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BEFORE THE OIL CONSERVATION DIVISION SEP 1

SEP 1 1987

DEPARTMENT OF ENERGY AND MINERALS

OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF READ & STEVENS, INC. FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO

Case No. 9218

APPLICATION

Read & Stevens, Inc., through its counsel, makes application pursuant to Section 70-2-17 N.M.S.A., 1978 for an order pooling all uncommitted mineral interests from the surface to the base of the Yates Formation underlying the NE/4 NE/4 of Section 15, Township 20 South, Range 34 East, N.M.P.M., Lea County, New Mexico to form a standard 40 acre spacing and proration unit. In support, Applicant states:

- 1. Applicant owns or represents a substantial portion of the working interest in and under the NE/4 NE/4 of said Section 15 and Applicant has the right to drill thereon.
- 2. Applicant proposes to dedicate the above referenced 40 acre pooled unit to its Laurie "D" Federal No. 2 Well to be drilled at a standard location on said Section 15.
- 3. Applicant has sought and obtained either voluntary agreement for pooling or farmout from the owners of less than 100% of the working interest in the NE/4 NE/4 of said Section 15.
- 4. As this proposed compulsory pooling is believed to be unopposed, application is made pursuant to NMOCD Rule 1207(A)(1)(ii). Accordingly, Applicant further states:

- A. No opposition for hearing is expected.
- B. Exhibits showing the spacing unit to be pooled, the nature and percentage of the ownership interests and location of the proposed well are attached.
- C. The name and last known address of the parties to be pooled and nature of their interests are: (1) Evelyn Clay O'Hara, 3774 West Sixth Street, Fort Worth, Texas 76106 and Evelyn Clay O'Hara, c/o William G. Bredthauer; Harris, Finley, Creel and Bogle, 3100 Continential Plaza, Fort Worth Texas, 76102; and, (2) an 8.333% undivided working interest.
 - D. The pooled unit is for oil production.
- E. Exhibits reflecting attempts made to gain voluntary agreement are attached.
- F. Because of the risk involved in drilling the well, Applicant proposes that a risk penalty of 200% be assessed against the non-consenting interest owners who do not chose to pay their estimated share of well costs. Exhibits reflective of the geological and/or engineering assessment of risk are attached.
- G. The Applicant's proposed overhead charges are \$3,268.71 while drilling and \$345.00 while producing. These drilling and producing rates are within the guidelines for industry averages furnished annually by the accounting firm of Ernst and Whinney.
- H. The well will be located 660' FNL and FEL of Section 15 and will be drilled to 3,700' total depth.
- I. A copy of the applicable A.F.E. (June 8, 1987) is attached.

- 5. The pooling of the uncommitted interests and well completion at the standard location will avoid the drilling of unnecessary wells, will prevent waste and will correlative rights.
- 6. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the uncommitted mineral interests should be pooled and the Applicant should be designated the operator of the well.

WHEREFORE, Applicant requests that this matter be set for hearing before a duly appointed examiner of the Oil Conservation Division on September 23, 1987 and that after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions for Applicant to recover its costs for drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges and imposing a risk factor for the risk assumed by the Applicant in drilling, completing the well, and making such other provisions as appropriate.

Respectfully submitted:

CAMPBELL & BLACK

J. Scott

P.O. Box 2208

Santa Fe, New Mexico 87504-2208

(505) 988-4421

Attorneys for Read & Stevens, Inc.

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#2 Laurie "D" Federal

Section 15: NE/4NE/4-T20S-R34E Lea County, N.M.

Breakdown of Acreage Holdings in the Proposed Spacing Unit

			Undivided Working Interest
	Read & Stevens, Inc Read & Stevens, Inc. Partners McBride Oil & Gas HCW Income Properties James Brown Margaret Couch Trust R. Clay Trust		16.2444% 44.8668% 16.6667% 7.9167% .4167% 2.7777%
t	Evelyn O'Hara Trust	TOTAL	8.3333% 100.0000%

* Force Pool Interest

	Undivided Overriding Royalty Interest
R&S Employee Royalty Pool McBride Oil & Gas Corp. HCW Income Properties James Brown Margaret Couch Trust R. Clay Trust	2.0000% 4.6875% 2.2265% .1171% .7812%

Royalty Interest

12.5% U.S.A.

CHARLES B. READ

NORMAN L. STEVENS, JR. VICE-PRESIDENT

Read & Stevens, Inc.

P. O. Box 1518

Roswell, New Mexico 88201

August 31, 1987

TO: Oil Conservation Division

FROM: Read & Stevens, Inc.

RE: Compulsory Pooling
Evelyn Clay O'Hara Trust
Sec. 15 NE/4NE/4 (660' FN&EL)
T-20S, R-34E
Lea County, New Mexico

Gentlemen:

In addition to this sworn statement and overhead rate disclosure and the other documentation submitted with this request for compulsory pooling, the following telephone conversations have been noted below to further verify our attempts to obtain a decision from the O'Hara Trust in regards to the drilling of the subject well.

- 5-13-86 Told Ms. O'Hara that we had furnished her all of the logs from the #1 Laurie "D" Well and that we needed her decision concerning the #2 Laurie "D" Well. She indicated she would evaluate the information and get back in touch with us.
- 7-17-86 Attorney for Ms. O'Hara called to say that they would have an answer for us shortly.
- 8-05-86 We called attorney for Ms. O'Hara and he was lining up an Oil and Gas Operator in the Fort Worth area to discuss the proposed well and said he or the Operator would be in touch with us shortly.
- 8-26-86 Talked to Charles Northington, Oil and Gas Operator, in Fort Worth, Texas about the O'Hara interest and the options involved.
- 9-19-86 Talked to attorney for Ms. O'Hara, he said he wasn't sure if Charles Northington was going to represent Ms. O'Hara or not.
- 9-23-86 Called and left message with attorney.
- 9-29-86 Called and left message with attorney.
- 10-01-86 Talked to attorney for Ms. O'Hara (Bill Bredthauer) and explained the situation to him and he advised us that Charles Northington was no longer working on this matter.

Read & Stevens, Inc.

Oil Conservation Divison August 31, 1987 Page 2

- 11-11-86 Received letter (copy attached) from attorney Bill Bredthauer which indicated that Ms. O'Hara had rejected our proposals and offered to farm-out 7/8ths of her interest to Read & Stevens, Inc. and then have the 7/8ths interest revert entirely to her after 125% pay-out of the well. This offer was, of course, totally unacceptable to Read & Stevens, Inc.
- 6-02-87 Contacted attorney Bill Bredthauer about renegotiating farm-out terms. He will be back in touch with us.
- 6-03-87 Called attorney Bill Bredthauer and offered him revised farm-out terms. He will be back in touch with us.
- 6-09-87 Sent Evelyn Clay O'Hara Trust a well proposal letter and AFE for her participation in the drilling of the No. 2 Laurie "D" Well.
- 6-10-87 Sent attorney Bill Bredthauer a letter explaining why the November 11, 1986 proposal from him was unacceptable and sent him a copy of the letter and AFE recently sent to the O'Hara Trust.
- 6-15-87 Attorney Bill Bredthauer called and said he had sent Ms. O'Hara a second request for an answer and would be back in touch with us.
- 7-16-87 Called attorney Bill Bredthauer and he informed us that we should probably just proceed with our compulsory pooling since he cannot secure a decision from Ms. O'Hara.
- 8-25-87 Contacted attorney Bill Bredthauer to advise him that we were proceeding with compulsory pooling action and he again advised us that he had not secured a decision from Ms. O'Hara and to proceed as necessary.

To supply additional required information for this compulsory pooling, Read & Stevens, Inc. will be using overhead charges of \$3,268.71 as a drilling well rate and \$345.00 as a producing well rate on the subject well, these rates are within the guidelines for industry averages furnished annually by the accounting firm of Ernst & Whinney.

The information furnished above and accompanying this request for compulsory pooling is sworn to as being true and complete to the best of my knowledge and belief.

READ & STEVENS, INC.

Joel M. Wigley, Land Manager

Oil Conservation Division August 31, 1987 Page 3
STATE OF New Mexico)
COUNTY Chaves)
The above information and the information submitted with this compulsory pooling
request is subscribed and sworn to this $3/\frac{57}{2}$ day of $\frac{1}{2}$ day of $\frac{1}{2}$ day of $\frac{1}{2}$
by Joel M. Wigley, Land Manager of Read & Stevens, Inc., a New Mexico
Corporation on behalf of said Corporation.
Randall Z. Fort Notary Public
My Commission Expires
8-11-90

The Section Section



SENDER INSTRUCTIONS
Print your name, address, and ZIP Code
in the space below.
• Complete items 1, 2, 3, and 4 on
the reverse.
• Attach to front of article if space
permits; otherwise affix to back of
article.
• Endorse article "Return Receipt
Requested" adjacent to number.





PENALTY FOR PRIVATE USE \$300

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Print Sender's name, address, and ZIP Code in the space below.

READ & STEVENS,

P.O. Box 1518

Roswell, NM

UNITED STATES POSTAL SERVICE OFFICIAL BUSINESS SENDER INSTRUCTIONS Print your name, address, and ZIP Co Print your name, in the space below. • Complete Items 1, 2, 3, and 4 on: e Attach to front of article if space permits, otherwise affix to back of article. • Endorse article "Return Receipt", Requested, adjacent to number. PENALTY FOR PRIVATE

Print Sender's name, address, and ZIP Code in the space below

P.O. Box 1518

Roswell, NM 88201

RETURN

Joe W.

SENDER: Complete items 1 and 2 when additional server ut your address in the "RETURN TO" space on the rever ard from being returned to you. The return receipt fee will elivered to and the date of delivery. For additional fees th	se side. Failure to do this will prevent this
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Midland, TX :79702	☐ Registered ☐ Insured ☐ COD ☐ COD ☐ ☐ Express Mail
ATTENTION: Juanita Jackson	Always obtain signature of addressee or agent and DATE DELIVERED.
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3800, June 1985 U.S.G.P.O.	delivered to end the date of delivery. For additional fees the postmaster for fees and check box (es) for additional service T. Show to whom delivered; date, and addressee a addressee.	ices are desired, and complete items 3 and 4. se side: Fellure to do this will prevent this provide you the name of the person is e following services are evailable. Consult
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	rs Form 3811, Feb. 1986 #2.Laurie "D" , #2	DOMEST

UNITED BANK PLAZA 400 N. PENN, SUITE 1000

> CHARLES B. READ PRESIDENT

NORMAN L. STEVENS, JR. VICE-PRESIDENT

Read & Stevens, Inc.

P. O. Box 1518

Roswell, New Mexico 88201

6/15/87 Bill called & Le har seemde Request _ 11 10 10 6

HOW Fry ration - J.

June 10, 1987

Harris, Finley, Creel & Bogle 3100 Continental Plaza Fort Worth, Texas 76102

Attention: William G. Bredthauer

RE: #2 Laurie "D" Well

Section 15: NE/4NE/4

T-20-S, R-34E

Lea County, New Mexico

Evelyn Clay O'Hara Trust Interest

Gentlemen:

This letter is written to reiterate our conversation of June 4, and to set forth our intentions under the captioned well and interest.

Under your proposition as set out in your letter of November 11, 1986, Read & Stevens, Inc., with a 100% success, would lose \$500.00, therefore, making it a complete economic disaster for Read & Stevens, Inc. At that time, I indicated to you that we would be willing to carry the O'Hara Trust interest for a 1/8th back-in on the first yates well only under the E/2 of Section 15-20S-34E. As you know, Read & Stevens, Inc. has already carried this interest in the #1 Laurie "D" (a morrow producer) on the E/2 of Section 15 for an override to payout and a 1/3 back-in after payout. As we believe this first carry of override plus the option to back-in was more than fair for the trust in the #1 Laurie "D", we are hereby making this our final offer prior to initiating forced pooling proceedings on the #2 Laurie "D".

In the event any party receiving a copy of this letter does not know, please be advised that this conclusion was arrived at after well over a year and a half of negotiations with the trust. We certainly feel like we've been more than prudent in trying to work out a reasonable deal including a trip to Fort Worth to visit with Evelyn in person.

Read & Stevens, Inc.

June 10, 1987 Page 2

Attached to this letter is a Letter Agreement and AFE concerning the captioned well. In the event you have had a change of mind about farming out and should wish to participate, please simply execute and return one copy of the letter and one copy of the AFE. In the event you do not wish to participate, the above farmout terms are available until June 15, 1987.

Again, in the absence of hearing from you prior or on June 15, 1987, Read & Stevens, Inc. will promptly begin a forced pooling hearing as to the trust interest.

Sincerely,

READ & STEVENS, INC.

Joe Wigley Land Manager

JW:mp Attachments

cc: Evelyn Clay O'Hara
H.C.W. Income Properties

UNITED BANK PLAZA

CHARLES B. READ

NORMAN L. STEVENS, JR.

Read & Stevens, Inc.

Oil Producers

9. O. Box 1518

Ramell Non Maxico 88801

June 9, 1987

Evelyn Clay O'Hara Trust P.O. Box 11170 Midland, TX 79702

RE: #2 Laurie "D" Well
Section 15: NE/4NE/4
T-20-S, R-34-E
Lea County, New Mexico

Ladies and Gentlemen:

Read & Stevens, Inc. hereby proposes the drilling of a 3,700' Yates Test on the captioned location. Should you desire to participate, please review, execute and return a copy of this letter and the enclosed AFE. In the event you do not wish to participate, please execute and return a copy of this letter so indicating.

For your 8.3333% working interest in this well, you will pay a total estimated cost of \$17,525.00 for a completed producer and a total estimated cost of \$9,077.00 for a dry hole.

Provided you desire to participate in the #2 Laurie "D" well, please execute and return one copy of each of the following enclosed herewith:

- 1. This letter agreement dated June 9, 1987 indicating your desire to participate.
- 2. Authorization for Expenditure (AFE) .

If you desire to participate in this well, a formal invoice for cost to casing point will be forwarded to you by our accounting department prior to commencement of this well. In the event you do not elect to participate in the drilling of this well, kindly indicate your decision as set out below and return only an executed copy of this letter.

Read & Stevens, Inc.

June 9, 1987 Page 2

Read & Stevens, Inc. plans to spud this well within the next 60 days, thus please execute and return the requested information within 15 days of receipt of this letter. If you have any questions, please feel free to give us a call.

Sincerely,

READ & STEVENS, INC.

Joe Wigley Land Manager

	I desire	to par	ticipate	in the	drillin	ng of the	#2 La	urie '	'D" Wel	1.
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JW:mp

READ & STEVENS, INC. WELL COST ESTIMATE AUTHORIZATION FOR EXPENDITURES

AFE NO R-060887-927	2 2 W	Prepared By:	Alan Jackson	
Date June 8, 1987		N	Lea Yates	
Well Name #2 Laurie	ion 15 T20S-R34E	Prospect Name		State NM
	= ' '		County Lea	State NM
Est. Total Depth 3.700'	Formation Yates	0-1-1		
Orill: Wildcat X	_ Development	Original	Supplement	Revised
Workover: Recompletion	Maintenance	Estimate	Estimate	Estimate X
Description of Work:			·	*
INTANGIBLES			Dry Hole	S COSTS Producer
Location preparation and d	amages		\$ 10,000	<u>\$ 10,000</u>
Contractor's footage charge	3.700 ft. @ \$ 8.00 p	er ft.	29.600	29,600
Contractor's day work	2 days @ \$3.500.00per	day	7,000	7.000
Bits and reamers				
Mud, chemicals and mud s	ervices		5.000	5.000
Equipment rentals			4.000	7.500_
Logging and testing			5,000	5.000_
Mud logging			1.750	1.750
Hauling and freight			3,000	6,000
Supervision			3.000	4,500
Cement and cementing ser	vices		2.400	9,800
Perforating, acidizing and	fracturing			18.000
Completion workover and	swabbing units		***	5.000
Contract services			4,000	8.000
Non-recoverable equipment	t		1.500	2.500
Administrative overhead			3,300	3.300_
Miscellaneous expenditures	5		3,000	5,000
Plugging and abandonmen			5,000	
Water			5,000	7,000
Contingencies			10,000	10,000
Sales tax				
	TOTAL INTANGIBLES		102,550	<u>\$ 144,950</u>
WELL TANGIBLES	0.540 0.75		, 075	1 075
	of 8-5/8 in. @ \$9.75	/ft.	\$ 4,875	\$ 4,875
Protective casing	1t ofin. @ \$	/ft.		14,060
	_ft. of 4-1/2 in. @ \$ 3.8	/ft.		7,920
	3/8 in. @ \$2.20 /ft.			3,600
	f7/83/4 in. @ \$ 1.00	/ft.	1,500	
Well head equipment				2,500
Other sub-surface equipm				1,500
Other surface well equip	ment			2,000
	TOTAL TANGIBLES		s 6,375	\$ 36,455
	TOTAL WELL COST		\$ 108,925	\$ 181,405
(A) Well cost to casing				
(B) Well cost after casin	ng point \$ 101,380			
PRODUCTION EQUIPMENT	г			. 1,000
Hauling and freight			\$ <u>-</u>	1,500
Supervision, labor, contra				$\frac{-2,000}{2,000}$
Miscellaneous connection	s, fittings			500
Line pipe				13,500
Pumping equipment				5,400
Tankage				5,000
Separator				
Dehydrator				- <u> </u>
Heater-treater Other				
				28,900
	TOTAL PRODUCTI TOTAL AFE	ON EQUIPMENT	108,925	\$ 210,305
	TOTAL PREVIOUS	ESTIMATES	<u>. </u>	s
	TOTAL THIS ESTI		108,925	210,305
APPROVAL			_	IMPORTAGE
COMPANY:	SIGNATURE:	TITLE:	DATE: IN	ITEREST:
Evelyn Clay O'Ha	ra			
Trust	Ву		6/9/87	3.3333% WI

HARRIS, FINLEY, CREEL & BOGLE JENKINS GARRETT ROBERT STAHALA ATTORNEYS AT LAW 3100 CONTINENTAL PLAZA FORT WORTH, TEXAS 76102 B17/335-5050 November 11, 1986 KENDALL D. ADAIR WILLIAM G. BREDTHAUER BILL F BOGLE JAMES A. CREEL DEE S. FINLEY JR. COMMERCIAL REAL ESTATE LAW
COMMERCIAL REAL ESTATE LAW
CHARLES B. HARRIS
ESTATE PLANNING AND PROBATE LAW
ESTATE PLANNING AND PROBATE LAW ROLAND K. JOHNSON MARK C. MATULA THOMAS D. POWERS ANDREW D. SIMS SOARD CERTIFIED
TEXAS BOARD OF LEGAL SPECIALIZATION Read & Stevens, Inc. Re: Evelyn Clay O'Hara Trust Attention: Joe M. Wigley, Land Manager Roswell, New Mexico 88201 P. O. Box 1518 We represent the Evelyn Clay Laurie County, by Rea working interest south, Range 34 East, Lea made by New 15, discussed the three alternate proposals made by Rea We discussed the three alternate proposals made by Rea New Rea Range 34 East, Lea County, by Rea Read Proposals made by Rea New Read Range 15, discussed the three alternate proposals made by Read Read Range 20 South, alternate proposals made by Read Range 20 South 15. Township 20 South, Range 34 East, Lea County, New Real Range 34 East, Lea County, by Real Range 34 East, Lea County, by Real Range 34 East, Lea County, by Real Range 34 East, Lea County, New Real Real She is unwilling to participate the proposals made participated is unwilling to participate and she willing consulting to farmout the discussed that she would be willing general terms:

Stevens with the alternatives. Would be willing general terms:

Stevens any of the following general terms that she the following general terms to Read & Stevens on the following general terms. Dear Mr. Wigley: 1. Read & Stevens would pay the entire cost of dri 1. Read & stevens would pay the well. 2337 × 1/07, 550 = 896 completing, and equipping the well. 2437 × 1/07, 650 = 896 completing, and equipping the well. 2437 × 1/07, 650 = 896 completing, and equipping the well. 2437 × 1/07, 650 = 896 completing, and equipping the well. 2437 × 1/07, 650 = 896 completing, and equipping the would assign to Read & Stevens after the trust would revert to the trust after 2. This interest would revert to the trust after 2. This interest would revert to the trust after 2. This interest would revert to the trust after 2. This interest would revert to the trust after 2. interest. This interest would revert to the trust after equal interest an amount equal interest an amount drilling from that interest of bayout stevens had received from that interest of payout of the equipping, and operating the well until payout pleting. or the cost attributable to that interest of drilling of the well until payout pleting, and operating the well until payout The trust would retain its 1/8th interest ar The trust would retain its i/oth interest are share of operating costs after the well is completed share of produce. please let me know if this offer is acceptable. and ready to produce. William G. Bredthau · 6/8/87 call

cc: Mrs. Evelyn Clay O'Hara WGB/er

UNITED BANK PLAZA 400 N. PENN, SUITE 1000

CHARLES B. READ

NORMAN L. STEVENS, JR. VICE-PRESIDENT

Read & Stevens, Inc.

Oil Producers

P. O. Box 1518

Roswell, Non Marios 88201

August 25, 1986

Mr. Charles Northington 2030 Ward Parkway Fort Worth, Texas 76110

Re: AFE

#2 Laurie "D" Section 15-20S-34E Lea County, New Mexico

Dear Mr. Northington:

Attached please find two copies of the above referenced AFE. If you have any questions, please do not hesitate to contact me at the above address or telephone number.

Sincerely,

Joe Wigley, Land Manager

JW:arw

Attachments

INTEO BANK PLAZA IN. PENN. SUITE 1000 CHARLES B. READ

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NORMAN L. STEVENS, JR. VICE-PRESIDENT

PRESIDENT

Read & Stevens, Inc.

Oil Producers

9 0 Box 1518

Rosertt New Maries 88201

May 21, 1986

Ms. Evelyn Clay O'Hara Mooney Post Office Box 9620 Fort Worth, Texas 76107

Re: Laurie "D" Federal #2
Section 15: NE/4
Township 20 South, Range 34 East
Lea County, New Mexico

Dear Evelyn:

Please find enclosed an Authority for Expenditure to drill the captioned well to an approximate depth of 3,875' to test the Yates Formation. Your cost for a dry hole under this well would approximate \$10,000.00 and for a completed producer would be approximately \$29,000.00. In the event that you wish to participate for your 8.33% working interest under the captioned well, please execute and return one copy of the enclosed Authorization for Expenditures along with your check in the amount of \$10,000.00.

In the event that you do not wish to participate, we ask that you please review the papers that I handed you on January 9th, 1986 at our meeting in Fort Worth. Upon review of the papers I left with you I would ask that you contact me in regard to the other options set out for you in those papers to see if you might want to take advantage of one of those instead of participating for your 8.33% working interest.

In the event none of the above is satisfactory to you, Read & Stevens, Inc. will have to begin force pooling hearings against your interest, in the near future, in the event that we should not hear from you.

If you should have any questions concerning any of the above or any comments, I would be more than happy to discuss them with you. Please feel free to contact me any time at the above address or telephone number.

Read & Stevens, Inc.

Yours very truly,

READ & STEVENS, INC.

Joe Wigley, Land Manager

JW:arw Enclosure

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

cc: Evelyn Clay O'Hara Trust c/o Juanita Jackson HCW Exploration, Inc. Post Office Box 10585 Midland, Texas 79702

READ & STEVENS, INC. WELL COST ESTIMATE AUTHORIZATION FOR EXPENDITURES

Norkover: Recompletion Maintenance Description of Work: Drill a 3700' Well to test Yates F		Supplement Estimate GROSS C Dry Hole \$ 10,000	State NM Revised Estimate
coation Section 15-208-34E st. Total Depth 3,700' Formation Yates Orill: Wildcat Development X Norkover: Recompletion Maintenance	Estimate X Production	County Lea Supplement Estimate GROSS C	Revised Estimate
rill: Wildcat Development X forkover: Recompletion Maintenance	Estimate X Production	Estimate GROSS C Dry Hole	Estimate
Orkover: Recompletion Maintenance	Estimate X Production	Estimate GROSS C Dry Hole	Estimate
	Production	GROSS C	
	Production	Dry Hole	psts
<u> </u>		Dry Hole	zsts
	ft.	Dry Hole	ກາເວ
NTANGIBLES	ft.	· ·	Producer
ocation preparation and damages	ft.	n 113 13(3(3	\$ 10,000
Contractor's footage charge 3,700 ft. @ \$ 10.00 per	•	37,000	37,000
Contractor's day work 2 days @ \$ 3500.00 per day		7,000	7,000
Bits and reamers		-	- 7,000
Mud, chemicals and mud services		10,000	10,000
Equipment rentals		4,000	7,500
Logging and testing		6,000	6,000
Mud logging 5 days @ \$ 200.00 per day		1,000	1,000
Hauling and freight		3,000	6,000
Supervision 10 days e \$ 300.00 per day		3,000	4,500
Cement and cementing services		8,000	23,000
Perforating, acidizing and fracturing			52,000
Completion workover and swabbing units			15,000
Contract services		4,000	8,000
Non-recoverable equipment		1,500	2,500
Administrative overhead		2,500	5,000
Miscellaneous expenditures		3,000	5,000
Plugging and abandonment		5,000	
Water		5,000	7,000
Contingencies		10,000	10,000
Sales tax			
TOTAL INTANGIBLES		\$ 120,000	\$ 216,500
Torne Thirmorees		120,000	2 10,000
WELL TANGIBLES			
Surface casing 500 ft. of 8 5/8 In. @ \$ 7.00 /ft	t.	\$ 3,500	\$3,500
Protective Casing 0 ft. of 0 in. @ \$.00 /	/ft.		<u> </u>
Production Casing 3700 ft. of 4 1/2 in. @ \$ 3.00 /ft	t .	_	11,100
Tubing 3600 ft. of 2 3/8 In. @ \$ 1.50 /ft.		-	5,400
Sucker Rods 3600 ft. of 7/8 & 3/4 In.		-	3,600
Well head equipment		1,500	2,500
Other sub-surface equipment		_	1,500
Other surface well equipment			2,000
TOTAL TANGIBLES		5 ,000	s 29,600
TOTAL WELL COST	,	s 125,000	\$ 246,100
(A) Well cost to casing point \$ 125,000			
(B) Well cost after casing point \$ 150,000			
PRODUCTION EQUIPMENT		•	
Hauling and freight		-	\$ 1,000
Supervision, labor, contract services			1,500
Miscellaneous connections, fittings			2,000
Line pipe			500
Pumping Equipment			13,500
Tankage			5,400
Separator			5,000
Dehydrator Heater-treater			
			
Other			
TOTAL PRODUCTION EQUIPMENT		<u>-</u>	\$ 28,900
TOTAL AFE		125,000	\$ 27 5,000
TOTAL PREVIOUS ESTIMATES		<u>s_</u> -	\$ -
TOTAL THIS ESTIMATE		125 000	\$ 27.5.000
IOINE INTO ESTIMALE		125,000	\$ 275,000
APPROVAL SIGNATURE: T	ITLE:	DAT E:	I NT ERE ST :

UNITED BANK PLAZA

CHARLES B. READ

NORMAN L. STEVENS, JR. VICE-PRESIDENT

Read & Stevens, Inc.
Oil Producers
9. O. Baz 1518

Rosmall, Nam Marico 88201

June 19, 1986

Mr. Bill Bogle (A Plaza Fort Worth, Texas 76102

Re: Estimated Economics for Yates Test

Dear Mr. Bogle:

Enclosed please find the information per your request on the above referenced matter. If you have any questions or comments, please do not hesitate to contact me at the above address or telephone.

Sincerely,

Joe Wigley, Land Manager

JW:arw

Enclosures

EVELYN CLAY O'HARA TRUST Yates Formation

			1	•	
Р1	ψ		2.		OPTION
ease consid	8.33% WI		8.33% WI	8.33% WI	ORIGINAL
Please consider this (#2) option.	No Farmout - Participate with full interest	* Assumption Federal 12.5% RI	(Convert to a 1/3 WI + Del 78.125% ORR) 12.5% x 8.33% ORR = 2.77000% WI (8.33% - 2.77% = 5.56%) x (87.5% - 78.125% = 9.375%*) .52125% ORR	(Del 75% Farmout maintain only ORR)	TRADE & INTEREST
	= 8.33000%		2.5% x 8.33% ORR = 2.77000% WI = 9.375%*) .52125% ORR	12.5% x 8.33% ORR = 1.04125% ORR	
	\$28,467		\$ 9,466	0	ESTIMATED
	\$61,225		\$24,738	\$ 8,746	ESTIMATED TOTAL FUTURE NET REVENUE
	\$32,758		\$15,272	\$ 8,746	COST

ESTIMATED ECONOMICS FOR YATES TEST

Working Interest

8.33%

Net Revenue Interest

87.50%

Approximate Costs

 $$341,743 \times 8.33\% = 28,467$

Approximate Reserves and Production: 60,000 BO - 1,500 BOPM

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Value of Product: \$14.00

Economics for 8.33% Working Interest

Monthly Revenue: 1500 BOPM x \$14.00 x 8.33% x 87.5% = \$1,530

Future Net Revenue: 60,000 BO x \$14.00 x 8.33% x 87.5% = \$61,225

Return on Investment: $\frac{$53,572}{$28,467} = 1.88:1$

Payout:

 $\frac{$28,467}{$1,530} = 18.60$ months

ESTIMATED ECONOMICS FOR YATES TEST

ORRI Interest Only:

 $12.5\% \times 8.33\% = 1.04125\%$

_ Approximate Costs:

\$341,743 Costs to Lynn -0-

Approximate Reserves and Production = 60,000 BO - 1,500 BOPM

Value of Product: \$14.00

Economics for 1.04125% ORI

Monthly Revenue= 1,500 BOPM x \$14.00 x 1.04125% = \$218

Future Net Revenue = 60,000 BO x \$14.00 x 1.04125% = \$8,746

ESTIMATED ECONOMICS FOR YATES TEST

Working Interest: 2.77% (8.33% x 1/3) + .52125% ORI

(87.5% - 78.125%) = 9.375 (8.33 - 2.77) = 5.56 $(9.375\% \times 5.56\%) = .5125\%$

Net Revenue Interest: $2.77\% \times 87.5\% = 2.4238\% + .52125\%$ ORI

Costs: $$341,743 \times 2.77\% = $9,466.28$

Approximate Reserves and Production: 60,000 BO - 1,500 BOPM

Net Oil Price: \$14.00

Economics for 2.77% Working Interest + .52125% ORI

Monthly Revenue: 1,500 BOPM x \$14.00 x 2.77% x 87.5% = \$508.99 1,500 BOPM x \$14.00 x .52125% = \$109.46

Future Net Revenue: $60,000 \text{ BO x } \$14.00 \text{ x } 2.77\% \text{ x } 87.5\% = \$20,359.50 \\ 60,000 \text{ BO x } \$14.00 \text{ x } .52125\% = \frac{\$4,378.50}{\$24,738.00}$

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Return on Investment: $\frac{24,738}{9,466} = 2.61:1$

Payout: $\frac{9,466}{15.31} = 15.31$ months

618

HARRIS, FINLEY, CREEL & BOGLE

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW
3100 CONTINENTAL PLAZA
FORT WORTH, TEXAS 76102
817/335-5050

JENKINS GARRETT ROBERT STAHALA OF COUNSEL

KENDALL D. ADAIR
BILL F. BOGLE
WILLIAM G. BREDTHAUER
JAMES A. CREEL
TAX LAW*
DEE S. FINLEY, JR.
COMMERCIAL REAL ESTATE LAW*
CHARLES B. HARRIS
SETATE PLANHING AND PROSENTE LAW*
ROLAND K. JOHNSON
MARK C. MATULA
THOMAS D. POWERS
CONSUMER BANKRUPTCY LAW*
ANDREW D. SIMS

November 11, 1986

"SOARD CERTIFIED
TEXAS BOARD OF LEGAL SPECIALIZATION

Read & Stevens, Inc. P. O. Box 1518 Roswell, New Mexico 88201

Attention: Joe M. Wigley, Land Manager

Re: Evelyn Clay O'Hara Trust

Dear Mr. Wigley:

He welget in four A with feet tacke

We represent the Evelyn Clay O'Hara Trust who owns a working interest under the proposed Laurie #2 Well in Section 15, Township 20 South, Range 34 East, Lea County, New Mexico. We discussed the three alternate proposals made by Read & Stevens with our client and she is unwilling to participate under any of the alternatives. However, after consulting with her, she indicated that she would be willing to farmout her interest to Read & Stevens on the following general terms:

- 1. Read & Stevens would pay the entire cost of drilling, completing, and equipping the well. 8.333 % x /07,550 = 8962 DH ou 8.332 x 205.030 = 17,065 Comp. Correct 8/11 them banks
- 2. The trust would assign to Read & Stevens 7/8ths of its interest. This interest would revert to the trust after Read & Stevens had received from that interest an amount equal to 125% of the cost attributable to that interest of drilling, completing, equipping, and operating the well until payout.
- 3. The trust would retain its 1/8th interest and pay its share of operating costs after the well is completed, equipped and ready to produce.

Please let me know if this offer is acceptable.

Yours very truly,

William G. Bredthauer

WGB/er

cc: Mrs. Evelyn Clay O'Hara

· 6/6/87 Called hynn left museage

CHARLES B. READ PRESIDENT

NORMAN L. STEVENS, JR. VICE-PRESIDENT

Read & Stevens. Inc.

Oil Producers

P. O. Box 1518

Roswell. New Mexico 88201

August 31, 1987

TO:

Oil Conservation Division

FROM: Read & Stevens, Inc.

RE: #2 Laurie "D" Federal Well

Sec: 15 NE/4NE/4 (660' FN&EL)

T-20S, R-34E

Lea County, New Mexico Compulsory Pooling Request

Gentlemen:

In assessing the risk involved in drilling the subject well, the lack of significant Yates production in the immediate area would of course, contribute to a high risk factor. Although two former Yates producers are located within one mile of the subject well, they are situated on a different structure than the one we propose to test (See structure map). In addition, there is a Yates dry hole located between these former producers and our subject location. Finally, although the Yates Formation rendered shows during the drilling of the #1 Laurie "D" Federal, the zones were not tested; Therefore, there is a reasonable risk that the Yates is not commercial.

I believe that the above risk factors call for the maximum penalty to be assessed plus the fact that the O'Hara Trust did not farm-out or participate with their interest in the shallower zones (0-3,800') in the #1 Laurie "D" and thus Read & Stevens, Inc. has already been subjected to the penalty of "carrying them" in one well. The #2 Laurie "D" Federal Well is basically an extension "wildcat" and as such, should be assessed the maximum penalty.

Sincerely,

READ & STEVENS. INC.

Alan Jackson, Geologist

