

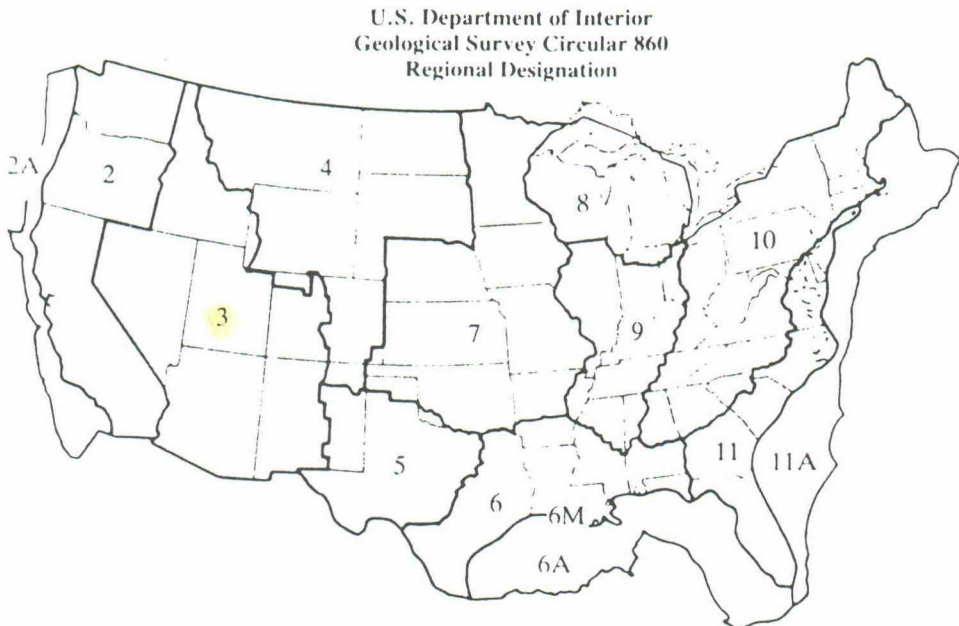
Survey Results — 1985  
Region: Colorado Plateau, Basin and Range-3

Oil Wells

Responses		Depth in Feet		Monthly Drilling Well Rates				Monthly Producing Well Rates			
				1985		1984		1985		1984	
				Average	Median	Average	Median	Average	Median	Average	Median
1985	1984	Over	But Not Over	or Mean		or Mean		or Mean		or Mean	
22	11	0-	5,000	\$ 3,425	\$ 3,530	\$ 3,005	\$ 2,500	\$ 396	\$ 449	\$ 300	\$ 270
22	13	5,000-	10,000	3,861	4,000	4,000	3,845	444	450	410	385
17	6	10,000-	15,000	4,799	4,950	5,240	5,530	575	585	580	600
12	3	15,000-	20,000	6,371	6,300	6,795	6,985	712	717	680	700
8	2	20,000		6,602	6,308	6,490	6,000	746	717	650	600
13	9	No Depth Limit		4,263	4,111	4,750	4,660	456	419	490	465

Gas Wells

Responses		Depth in Feet		Monthly Drilling Well Rates				Monthly Producing Well Rates			
				1985		1984		1985		1984	
				Average	Median	Average	Median	Average	Median	Average	Median
1985	1984	Over	But Not Over	or Mean		or Mean		or Mean		or Mean	
19	13	0-	5,000	\$ 3,258	\$ 3,500	\$ 2,595	\$ 2,500	\$ 388	\$ 418	\$ 275	\$ 270
18	11	5,000-	10,000	3,736	4,000	3,990	3,500	428	430	400	385
14	4	10,000-	15,000	4,586	4,950	5,310	4,500	567	585	555	570
10	3	15,000-	20,000	6,298	6,300	6,030	6,000	718	710	670	670
7	2	20,000		6,520	6,308	5,695	5,390	750	755	685	600
13	9	No Depth Limit		4,263	4,111	4,750	4,660	456	419	490	465



- REGION
- |     |   |
|-----|---|
| No. | Name                                      |
| 1   | Alaska                                    |
| 1A  | Alaska Offshore                           |
| 2   | Pacific Coast                             |
| 2A  | Pacific Coast Offshore                    |
| 3   | Colorado Plateau, Basin and Range         |
| 4   | Rocky Mountains and Northern Great Plains |
| 5   | West Texas and Eastern New Mexico         |
| 6   | Gulf Coast                                |
| 6M  | Gulf Coast—Inland Marine*                 |
| 6A  | Gulf of Mexico                            |
| 7   | Mid-Continent                             |
| 8   | Michigan Basin                            |
| 9   | Eastern Interior                          |
| 10  | Appalachians                              |
| 11  | Atlantic Coast                            |
| 11A | Atlantic Coast Offshore                   |

The United States has not resolved its offshore boundaries with other States concerned. The lines on this chart are for purposes of illustration only and do not necessarily reflect the position or views of the United States with respect to the boundary involved.

\*Added to designate inland marine activity for survey purposes.



SW

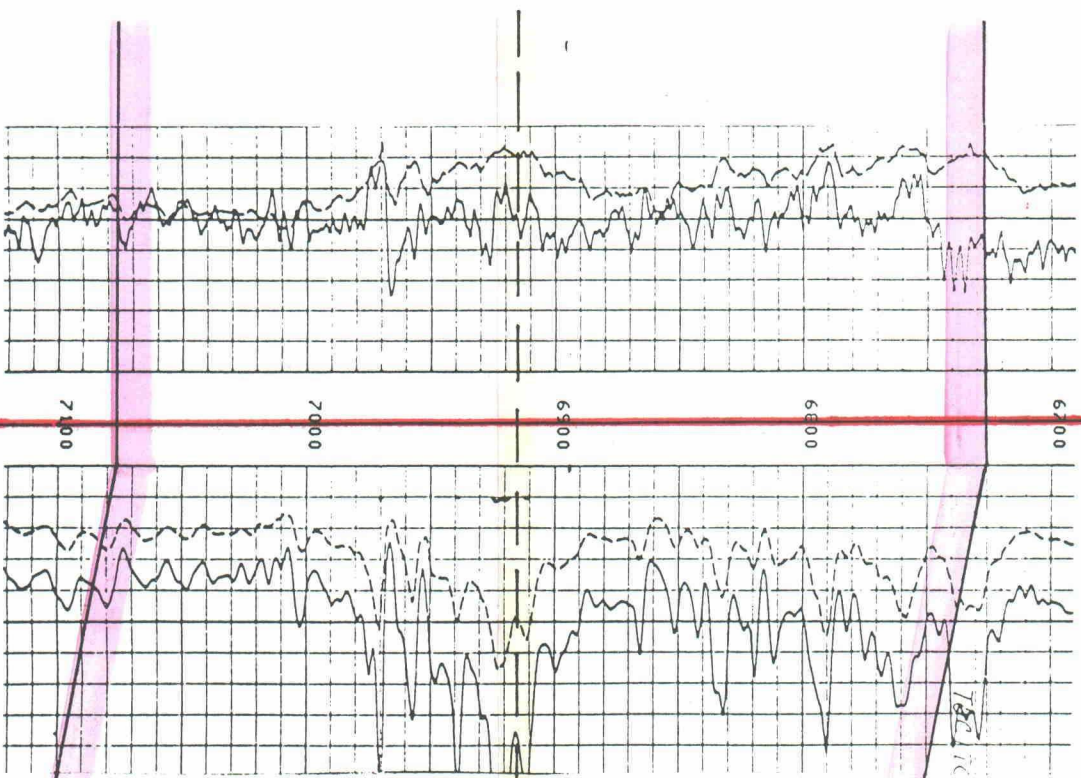
CROSS - SECTION

NE

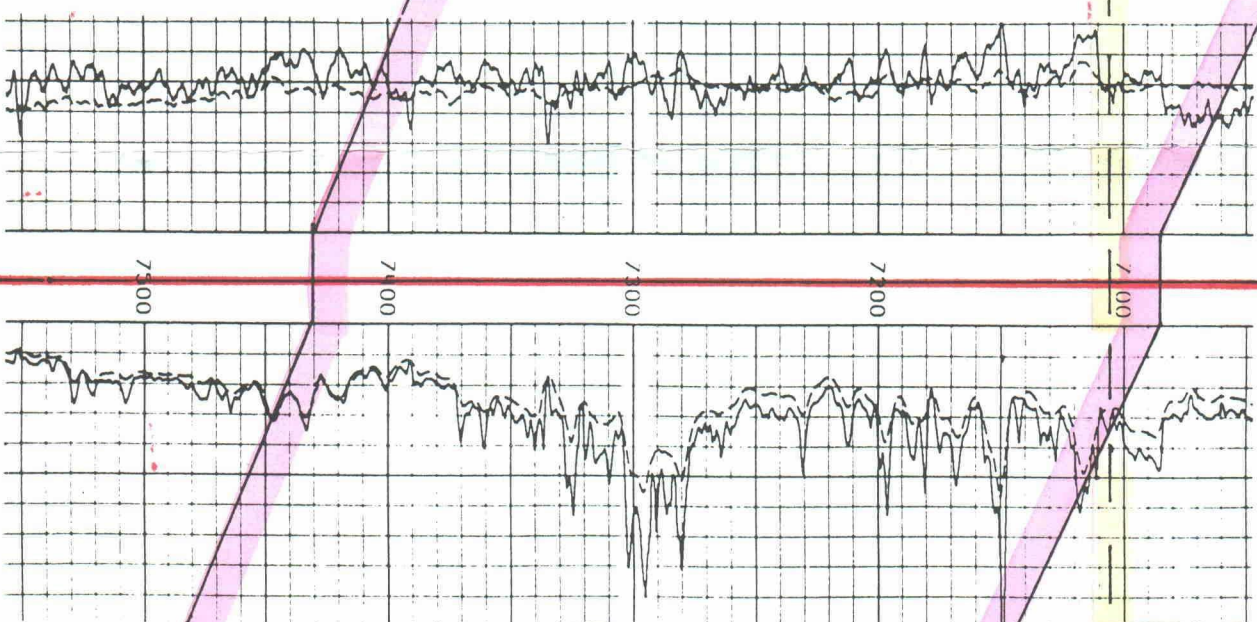
MESA GRANDE RESOURCES  
I - GAVILAN - HOWARD  
SE NW SEC. 23, T25N, R2W

PROPOSED LOCATION  
McHUGH  
I - CONT'L. DIVIDE  
NW NE SEC. 12, T25N, R2W

B-M-G C.O. UNIT #29  
W/2 NW SEC. 6, T25N, R1W



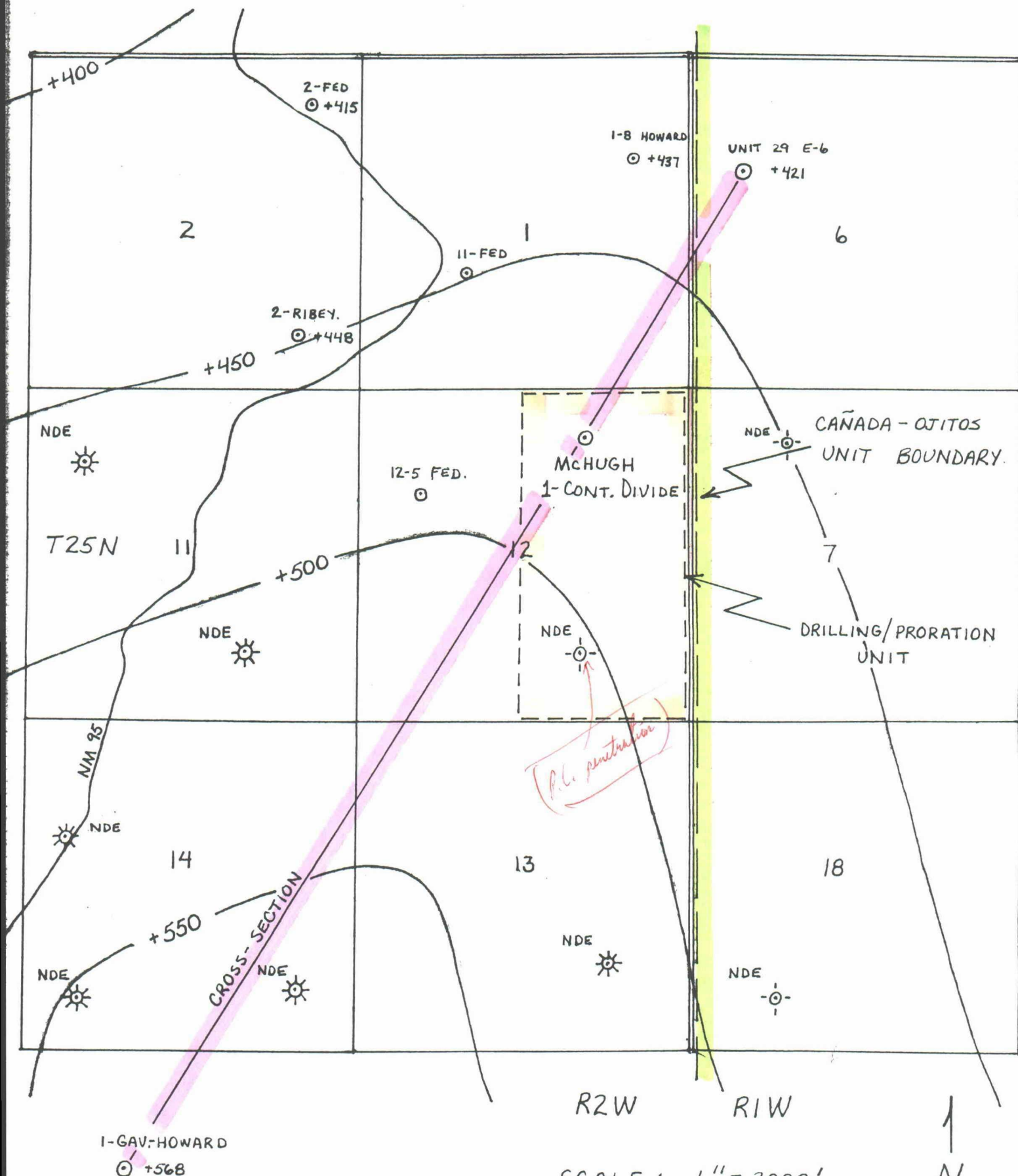
NIobrara "A" / TOCITO PAY  
(MAPPING HORIZON)  
400' ABOVE SEA LEVEL  
BASE PAY



HORIZONTAL SCALE: 1" = 2000'  
VERTICAL SCALE: 1.3" = 100'

8020' TD

8200' TD



SCALE : 1" = 2000'

STRUCTURE : TOP NIOBRARA "A" / TOCITO PAY

CONTOUR INTERVAL : 50 FEET

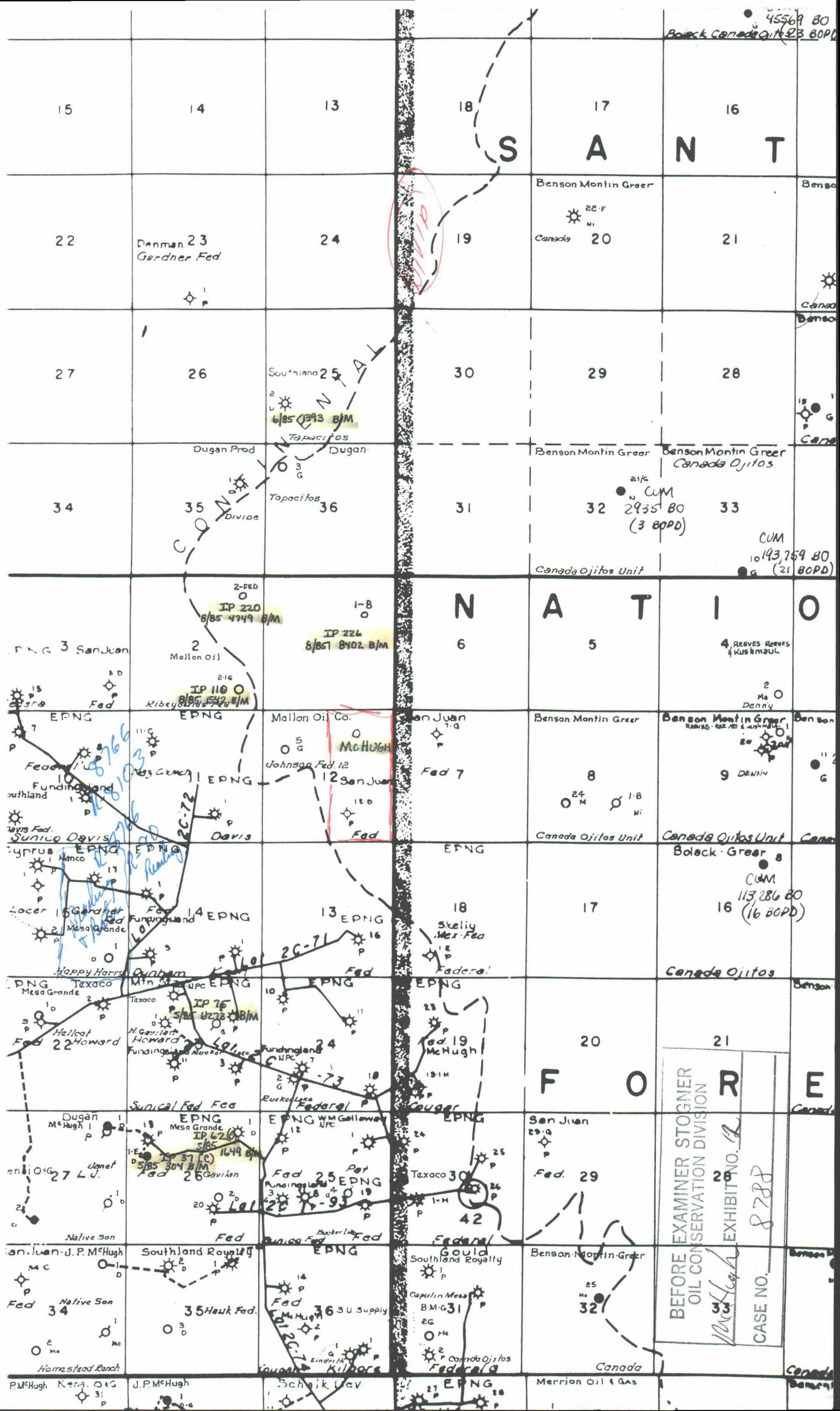
DATUM : SEA LEVEL

BEFORE EXAMINER STOGNER  
OIL CONSERVATION DIVISION

McHugh EXHIBIT NO. 1011

CASE NO. : 8788





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. 8788  
Order No. R-8144

APPLICATION OF JEROME P. MCHUGH  
FOR COMPULSORY POOLING, RIO ARRIBA  
COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on January 22, 1986, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 31st day of January, 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) The applicant, Jerome P. McHugh, seeks an order pooling all mineral interests from the surface to the base of the Dakota formation underlying the E/2 of Section 12, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, to form a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing.

(3) The applicant has the right to drill and proposes to drill a well at a standard location thereon.

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

(5) 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 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 unit.

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

(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) \$3500.00 per month while drilling and \$350.00 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.

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

(14) 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.

(15) 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, from the surface to the base of the Dakota formation underlying the E/2 of Section 12, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, are hereby pooled to form a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing, said 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 first day of May, 1986, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Dakota formation;

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the first day of May, 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 (1) of this order should not be rescinded.

(2) Jerome P. McHugh is hereby designated the operator of the subject well and unit.

(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 unit 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) \$3500.00 per month while drilling and \$350.00 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 Rio Arriba 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.

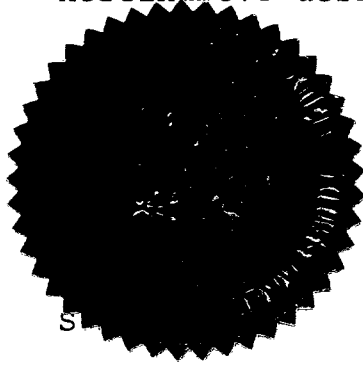
(15) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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Case No. 8788

Order No. R-8144

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



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

*R. L. Stamets*  
R. L. STAMETS,  
Director