TOTAL COSTS

Prepared by: Ray F. Nokes DATE 9/11/84

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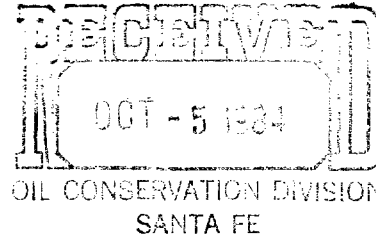
Company _____

ERNEST L. PADILLA
ATTORNEY AND COUNSELOR AT LAW

First Northern Plaza
P.O. Box 2523
Santa Fe, New Mexico 87501
(505) 988-7577

HAND DELIVERY

October 5, 1984



Mr. Joe D. Ramey
Director
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

Dear Sir:

Enclosed in triplicate is the application of Harvey E. Yates Company for compulsory pooling.

Upon oral application this case has been set for October 17.

Thank you for your attention to this matter.

Very truly yours,


Ernest L. Padilla

ELP/dds

cc: Chad Dickerson, Esquire
Losee, Carson & Dickerson
Post Office Box 239
Artesia, New Mexico 88210

Robert Strand, Esquire
Atwood, Malone, Mann & Turner
Post Office Drawer 700
Roswell, New Mexico 88201

Encl.

LAW OFFICES

LOSEE, CARSON & DICKERSON, P. A.

300 AMERICAN HOME BUILDING

P. O. DRAWER 239

ARTESIA, NEW MEXICO 88211-0239

AREA CODE 505

746-3508

A. J. LOSEE

JOEL M. CARSON

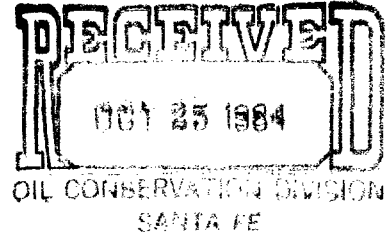
CHAD DICKERSON

DAVID R. VANDIVER

ELIZABETH LOSEE

REBECCA DICKERSON

October 22, 1984



Mr. Gilbert P. Quintana, Examiner
Energy and Minerals Department
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Case No. 8372
Examiner Hearing of 10/17/84
Harvey E. Yates Company
Application for Compulsory Pooling

Dear Mr. Quintana:

In connection with the captioned matter, enclosed, if it may be of any assistance in this matter, please find a proposed Order for entry in the subject case.

Thank you.

Sincerely yours,

LOSEE, CARSON & DICKERSON, P.A.

Chad Dickerson

CD:pvm
Enclosure

cc: Mr. Bob Bell

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. 8372
Order No. R-

APPLICATION OF HARVEY E. YATES COMPANY
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on October 17, 1984, at Santa Fe, New Mexico, before Examiner Gilbert P. Quintana.

NOW, on this _____ day of October, 1984, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises:

FINDS:

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

(2) That the applicant, Harvey E. Yates Company, seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the N/2 Section 24, Township 14 South, Range 35 East, N.M.P.M., Lea County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at a standard location on said N/2 Section 24, Township 14 South, Range 35 East, N.M.P.M., Lea County, New Mexico.

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

(5) That to avoid the drilling of unnecessary wells, 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 from the surface to the base of the Mississippian formation underlying the N/2 Section 24, Township 14 South, Range 35 East, N.M.P.M., Lea County, New Mexico, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(6) That the applicant, Harvey E. Yates Company, should be designated the operator of the subject well and unit.

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

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

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

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

(11) That \$5,000 per month will drilling and \$500 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before _____, 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, from the surface through the base of the Mississippian formation underlying N/2 Section 24, Township 14 South, Range 35 East, N.M.P.M., Lea County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location in said Section 24.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the _____ day of _____, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Mississippian formation;

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

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Harvey E. Yates Company is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

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

(6) That within 60 days following determinate of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charged from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

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

(9) That \$5,000 per month while drilling and \$500 per month while production are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of

-5-

Case No. 8372

Order No. R-

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

(13) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

RICHARD L. STAMETS
Acting Director

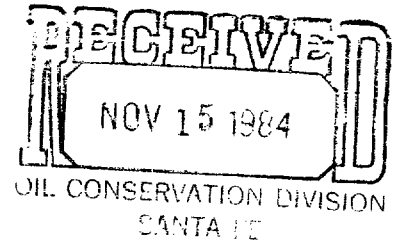
S E A L

MORAN EXPLORATION, INC.

A Subsidiary of Moran Energy

400 Wilco Building
Midland, Texas 79701
915/684-7161

November 9, 1984



Gilbert Quintana
NM Oil and Gas Commission
State Land Office
Santa Fe, New Mexico 87501

Re: Case 8372
Compulsory Pooling Application of
Harvey E. Yates Company; N/2 Sec-
tion 24-14S-35E, Lea County, New
Mexico

Dear Mr. Quintana:

The purpose of this letter is to set down in writing my understanding of the status of the above case as reported to me by yourself and Bob Bell of Yates.

I spoke with Mr. Bell on October 25 and twice on October 29, 1984. He has assured me that Moran's acreage is not being forced pooled. It is Yates' intention in their application to force pool four (4) named individuals' interests only. Moran (now Kaneb Production Company) is willing to enter into a Farmout Agreement with Yates. We are currently waiting on a proposal from Mr. Bell.

In the meantime, it is my understanding that no order will issue from the Commission affecting our interest. If I am in anyway mistaken, please contact me prior to taking such action so that I may be heard.

Sincerely,

A handwritten signature in dark ink, appearing to read "Richard D. Stewart".

Richard D. Stewart
Landman

RDS/as
cc: Bob Bell

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION