

EXHIBIT "A"

TR	NAME	DESCRIPTION	NET ACRES	E/2 SPACING % OF OWNERSHIP	CONT
1	Allen Construction Co. (address unknown)	Tr. in NE/4SE/4	2.257	.70531%	No
2	Mr. & Mrs. Charles L. Barr (address unknown)	San Juan Park Sub., 3rd Ext., B-1, L-24	.158	.04938%	No
3	Mr. & Mrs. Bert R. Beach (address unknown)	Part of E. Main St.	1.722	.53813%	No
4	Mr. & Mrs. Larkin Beck (address unknown)	Road in SE/4NE/4	.528	.16500%	No
5	Ms. Eileen Blackwell (address unknown)	Tr. in SE/4SE/4	.036	.01125%	No
6	Mr. Leo Carlton (address unknown)	Roads and alleys in the Carlton Sub.	.5725	.17891%	No
6	Ms. Marvine Carlton (address unknown)	Roads and alleys in the Carlton Sub.	.5725	.17891%	No
7	Heirs of James Cooper Deceased (Bessie Locke, et al) (address unknown)	Parts of Cooper Ave., 20th St., & Santiago St.	4.886	1.52688%	No
8	Mr. & Mrs. Ray A. Durall (address unknown)	Carlton Sub., B-5, L-6	.187	.05844%	No
9	Mr. & Mrs. Edwin A. Egli (address unknown)	Road in SE/4SE/4	.039	.01219%	No
10	Flatland Enterprises (address unknown)	Tract in SE/4SE/4	.690	.21563%	No
11	Mr. & Mrs. Betty J. Gossell (address unknown)	Carlton Sub., B-6, L-1	.178	.05563%	No
12	Mr. & Mrs. Jack A. Holt (address unknown)	Holt Sub., Lots 2, 3, 7, 8, 9, part of Sullivan Ave.	.982	.30688%	No
13	Mr. A. C. Hubbard (address unknown)	Part of E. Main St.	.902	.28188%	No
14	Mr. Sophus Jensen, Jr. (address unknown)	Part of Navajo St.	.100	.03125%	No

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION

TCO EXHIBIT NO. 3

CASE NO. 9265

EXHIBIT "A"

TR	NAME	DESCRIPTION	NET ACRES	E/2 SPACING % OF OWNERSHIP	CONT
15	Mr. & Mrs. William N. Kight (address unknown)	Part of E. Main St.	.530	.16563%	No
16	Land Development Co. (address unknown)	Roads in E/2SE/4SE/4	3.050	.95313%	No
17	Mr. & Mrs. Delton Lewis (address unknown)	Roads in the Lewis Sub.	.567	.17719%	No
18	Mr. Allen Lowe (address unknown)	Holt Sub., L-5	.121	.03781%	No
19	Heirs of Joe & Betty Musgrove (address unknown)	Road in Crest View Park Sub.	.184	.05750%	No
✓ 20	Dr. Jose P. Quintana Dr. Mary S. Moreland 822 East Main St. Farmington, NM 87401	Tract of land in E/2W/2SW/4SE/4	.75	.23438%	Yes
21	Mr. & Mrs. Charles B. Robbins (address unknown)	Carlton Sub., B-4, L-3	.081	.02531%	No
22	Mr. & Mrs. L. C. Sandschulte Mr. & Mrs. Leonard E. Voight (address unknown)	Knudsen Sub., B-1, L-2	.179	.05594%	No
23	Mr. & Mrs. Kenard T. Stradling (address unknown)	Knudsen Sub., B-2, L-7	.179	.05594%	No
24	Mr. & Mrs. Jonathon H. Webb (address unknown)	Zuni Sub., B-1, L-4	.161	.05031%	No
✓ 25	Mrs. Edna Novella Weinig 1519 Zuni Dr. Farmington, NM 87401	Zuni Sub., B-3, L-1	.164	.05123%	Yes
26	Mr. & Mrs. Richard R. Winters (address unknown)	Zia Sub., Part of B-5, L-1	.265	.08281%	No

✓ made
contact

Tenneco Oil Company

A Tenneco Company



Rocky Mountain Division
P.O. Box 3249
Englewood, Colorado 80155
(303) 740-4800

Delivery Address
6162 South Willow Drive
Englewood, Colorado 80155

CERTIFIED MAIL
Return Receipt Requested

October 27, 1987

BEFORE EXAMINER CATANACH	
OIL CONSERVATION DIVISION	
TCO	EXHIBIT NO. 4
CASE NO.	9265

Mr. Richard L. Stamets
New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87501

Mr. Frank Chavez
New Mexico Oil Conservation Division
1000 Rio Brazos Road
Aztec, NM 87410

Non-Consenting Mineral Owners as shown on
Exhibit "A" of Application for Compulsory Pooling

RE: Forced Pooling Application
City of Farmington Com 1E Well
E/2 Section 10, T29N-R13W
San Juan County, New Mexico

Gentlemen:

The purpose of this letter is to notify you that an application for force pooling (copy enclosed) has been filed by Tenneco Oil Company. This application may affect an interest which you have in the E/2 of Section 10, T29N-R13W, N.M.P.M., San Juan County, New Mexico. This application has been set for hearing by the Oil Conservation Division on November 18, 1987, at the State Land Office, Santa Fe, New Mexico. You have the right to appear at this hearing, either in support or opposition to the application.

Sincerely,

TENNECO OIL COMPANY


Kevin G. Heringer
Petroleum Landman

KGH/tf
Enclosure

KELLAHIN, KELLAHIN AND AUBREY

Attorneys at Law

W. Thomas Kellahin
Karen Aubrey

El Patio - 117 North Guadalupe

Post Office Box 2265

Santa Fe, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

Jason Kellahin
Of Counsel

October 27, 1987

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

"Hand Delivered"

Re: Tenneco Oil Company
Application for Compulsory Pooling
Section 10, T29N, R13W, NMPM
San Juan County, New Mexico

Dear Mr. LeMay:

On behalf of Tenneco Oil Company, we would appreciate you setting the enclosed application for a public hearing on the Division's Examiner docket now scheduled for November 18, 1987.

By copy of this letter to all parties to be pooled, we are notifying them by certified mail-return receipt, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application. Those parties are directed to contact the Division or the applicant's attorney to determine what additional rights they may have. In addition, they are advised that the entry of a compulsory pooling order will affect their rights to share in the production from the subject well.

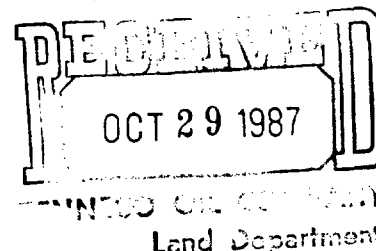
Very truly yours,

W. Thomas Kellahin

WTK:ca
Enc.

cc: All parties listed in application - Certified Mail

Kevin Herringer
Tenneco Oil Company
P. O. Box 3249
Englewood, Colorado 80155



STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF TENNECO OIL COMPANY FOR
COMPULSORY POOLING, SAN JUAN
COUNTY, NEW MEXICO.

CASE: _____

A P P L I C A T I O N

Comes now Tenneco Oil Company, by and through its attorneys, Kellahin, Kellahin & Aubrey, and applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests in the Basin Dakota Pool underlying the E/2 of Section 10, T29N, R13W, NMPM, San Juan County, New Mexico for the formation of a proration and spacing unit for the drilling of its City of Farmington Com 1-E Well, an infill well, at an unorthodox surface and bottom hole location previously approved by the Division in Order R-8253 and Order R-8253-A (Nunc Pro Tunc) and in support thereof would show:

1. Applicant is the owner of the right to drill and develop the E/2 of Section 10, T29N, R13W, NMPM, San Juan County, New Mexico.

2. Upon Applicants request, the Division issued Order R-8297 which pooled this spacing unit for the drilling of the Tenneco Oil Company's City of Farmington Com Well #1, the original Dakota well on this tract.

3. Applicant now seeks to pool any uncommitted mineral interest to the drilling of the infill well in the E/2 of said Section 10 to be known as the City of Farmington Com 1-E Well.

4. That the Division, by Order R-8253 and Order R-8253-A, has approved the unorthodox surface and bottom hole location of the subject well to be drilled as a directionally drilled wellbore.

5. Applicant has sought to obtain the cooperation of all parties.

6. In order to obtain their just and equitable share of the production underlying the above lands, Applicant needs an order pooling the mineral interest involved.

7. Those who have not consented to join in the drilling of the well, with their address, to the best of the applicant's information and belief, are listed in Exhibit "A" attached and incorporated herein.

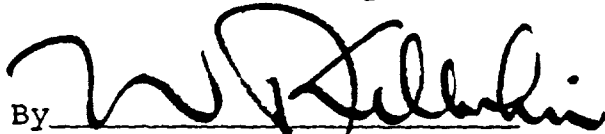
8. The parties named in paragraph 7 above have been furnished a copy of this application.

WHEREFORE, applicant prays that this application be set for hearing before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described herein. Applicant further prays that

it be named operator of the well, and that the order make provisions for applicant to recover out of production its costs of drilling the subject well, completing and equipping it, costs of operation, including costs of supervision and a risk factor in the amount of 200% for the drilling of the well, for such other and further relief as may be proper.

Respectfully submitted,

Tenneco Oil Company

By 

W. Thomas Kellahin, Esq.

Kellahin, Kellahin &

Aubrey

P. O. Box 2265

Santa Fe, NM 87504

EXHIBIT "A"

<u>Name</u>	<u>Description</u>	<u>Net Acres</u>	<u>E/2 Spacing % of Ownership</u>
Allen Construction Co. (address unknown)	Tr. in NE/4SE/4	2.257	.70531%
Mr. & Mrs. Charles L. Barr (address unknown)	San Juan Park Sub., 3rd Ext., B-1, L-24	.158	.04938%
Mr. & Mrs. Bert R. Beach (address unknown)	Part of E. Main St.	1.722	.53813%
Mr. & Mrs. Larkin Beck (address unknown)	Road in SE/4NE/4	.528	.16500%
Ms. Eileen Blackwell (address unknown)	Tr. in SE/4SE/4	.036	.01125%
Mr. Leo Carlton (address unknown)	Roads and alleys in the Carlton Sub.	.5725	.17891%
Ms. Marvine Carlton (address unknown)	Roads and alleys in the Carlton Sub.	.5725	.17891%
Heirs of James Cooper, Deceased (Bessie Locke, et al) (address unknown)	Parts of Cooper Ave., 20th St., & Santiago St.	4.886	1.52688%
Mr. & Mrs. Robert R. Crawford Rt. 1, Box S-30 Aztec, New Mexico	Tract in S/2SE/4NE/4	.498	.15563%
Mr. & Mrs. Ray A. Durall (address unknown)	Carlton Sub., B-5, L-6	.187	.05844%
Mr. & Mrs. Edwin A. Egli (address unknown)	Road in SE/4SE/4	.039	.01219%
Flatland Enterprises P.O. Box 2252 Durango, Colorado 81302	Tract in SE/4SE/4	.690	.21563%
Mr. & Mrs. Betty J. Gossell (address unknown)	Carlton Sub., B-6, L-1	.178	.05563%
Mr. & Mrs. Jack A. Holt (address unknown)	Holt Sub., Lots 2,3,7,8,9, Part of Sullivan Ave.	.982	.30688%
Mr. A. C. Hubbard (address unknown)	Part of E. Main St.	.902	.28188%

<u>Name</u>	<u>Description</u>	<u>Net Acres</u>	<u>E/2 Spacing % of Ownership</u>
Mr. Sophus Jensen, Jr. (address unknown)	Part of Navajo St.	.100	.03125%
Mr. & Mrs. William N. Kight (address unknown)	Part of E. Main St.	.530	.16563%
Land Development Co. (address unknown)	Roads in E/2SE/4SE/4	3.050	.95313%
Mr. & Mrs. Delton Lewis (address unknown)	Roads in the Lewis Sub.	.567	.17719%
Mr. Allen Lowe (address unknown)	Holt Sub., L-5	.121	.03781%
Martin Marietta Corp. 6801 Rockledge Dr. Bethesda, MD 20817	Parts of Vine Ave. & Navajo St.	2.116	.66125%
Mr. & Mrs. John O. Mattics 1113 South Jackson Tucumcari, New Mexico 87401	Tract in S/2SE/4NE/4	.498	.15563%
Mr. & Mrs. Samuel L. Merchant 1305 E. 27th Street Farmington, NM 87401	Tract in S/2SE/4NE/4 & certain road in S/2SE/4NE/4	.650	.20312%
Heirs of Joe & Betty Musgrove (address unknown)	Road in Crest View Park Sub.	.184	.05750%
Dr. Jose P. Quintana Dr. Mary S. Moreland 822 East Main St. Farmington, NM 87401	Tract of land in the E/2W/2SW/4SE/4	.75	.23438%
Mr. & Mrs. Charles B. Robbins (address unknown)	Carlton Sub., B-4, L-3	.081	.02531%
Mr. & Mrs. L. C. Sandschulte Mr. & Mrs. Leonard E. Voight (address unknown)	Knudsen Sub., L-2	.179	.05594%
Ms. Rena N. Sherman 1016 Zuni Dr. Farmington, NM 87401	San Juan Park Sub., 3rd Extension, B-4, L-5	.158	.04938%
Mr. Virgil L. Stoabs 1831 Chilton Court Farmington, NM 87401	Carlton Sub., B-4, L-1	.097	.03031%

<u>Name</u>	<u>Description</u>	<u>Net Acres</u>	<u>E/2 Spacing % of Ownership</u>
Mr. & Mrs. Kenard T. Stradling (address unknown)	Knudsen Sub., B-2, L-7	.179	.05594%
Mr. Richard E. Wajda 1516 Zuni Dr. Farmington, NM 87401	Carlton Sub., B-3, L-18	.099	.03094%
Mr. & Mrs. Jonathon H. Webb (address unknown)	Zuni Sub., B-1, L-4	.161	.05031%
Mrs. Edna Novella Weinig 1519 Zuni Dr. Farmington, NM 87401	Zuni Sub., B-3, L-1	.164	.05123%
Mr. & Mrs. Richard R. Winters (address unknown)	Zia Sub., Part of B-5	.265	.08281%

Tenneco Oil Company

A Tenneco Company

Rocky Mountain Division

P.O. Box 3249
Englewood, Colorado 80155
(303) 740-4800

Delivery Address
6162 South Willow Drive
Englewood, Colorado 80111



CERTIFIED MAIL

October 23, 1987

Mrs. Edna Novella Weinig
1519 Zuni Drive
Farmington, NM 87401

BEFORE EXAMINER CATANACH	
OIL CONSERVATION DIVISION	
TCO	EXHIBIT NO. 5
CASE NO. 9265	

RE: City of Farmington Com #1E
Township 29 North, Range 13 West
Section 10: E/2
San Juan County, New Mexico

Dear Mrs. Weinig:

Tenneco Oil Company plans to directionally drill a Basin Dakota gas well with a bottom-hole location in the NE/4 of Section 10, Township 29 North, Range 13 West, in December of this year. Tenneco has purchased a 4.6 acre tract of land in Section 10, which is located on the east side of Vine Avenue, northeast of the intersection of Vine Avenue and Navajo Street and immediately north of the Rusty Sun Townhomes from which drilling operations will take place. New Mexico spacing rules require a 320 acre spacing unit for a Basin Dakota gas well, with one additional "infill" well being allowed in the spacing unit. The spacing unit will be designated the E/2 of Section 10. This spacing rule is a conservation measure, and represents the determination by the New Mexico Oil Conversation Division that the initial and infill wells will efficiently and without waste drain a 320 acre area. The initial well and infill well are the only wells which will be allowed to produce Basin Dakota gas from the E/2 of Section 10.

The initial well, the City of Farmington Com #1, with a bottomhole location in the SE/4 of 10, was completed by Tenneco in May, 1987. The well proposed herein is the "infill well". Preparatory to drilling the initial well, Tenneco sent you a letter describing the options available with respect to a mineral interest owner's participation in the drilling of a well. These options are reiterated below. Your failure to respond to Tenneco's previous letter resulted in your interest being "force-pooled" with respect to production from the initial well, which procedure is also more fully described below. You now have the right to choose, from the options discussed below, how you wish to participate in the drilling of the infill well.

The first alternative would be the leasing of your minerals. We have previously contacted you in regards to leasing your .164 mineral acres. This letter reiterates the offer to lease your mineral interest for a \$100.00 bonus, 3/16ths royalty and for a term of three years. Your royalty interest would be free of the expenses of production. The lease form and terms are identical to the other interests Tenneco has leased in this section.

A second alternative would be for you to "farmout" your interest to Tenneco. A farmout is an agreement whereby the owner (farmor) not wanting to drill a well agrees to assign all or a part of its interest in the well and its production to the operator (Tenneco, farmee) desiring to drill. The farmee earns the assignment if it drills the well in accordance with the agreement. You would incur no cost in the drilling of this well. A common provision of such agreement is the farmor's retention of an overriding royalty interest, which is free of the costs of production. The overriding royalty is usually convertible to a working interest (an increased share of production, but subject to operating costs) after the well has produced enough to cover all of the drilling and operating costs up to that point in time.

As a third alternative, you could participate in the well. While the first two alternatives do not require any financial commitment on your part, participating in the drilling of this well would mean that the mineral owner (you) would pay your proportionate share of all costs of drilling and completing this well. Your estimated proportionate cost would be \$247.83 calculated by: .164 net acres/320 acres in spacing unit X \$483,565 estimated completed well cost. Enclosed is a breakdown of well cost estimates labeled as Exhibit "A". In return, you would receive your proportionate share of revenues from production, less costs and expenses associated with the operations of this well.

If Tenneco fails to obtain an agreement with a mineral interest owner, under one of the alternatives described above, it can obtain relief under New Mexico's "forced pooling" statute. Under this statute, the New Mexico Oil Conservation Division may issue an order which penalizes parties who elect not to commit their mineral interest to the drilling of the well, under one of the alternatives discussed above, by allowing the parties who have paid the drilling costs to recoup out of production more than their actual expenses as a reward for assuming the risk of drilling the well. This is a possible result you should also be aware of, in addition to the alternatives outlined above.

Please advise us of your decision to lease, farmout or participate in this well prior to November 10, 1987, and I will forward the necessary documents to you for your approval and execution. We will be glad to discuss or explain in detail our forms or your options. Since we must complete this well prior to the Christmas holidays, we have scheduled a force-pooling hearing before the New Mexico Oil Conservation Division on November 18, 1987. Under the

Page 3

Division's rules, formal notice must be mailed to all parties involved on or before October 27, 1987. Therefore, you will be named as a party in this hearing. If we hear from you on or before November 10, 1987, that you have chosen one of the above alternatives, your name will not be included as a party to the hearing. Otherwise, the force-pooling hearing will proceed as described above.

Please call me collect at (303) 740-4806 if you should require any assistance. Thank you for your prompt attention in this matter.

Sincerely,

TENNECO OIL COMPANY


Kevin G. Heringer
Landman

KGH/tf

EXHIBIT "A"

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISIONTENNECO OIL COMPANY
ROCKY MOUNTAIN DIVISION - AFE DRILLINGTCO EXHIBIT NO. 6
COST ESTIMATE
CASE NO. 9265LEASE: CITY OF FARMINGTON COM 1E
LOCATION: SEC 10 T29N R 13W
COUNTY: SAN JUAN STATE N. M.DATE: 7-29-87
DEPTH: 6,300
PREPARED BY: TMW/JCE

CODE	DESCRIPTION	COMPLETED COST	DRY HOLE COST
INTANGIBLE DRILLING COST			
402	Location Cost.....	\$12,000	\$12,000
404	RIG COST, days 20		
	A) Trucks, Cranes etc.....		
	B) Moving Rate.....	\$3,000	\$3,000
	C) Footage..... \$0 / ft. ft.	\$0	\$0
	D) Daywork..... \$3,500 / day 20 day	\$70,000	\$70,000
406	DRILLING MUD		
	A) Make-up fluid (brine, diesel, f. water).	\$3,000	\$3,000
	B) Mud and Chemicals.....	\$12,000	\$12,000
	C) Corrosion Cntrl \$100 / day 20 day	\$2,000	\$2,000
	D) Mud Rentals.... \$800 / day 20 day	\$16,000	\$16,000
	E) Disposal and Hauling.....	\$15,000	\$15,000
408	Bits.....	\$20,000	\$20,000
410	Cementing Services and Equipment.....	\$30,000	\$15,000
412	RIG SUPPLIES		
	A) Electricity.....	\$3,000	\$3,000
	B) Water.....	\$500	\$500
	C) Misc.....		
414	Rental Tools..... \$100 / day 20 day	\$2,000	\$2,000
416	Servicing of Tangible Well Equipment.....	\$4,900	
420	Transportation.....	\$3,200	\$800
424	FORMATION EVALUATION		
	A) Logging.....	\$8,000	\$8,000
	B) Coring....().....		
	C) DST's....().....		
	D) Mud Logger..... \$0 / day day	\$0	\$0
432	Contract Labor.....	\$5,800	\$5,800
436	Cmpny. Supervision \$300 / day 20 day	\$6,000	\$6,000
438	Directional Tools and Services.....	\$45,000	\$45,000
480	Environmental.....		
481	Communications.... \$50 / day 20 day	\$1,000	\$1,000
499	Taxes at 5%.....	\$13,270	\$12,155
620	District Expense.. \$150 / day 20 day	\$3,000	\$3,000
	TOTAL INTANGIBLE COST	\$278,670	\$255,255
TANGIBLE DRILLING COST			
311	CASING		
	A) Conductor.....	\$400	\$400
	B) Surf 500 ' @ 14 \$/ ft	\$7,000	\$7,000
	C) Int. ' @ \$/ ft	\$0	\$0
	D) Prod 6,300 ' @ 4.75 \$/ ft	\$29,925	
314	Controllable Wellhead Equipment.....	\$3,000	\$500
315	Non-Controllable Equipment.....		
555	Taxes @ 5.0 %.....	\$2,070	\$400
	TOTAL TANGIBLE COST	\$42,395	\$8,300
COST SUMMARY			
	Intangible Drilling Cost.....	\$278,670	\$255,255
	Tangible Drilling Cost.....	\$42,395	\$8,300
	TOTAL DRILLING COST	\$321,065	\$263,555

TENNECO OIL COMPANY
ROCKY MOUNTAIN DIVISION
AFE COMPLETION COST ESTIMATE

LEASE: CITY OF FARMINGTON 1E	DATE: 7-29-87
LOCATION: SEC 10 T29N R 13W	DEPTH: 6,300
COUNTY: SAN JUAN STATE: N. M.	PREPARED BY: RJS

CODE	DESCRIPTION	COMPLETED COST
INTANGIBLE COMPLETION COST		
COST SUMMARY		
402	Location Cost.....	
404	Rig Cost..... \$1,500 / day 6 day	\$9,000
408	Drilling Bits.....	
410	Cementing Services & Equipment.....	
412	Rig Supplies	
	Fuel.....	
	Water.....	
414	Rental Tools and Services.....	\$5,000
416	Servicing of Tangible Well Equipment.....	
420	Land Transportation.....	
424	Formation Evaluation.....	
426	Completion and Workover Fluids, (foam cleanouts).....	\$6,000
428	Completion Wireline Services.....	\$10,000
430	Treating Cost.....	\$40,000
432	Contract Labor.....	\$10,000
434	Consulting Supervision.....	\$3,000
436	Company Labor and Allocated Expense.....	
444	Other Workover and Completion Services.....	\$6,500
481	Communications.....	
499	Miscellaneous.....	\$5,000
	TOTAL INTANGIBLE COST	\$94,500
TANGIBLE COMPLETION COST		
312	Tubing '● \$/ ft	\$18,500
314	Controlable Wellhead Equipment.....	
315	Non-Controlable Wellhead Equipment.....	
701	Controllable Well Production Equipment.....	\$52,500
704	Non-Controlable Well Production Equipment.....	
	TOTAL TANGIBLE COST	\$71,000
COST SUMMARY		
	Intangible Completion Cost.....	\$94,500
	Tangible Completion Cost.....	\$71,000
	TOTAL COMPLETION COST	\$165,500

(THERE IS NO EXHIBIT "B")

EXHIBIT "C"

Attached to and made a part of that certain Operating Agreement
dated _____, by and between TENNECO OIL
COMPANY, as Operator, and the other signatory parties

ACCOUNTING PROCEDURE
JOINT OPERATIONS

BEFORE EXAMINER CATANACH

OIL CONSERVATION DIVISION

Tco

EXHIBIT NO.

7

9265

CASE NO.

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of twelve percent (12%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

5. Audits

A. Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

2. Labor

A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.

(2) Salaries of First Level Supervisors in the field.

(3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.

D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

3. Employee Benefits

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed ~~twenty per cent (20%)~~ the percent most recently recommended by the Council of Petroleum Accountants Societies of North America.

4. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

5. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.

B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.

C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of \$200 or less excluding accessorial charges.

6. Services (See Section VI)

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

7. Equipment and Facilities Furnished by Operator

A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

9. Legal Expense (See Section VI)

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

10. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD**1. Overhead - Drilling and Producing Operations**

- i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

(XXX) Fixed Rate Basis, Paragraph 1A, or

() Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

- ii. The salaries, wages and Personal Expenses of Technical Employees and, or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall () shall not (X) be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

- (1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 4000.00

Producing Well Rate \$ 400.00

- (2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

- [1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

- [1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
- [2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
- [3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
- [4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
- [5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

B. Overhead - Percentage Basis

(1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (%) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

(b) Operating

_____ Percent (%) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

(2) Application of Overhead - Percentage Basis shall be as follows:

For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, re-drilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating.

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of \$25,000.00 :

A. _____ 5 % of total costs if such costs are more than \$ 25,000.00 but less than \$ 100,000.00 ; plus

B. _____ 3 % of total costs in excess of \$ 100,000.00 but less than \$1,000,000; plus

C. _____ 2 % of total costs in excess of \$1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells shall be excluded.

3. Amendment of Rates

The Overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload ~~or barge load weight~~ basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point ~~or recognized barge terminal~~ nearest the Joint Property where such Material is normally available.

(2) Line Pipe

(a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.

(b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.

(2) Material moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or

- (b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material (Condition C and D)

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

- (1) Loading and unloading costs may be charged to the Joint Account at the rate of ^{25¢}~~fifteen cents (15¢)~~ per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.
- (2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. Special Inventories

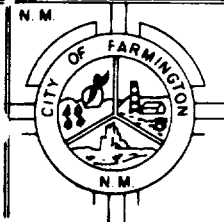
Special Inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

4. Expense of Conducting Periodic Inventories

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

SECTION VI:

Should Operator determine that it is necessary or advisable to retain an outside attorney to represent Operator for the benefit of the parties at a hearing of, or before, a state or federal regulatory agency concerning a matter directly affecting the Joint Property, then the fees and expenses of such outside attorney shall be considered "cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property" as set out in Section II.6.



CITY OF FARMINGTON, NEW MEXICO
800 MUNICIPAL DR. / P.O. BOX 900
FARMINGTON, NEW MEXICO 87499
505/327-7701

August 8, 1986

Tenneco Oil Company
6162 South Willow Drive
Englewood, Colorado 80155

RE: Petition No.930

Dear Sir:

This letter is to inform you of the action taken by the City Council on Tuesday, July 22, 1986, regarding Petition No. 930. The City Council approved Petition No. 930 requesting a Special Use Permit in an R-3, Multiple Family Residential, district to allow the drilling and establishment of four natural gas wells on 4.6 acres located on the east side of Vine Avenue and Navajo Street and immediately north of Rusty Sun Townhomes, subject to:

- (a) the petitioner conducting drilling and completion operations as represented with only two wells being drilled in each year for the next two years (1986 and 1987);
- (b) compliance with Chapter 22 including submission of plans and permit application to the City Clerk for review by the Oil and Gas Inspector (the Building Inspector) as provided for in Chapter 22;
- (c) compliance with all other applicable City Codes or Ordinances including Chapter 12;
- (d) the petitioner providing a set amount of \$12,000 for design and construction of landscaping improvements on the south and east sides of the site, based on a landscap plan to be prepared by the City's Park Department;
- (e) no "trips" or removal of pipe being permitted between the hours of 7:00 p.m. and 9:00 a.m., except in the case of an emergency;
- (f) compliance with all applicable State and Federal regulations including the NFPA Life Safety Code Pamphlet 101; approval by the State Fire Marshall's Office; and the petitioner filing three (3) copies of a clearly established emergency plan for approval by the Fire Department;
- (g) immediate fencing of the well site prior to the start of the drilling and installation of a chain link fence with wooden slats around the perimeter of the site upon completion of the first two wells, said fence being setback from Vine Avenue right-of-way a minimum of 25 feet;

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION

Tco EXHIBIT NO. 8

CASE NO. 9265

RECEIVED

AUG 13 1986

TENNECO OIL CO.
WRMD Accounting

- (h) petitioner being responsible for keeping adjacent City streets free of dirt and mud from the well site;
- (i) a site grading plan being submitted which shows that the site would be contoured to an elevation of 5344 feet at its lowest point at the southeast corner of the drilling pads, or to an elevation consistent with the development of a storm water retention facility, said grading plan to be reviewed and approved by the Public Works Director prior to the start of any dirt work on the site;
- (j) rotating heads being installed on top of the blow-out preventer through the Pictured Cliffs formation;
- (k) a watchman not involved in the drilling operations to be on duty from 7:00 a.m. to 7:00 p.m.;
- (l) dedication of a sufficient amount of right-of-way for Vine Avenue to provide a 60-foot right-of-way width;
- (m) the excess land not used for drilling or production purposes being conveyed to the City for storm water retention and park expansion purposes, said land consisting of a strip of land which varies in width from 45 to 95 feet along the south property line and including all land at the southeast corner of the site from the east and south property lines to within 10 feet of the southerly guy wire anchors for well #1;
- (n) submission of suitable agreement or indemnity approved as to form by the City Attorney in an amount of \$50,000, as determined by the City Council to guarantee performance by Tenneco and conformance to all City Codes, Ordinances, and requirements;
- (o) two gates being installed in the fence to provide emergency access, the location of which to be approved by the Fire Department, and the primary access to site being paved from Vine Avenue pavement to the gate;
- (p) the City of Farmington being named as additional insured on all liability policies held by Tenneco Oil Company relating to this project and the limits of said insurance meeting the minimum limits of the Tort Claims Act; and
- (q) signs being posted on the well site stating the name, address and telephone number of the person or persons to be notified in case of an emergency at the well site.

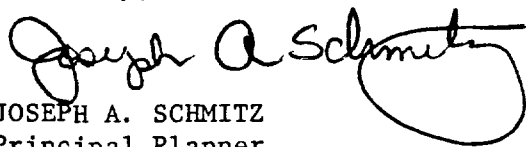
Tenneco Oil Company
August 8, 1986
Page 3

The City Council also approved a noise variance subject to:

- (a) drilling operations being conducted as proposed by Tenneco using city electricity and water and double mufflers on all diesel motors;
- (b) drilling being done during the cold weather months (October through April); and
- (c) completion of the well being done during daylight hours.

If you have any questions, please feel free to contact our office at 327-7711, Extension 1280.

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph A. Schmitz". The signature is fluid and cursive, with a large loop at the end.

JOSEPH A. SCHMITZ
Principal Planner

JAS/sd

cc: Mr. Ken Russell

ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

APPLICATION OF TENNECO OIL COMPANY
FOR DIRECTIONAL DRILLING, SAN JUAN
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

CASE NO. 8915
Order No. R-8253

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION

Tco EXHIBIT NO. 9

CASE NO. 9265

This cause came on for hearing at 8:15 a.m. on June 25, 1986, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 8th day of July, 1986, the Division Director, having considered 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, Tenneco Oil Company, seeks authority to directionally drill four wells to the Basin Dakota Pool in its City of Farmington Lease, all in Section 10, Township 29 North, Range 13 West, NMPM, Farmington City Limits, San Juan County, New Mexico, in the manner as described in Exhibit "A" attached hereto and made a part hereof.

(3) The E/2 of said Section 10 is to be dedicated to Wells Nos. 1 and 1-E and the W/2 of said Section 10 is to be dedicated to Wells Nos. 2 and 2-E.

(4) The proposed bottom hole locations including a 75 foot target radius on the four subject wells are standard gas well locations pursuant to the Special Pool Rules governing the Basin Dakota Gas Pool.

(5) The surface locations of all four wells are on a 4.561 acre tract of land in the NE/4 of said Section 10 which lies

within a residential section of the City of Farmington, New Mexico.

(6) The directional drilling of the subject wells is necessitated in order to adequately avoid occupied dwellings, streets, and City Parks located in said Section 10.

(7) Approval of the application is in the best interest of conservation, inasmuch as it will minimize surface damage and correlative rights, provided the applicant should be required to determine the subsurface locations of the bottom of the holes by means of a continuous multi-shot directional survey conducted subsequent to directional drilling, if said wells are to be completed as producing wells.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Tenneco Oil Company, is hereby authorized to directionally drill four wells to the Basin Dakota Pool in its City of Farmington Lease, all in Section 10, Township 29 North, Range 13 West, NMPM, Farmington City Limits, San Juan County, New Mexico, in the manner described in Exhibit "A" attached hereto and made a part hereof.

PROVIDED HOWEVER THAT, prior to the above described directional drilling, the operator shall determine the subsurface location of the kick-off point of each well;

PROVIDED FURTHER THAT, subsequent to the above described directional drilling, should said wells be producers, a continuous multi-shot directional survey shall be made of each wellbore from total depth to the kick-off point with shot points not more than 100 feet apart; the operator shall cause the surveying company to forward a copy of the survey report directly to the Santa Fe office of the Division, P. O. Box 2088, Santa Fe, New Mexico 87504, and the operator shall notify the Division's Aztec District Office of the date and time said survey is to be commenced.

(2) Form C-105's shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth in addition to measured depths for each well.

(3) 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



acting R. L. STAMETS,
Director

S E A L

EXHIBIT "A"
Order No. R-8253

The following well descriptions all in Section 10, Township 29 North, Range 13 West, NMPM, Farmington City Limits, Basin Dakota Pool, San Juan County, New Mexico.

City of Farmington Well No. 1:

Surface Location: 2160 feet from the South line and 1591 feet from the East line;
Approximate Kick-Off Point from Vertical: 3275 feet;
Bottom Hole Location: Within 75 feet of a point 1750 feet from the South line and 1775 feet from the East line.

City of Farmington Well No. 1-E:

Surface Location: 2203 feet from the South line and 1653 feet from the East line;
Approximate Kick-Off Point from Vertical: 1800 feet;
Bottom Hole Location: Within 75 feet of a point 1650 feet from the North and East lines.

City of Farmington Well No. 2:

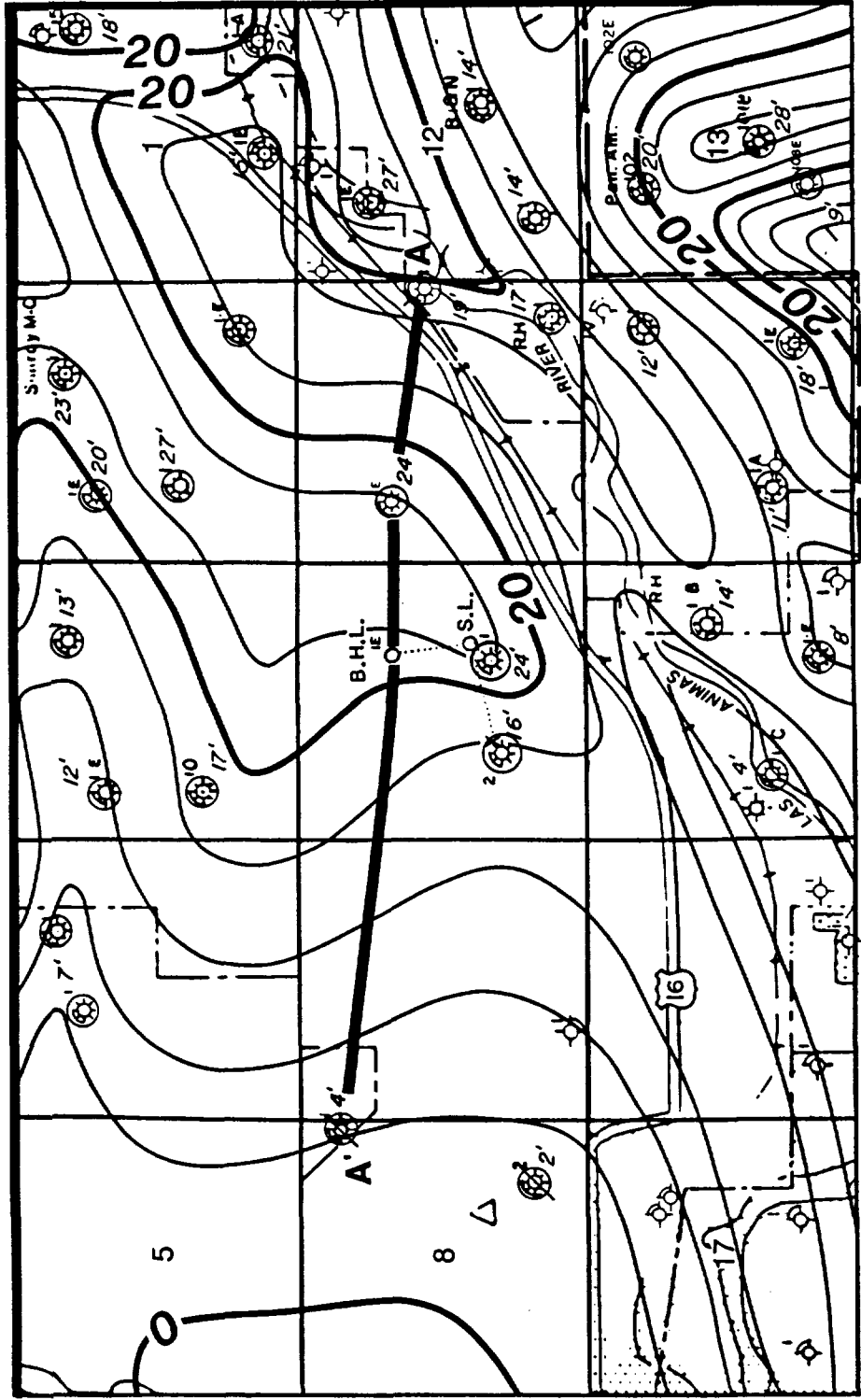
Surface Location: 2159 feet from the South line and 1712 feet from the East line;
Approximate Kick-Off Point from Vertical: 750 feet;
Bottom Hole Location: Within 75 feet of a point 1650 feet from the South and West lines.

City of Farmington Well No. 2-E:

Surface Location: 2246 feet from the South line and 1712 feet from the East line;
Approximate Kick-Off Point from Vertical: 750 feet;
Bottom Hole Location: Within 75 feet of a point 1650 feet from the North and West lines.

R 13 W

T 29 N



T 29 N

R 13 W

- ⊕ DRY HOLE
- ⊗ PICTURED CLIFFS GAS WELL
- ⊗ MESAVERDE GAS WELL
- ⊗ DAKOTA GAS WELL
- ⊗ DATA POINT WELL

Tenneco Oil
Exploration and Production
ROCKY MOUNTAIN DIVISION



SOUTH FARMINGTON-GALLEGOS AREA
SAN JUAN COUNTY, NEW MEXICO

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION

DAKOTA "B1" SAND
NET PAY ISOPACH

C.I. = 4'

1 MILE

TCO EXHIBIT NO. 10

CASE NO. 9265

BY: M. DECKER

DATE: 9/87

CITY OF FARMINGTON AREA DAKOTA STRATIGRAPHIC CROSS SECTION

A'
WEST

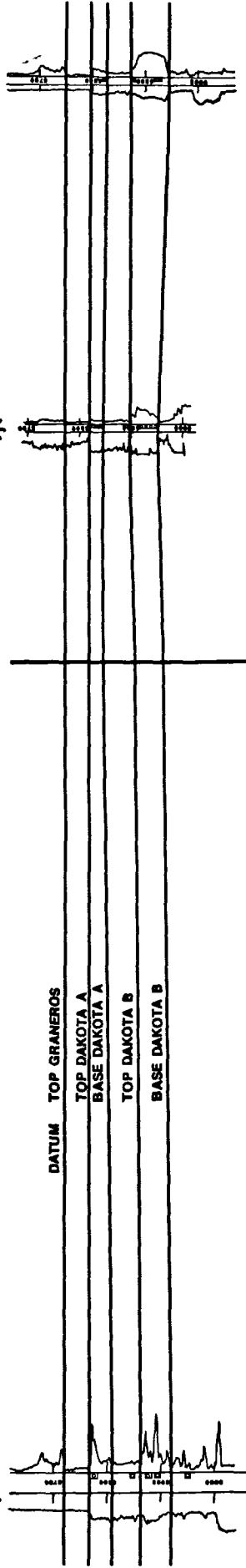
A
EAST

REDFERN AND NEED, INC.
AIRPORT #1
IEL/SP
NE NE Sec. 8-728N-813W

CITY OF FARMINGTON
COM #1E
PROPOSED LOCATION
SW NE Sec. 10-728N-813W

TENNICO OIL CO.
IRVIN COM #E
DILL/GR
SW NW Sec. 11-728N-813W

TENNICO OIL CO.
IRVIN COM #1
IEL/SP
SE NE Sec. 11-728N-813W



COMP: 11-2-81
IPT: 2000 MCFOPD
CUM: 76 MMCF
P & A 9/81

COMP: 4-17-84
IPT: 4228 MCFD
CUM: 372 MMCF
AS OF 7-1-87

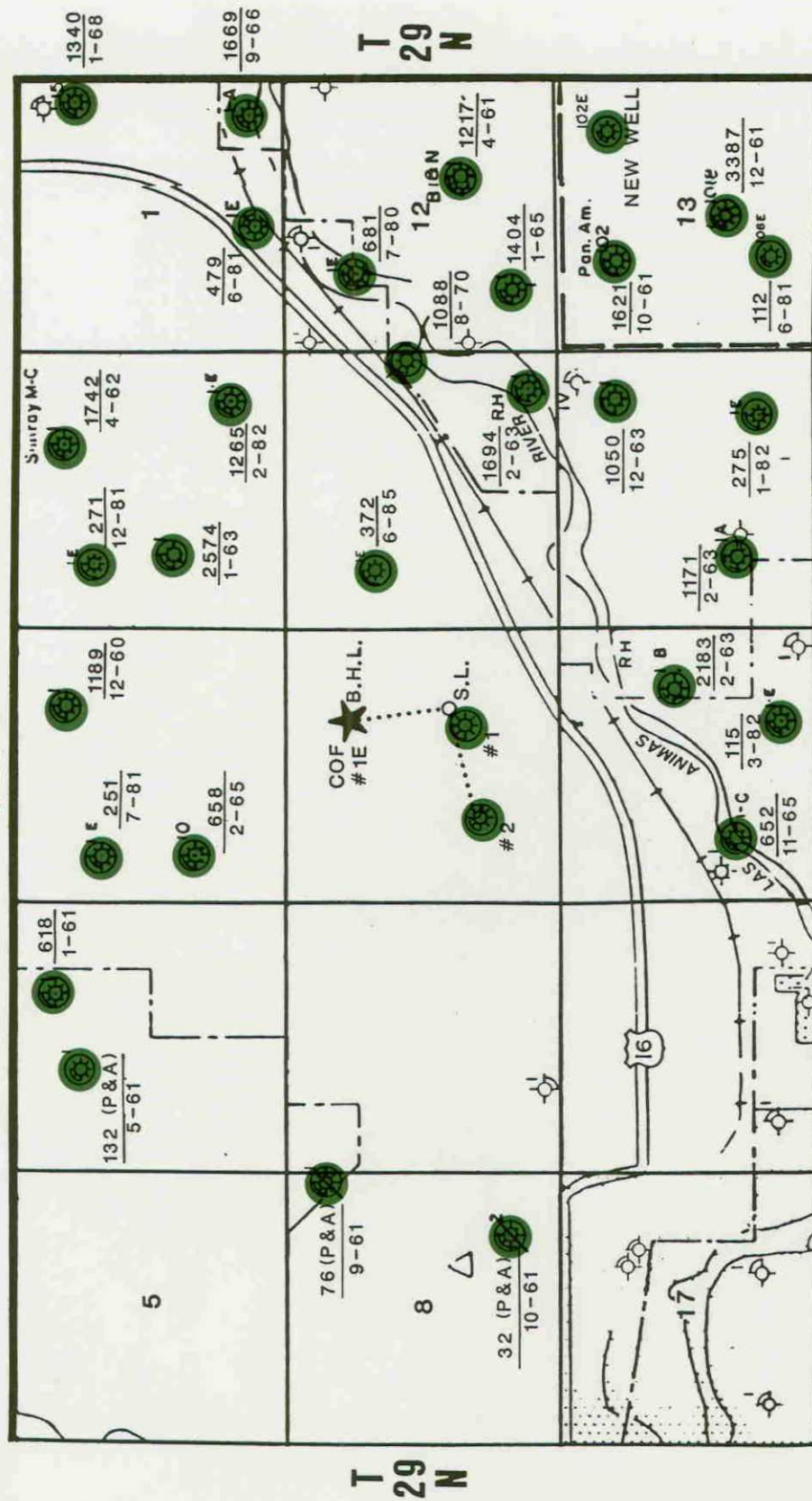
COMP: 1-12-76
IPT: 7286 MCFD
CUM: 1089 MMCF
AS OF 7-1-87








BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION

770 EXHIBIT NO. 11

CASE NO. 9265



R13W

-  DRY HOLE
-  PICTURED CLIFFS GAS WELL
-  MESA VERDE GAS WELL
-  DAKOTA GAS WELL
-  DATA POINT WELL

**Tenneco Oil
Exploration and Production
ROCKY MOUNTAIN DIVISION**

SOUTH FARMINGTON-GALLEGOS AREA
SAN JUAN COUNTY, NEW MEXICO

**CUMULATIVE PRODUCTION
TO 7-1-87 (MMCF)**

DATE FIRST PRODUCTION (MO.-YR.)

DRAFTED BY:

1 MILE

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION

TCO EXHIBIT NO. 12

CASE NO. 9265

CITY OF FARMINGTON COM WELLS

	<u>COF COM #1</u>	<u>COF #2</u>
DAKOTA "B1" SAND NET PAY, (FT)	24	16
CURRENT CAPACITY (MCF/D)	2368	686
ORIGINAL SIP (PSI)	1940	2040
CURRENT SIP (PSI)	1500	1650
CUMULATIVE PRODUCTION (MMCF)	58	28

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION
TCO EXHIBIT NO. 13
CASE NO. 9265