

BEFORE THE OIL CONSERVATION DIVISION
DEPARTMENT OF ENERGY AND MINERALS

RECEIVED
SEP 1 1987
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 Continental Plaza, Fort Worth Texas, 76102; and, (2) an 8.3333% 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 protect 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.

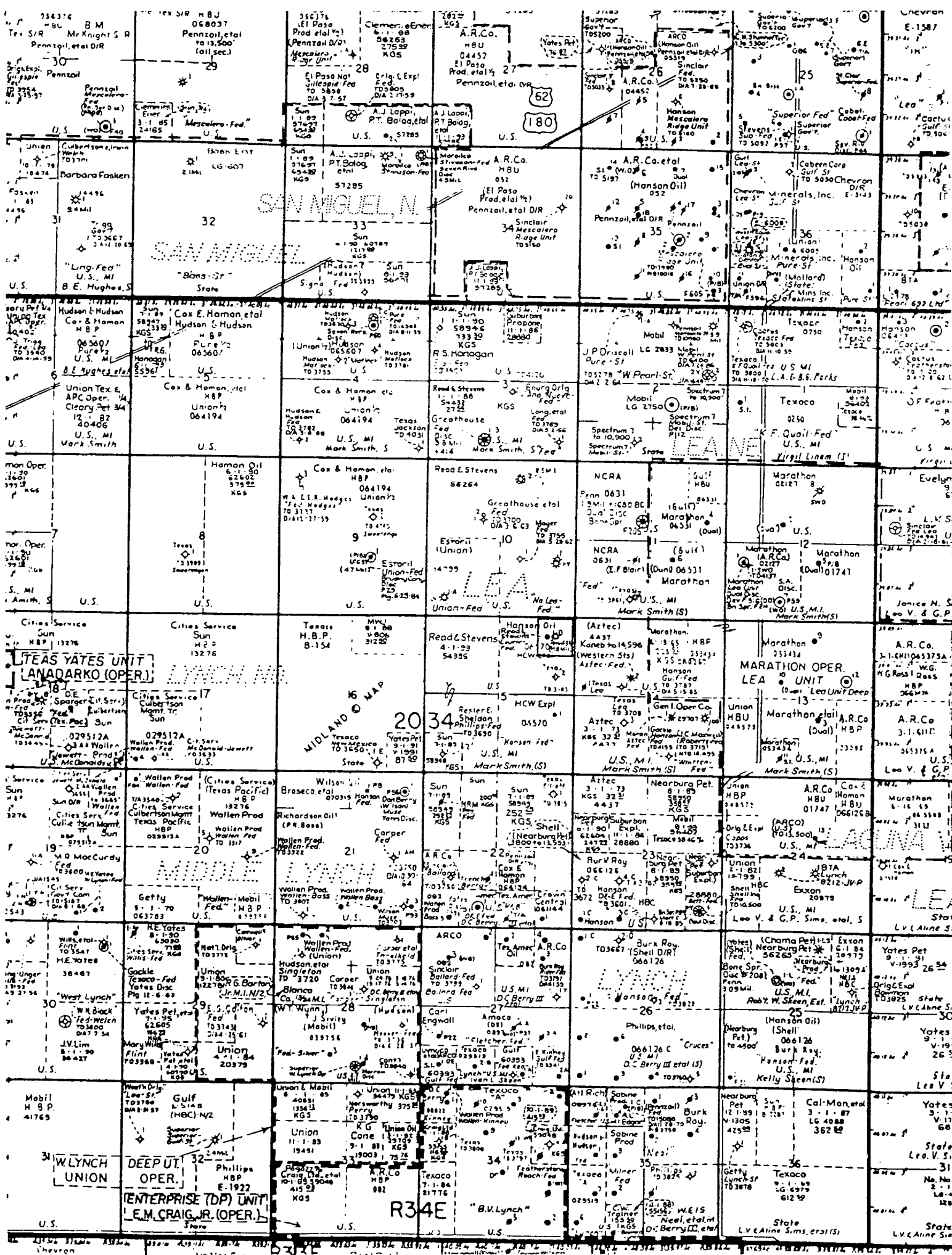
WHEREFORE, Applicant requests that this matter be set for hearing before a duly appointed examiner of the Oil Conservation Division on September 23, 1987 and that after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions for Applicant to recover 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

By 
J. Scott Hall
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421

Attorneys for Read & Stevens, Inc.



#2 Laurie "D" Federal
Section 15: NE/4NE/4-T20S-R34E
Lea County, N.M.

Breakdown of Acreage Holdings in the Proposed Spacing Unit

	<u>Undivided Working Interest</u>
Read & Stevens, Inc	16.2444%
Read & Stevens, Inc. Partners	44.8668%
McBride Oil & Gas	16.6667%
HCW Income Properties	7.9167%
James Brown	.4167%
Margaret Couch Trust	2.7777%
R. Clay Trust	2.7777%
* Evelyn O'Hara Trust	8.3333%
TOTAL	<u>100.0000%</u>

* Force Pool Interest

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

	<u>Royalty Interest</u>
U.S.A.	12.5%

UNITED BANK PLAZA
400 N. PENN. SUITE 1000

PHONE 505 622-3770

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: 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.

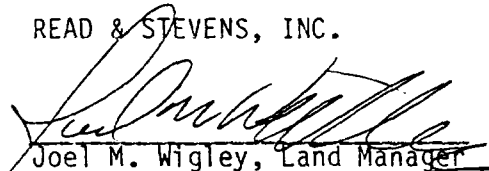
Oil Conservation Division
August 31, 1987
Page 2

- 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 31st day of August, 1987 by Joel M. Wigley, Land Manager of Read & Stevens, Inc., a New Mexico Corporation on behalf of said Corporation.

Randall R. Fort
Notary Public

My Commission Expires

8-11-90

UNITED STATES POSTAL SERVICE
OFFICIAL BUSINESS

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

RETURN
TO



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

READ & STEVENS, INC.

P.O. Box 1518

Roswell, NM 88201

Joe W.

UNITED STATES POSTAL SERVICE
OFFICIAL BUSINESS

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.
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USE \$300

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TO



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

READ & STEVENS, INC.

P.O. Box 1518

Roswell, NM 88201

Joe W.

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery.

3. Article Addressed to: H.C.W. Income Properties P.O. Box 10585 Midland, TX 79702 ATTENTION: Juanita Jackson	4. Article Number P-482 996 612 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail Always obtain signature of addressee or agent and DATE DELIVERED .
5. Signature — Addressee: X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent X <i>D. Duran</i>	
7. Date of Delivery <i>6-11-87</i>	

PS Form 3811, Feb. 1986 JW Ltr DOMESTIC RETURN RECEIPT

3800, June 1985

U.S.G.P.O.

Postmark or Date CC FOR Evelyn Clay O'Hara -1-/#7	TOTAL POSTAGE AND FEES	Return Receipt (check box if required)	Special Delivery Fee	Registered Fee	Postage	P.O. State and Zip Code Fort Worth, TX 76107
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SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery.

3. Article Addressed to: Evelyn Clay O'Hara P.O. Box 9620 Fort Worth, Texas 76107	4. Article Number P-482 996 613 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail Always obtain signature of addressee or agent and DATE DELIVERED .
5. Signature — Addressee: X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent X <i>D. Coyle</i>	
7. Date of Delivery <i>6-15-87</i>	

PS Form 3811, Feb. 1986 #2 Laurie "D" DOMESTIC

UNITED BANK PLAZA
400 N. PENN. SUITE 1000

CHARLES B. READ
PRESIDENT

NORMAN L. STEVENS, JR.
VICE-PRESIDENT

*Telephone 505 622-3770
told her we needed an answer*
Read & Stevens, Inc.

Oil Producers

P. O. Box 1518

Roswell, New Mexico 88201

317-731-3332 F.
1000 West 10th St
2227

Bill Bredthauer

*6/15/87 Bill called & he has
sent Evelyn a second
Request - will call him*

June 10, 1987

*Held Exploration - J. T. ...
915 622 3333*

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

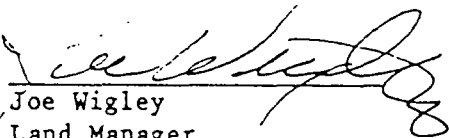
Page 2

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
400 N. PENN, SUITE 1000

PHONE 505 622-3770

CHARLES B. READ
PRESIDENT

NORMAN L. STEVENS, JR.
VICE-PRESIDENT

Read & Stevens, Inc.

Oil Producers

P. O. Box 1518

Roswell, New Mexico 88201

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.

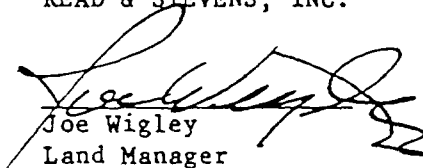
Read & Stevens, Inc.

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 participate in the drilling of the #2 Laurie "D" Well.

_____ I do not desire to participate in the drilling of the #2 Laurie "D" Well.

Date

By: _____

() _____
Telephone Number

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

505/622-3770

AFE NO. R-060887-9272W Prepared By: Alan Jackson
Date June 8, 1987
Well Name #2 Laurie "D" Prospect Name Lea Yates
Location NE/NE Section 15 T20S-R34E County Lea State NM
Est. Total Depth 3,700' Formation Yates
Drill: Wildcat X Development _____ Original _____ Supplement _____ Revised _____
Workover: Recompletion Maintenance _____ Estimate _____ Estimate _____ Estimate X

Description of Work: _____

INTANGIBLES

	GROSS COSTS	
	Dry Hole	Producer
Location preparation and damages	\$ 10,000	\$ 10,000
Contractor's footage charge <u>3,700 ft. @ \$ 8.00</u> per ft.	29,600	29,600
Contractor's day work <u>2</u> days @ <u>\$3,500.00</u> per day	7,000	7,000
Bits and reamers	-	-
Mud, chemicals and mud services	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 services	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	1,500	2,500
Administrative overhead	3,300	3,300
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

\$ 102,550 \$ 144,950

WELL TANGIBLES

Surface casing <u>500</u> ft. of <u>8-5/8</u> in. @ <u>\$9.75</u> /ft.	\$ 4,875	\$ 4,875
Protective casing <u>-</u> ft. of <u>-</u> in. @ <u>\$ -</u> /ft.	-	-
Production casing <u>3,700</u> ft. of <u>4-1/2</u> in. @ <u>\$ 3.80</u> /ft.	-	14,060
Tubing <u>3,600</u> ft. of <u>2-3/8</u> in. @ <u>\$2.20</u> /ft.	-	7,920
Sucker rods <u>3,600</u> ft. of <u>7/8 3/4</u> in. @ <u>\$ 1.00</u> /ft.	-	3,600
Well head equipment	1,500	2,500
Other sub-surface equipment	-	1,500
Other surface well equipment	-	2,000

TOTAL TANGIBLES

\$ 6,375 \$ 36,455

TOTAL WELL COST

\$ 108,925 \$ 181,405

(A) Well cost to casing point \$ 108,925
(B) Well cost after casing point \$ 101,380

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

\$ - \$ 28,900

TOTAL AFE

\$ 108,925 \$ 210,305

TOTAL PREVIOUS ESTIMATES

\$ - \$ -

TOTAL THIS ESTIMATE

\$ 108,925 \$ 210,305

APPROVAL

COMPANY:

SIGNATURE:

TITLE:

DATE:

INTEREST:

Evelyn Clay O'Hara
Trust

By _____

6/9/87

8.3333% WI

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
ESTATE PLANNING AND PROBATE LAW
ROLAND K. JOHNSON
MARK C. MATULA
THOMAS D. POWERS
CONSUMER BANKRUPTCY LAW
ANDREW D. SIMS
BOARD CERTIFIED
TEXAS BOARD OF LEGAL SPECIALIZATION

November 11, 1986

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:

We represent the Evelyn Clay O'Hara Trust who owns working interest under the proposed Laurie #2 Well in Sect 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 her, she indicated that she would be willing to farmout interest to Read & Stevens on the following general terms:

1. Read & Stevens would pay the entire cost of, drilling, completing, and equipping the well. $2.333\% \times 107,550 = 249,696$
2. The trust would assign to Read & Stevens 7/8ths interest. This interest would revert to the trust after Stevens had received from that interest an amount equal 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 share of operating costs after the well is completed and ready to produce.

Please let me know if this offer is acceptable.

Yours very truly,

Bill Bredthauer
William G. Bredthauer

• 6/6/87 Call

WGB/er

cc: Mrs. Evelyn Clay O'Hara

ILLEGIBLE

UNITED BANK PLAZA
400 N. PENN. SUITE 1000

CHARLES B. READ
PRESIDENT

NORMAN L. STEVENS, JR.
VICE-PRESIDENT

PHONE 505 622-3770

Read & Stevens, Inc.

Oil Producers

P. O. Box 1518

Roswell, New Mexico 88201

August 25, 1986

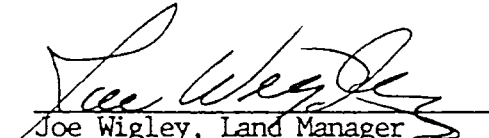
Mr. Charles Northington
2030 Ward Parkway
Fort Worth, Texas 76110

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

UNITED BANK PLAZA
N. PENN. SUITE 1000

CHARLES B. READ
PRESIDENT

NORMAN L. STEVENS, JR.
VICE-PRESIDENT

PHONE 505 622-3770

Read & Stevens, Inc.

Oil Producers

P O Box 1518

Roswell, New Mexico 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

505/622-3770

AFE NO. 40 Prepared By: Bruce Stubbs
Date August 11, 1986
Well Name #2 Laurie "D" Prospect Name Lea Yates
Location Section 15-20S-34E County Lea State NM
Est. Total Depth 3,700' Formation Yates
Drill: Wildcat Development X Original Supplement Revised
Workover: Recompletion Maintenance Estimate X Estimate Estimate
Description of Work: Drill a 3700' Well to test Yates Production

GROSS COSTS

INTANGIBLES

	Dry Hole	Producer
Location preparation and damages	\$ 10,000	\$ 10,000
Contractor's footage charge <u>3,700</u> ft. @ \$ <u>10.00</u> per ft.	37,000	37,000
Contractor's day work <u>2</u> days @ \$ <u>3500.00</u> per day	7,000	7,000
Bits and reamers	-	-
Mud, chemicals and mud services	10,000	10,000
Equipment rentals	4,000	7,500
Logging and testing	6,000	6,000
Mud logging <u>5</u> days @ \$ <u>200.00</u> per day	1,000	1,000
Hauling and freight	3,000	6,000
Supervision <u>10</u> days @ \$ <u>300.00</u> 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

WELL TANGIBLES

Surface casing <u>500</u> ft. of <u>8 5/8</u> in. @ \$ <u>7.00</u> /ft.	\$ 3,500	\$ 3,500
Protective Casing <u>0</u> ft. of <u>0</u> in. @ \$ <u>.00</u> /ft.	-	-
Production Casing <u>3700</u> ft. of <u>4 1/2</u> in. @ \$ <u>3.00</u> /ft.	-	11,100
Tubing <u>3600</u> ft. of <u>2 3/8</u> in. @ \$ <u>1.50</u> /ft.	-	5,400
Sucker Rods <u>3600</u> ft. of <u>7/8 & 3/4</u> 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	\$ 29,600
TOTAL WELL COST	\$ 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	\$ -	\$ 28,900
TOTAL AFE	\$ 125,000	\$ 275,000
TOTAL PREVIOUS ESTIMATES	\$ -	\$ -
TOTAL THIS ESTIMATE	\$ 125,000	\$ 275,000

APPROVAL
COMPANY:

SIGNATURE:

TITLE:

DATE:

INTEREST:

UNITED BANK PLAZA
400 N. PENN. SUITE 1000

CHARLES B. READ
PRESIDENT

NORMAN L. STEVENS, JR.
VICE-PRESIDENT

PHONE 505 622-3770

Read & Stevens, Inc.

Oil Producers

P. O. Box 1518

Roswell, New Mexico 88201

June 19, 1986

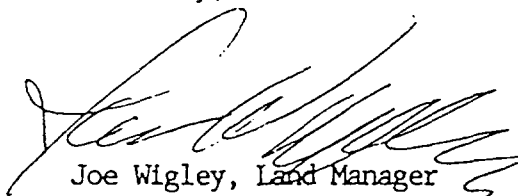
Mr. Bill Bogle *A. Horney*
3100 Continental Plaza
Fort Worth, Texas 76102

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

Pls. call

JW:arw

Enclosures

EVELYN CLAY O'HARA TRUST
Yates Formation

<u>OPTION</u>	<u>ORIGINAL INTEREST</u>	<u>TRADE & INTEREST</u>	<u>ESTIMATED COST</u>	<u>ESTIMATED TOTAL FUTURE NET REVENUE</u>	<u>REVENUE COST</u>
1.	8.33% WI	(Del 75% Farmout maintain only ORR)	-0-	\$ 8,746	\$ 8,746
2.	8.33% WI	(Convert to a 1/3 WI + Del 78.125% ORR) (8.33% - 2.77% = 5.56%) x (87.5% - 78.125% = 9.375%*)	\$ 9,466	\$24,738	\$15,272
		* Assumption Federal 12.5% RI			
3.	8.33% WI	No Farmout - Participate with full interest	\$28,467	\$61,225	\$32,758

Please consider this (#2) option.

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

Value of Product: \$14.00

Economics for 8.33% Working Interest

Monthly Revenue: $1500 \text{ BOPM} \times \$14.00 \times 8.33\% \times 87.5\% = \$1,530$

Future Net Revenue: $60,000 \text{ BO} \times \$14.00 \times 8.33\% \times 87.5\% = \$61,225$

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

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

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 \times \$14.00 \times 1.04125% = \$218

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

ESTIMATED ECONOMICS FOR YATES TEST

Working Interest: $2.77\% (8.33\% \times 1/3) + .52125\% \text{ ORI}$

$$(87.5\% - 78.125\%) = 9.375$$

$$(8.33 - 2.77) = 5.56$$

$$(9.375\% \times 5.56\%) = .5125\%$$

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

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

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

Net Oil Price: \$14.00

Economics for 2.77% Working Interest + .52125% ORI

$$\text{Monthly Revenue: } 1,500 \text{ BOPM} \times \$14.00 \times 2.77\% \times 87.5\% = \$508.99$$

$$1,500 \text{ BOPM} \times \$14.00 \times .52125\% = \$109.46$$

$$\underline{\$618.45}$$

$$\text{Future Net Revenue: } 60,000 \text{ BO} \times \$14.00 \times 2.77\% \times 87.5\% = \$20,359.50$$

$$60,000 \text{ BO} \times \$14.00 \times .52125\% = \$4,378.50$$

$$\underline{\$24,738.00}$$

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

$$\text{Payout: } \frac{9,466}{618} = 15.31 \text{ months}$$

HARRIS, FINLEY, CREEL & BOGLE

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

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

JENKINS GARRETT
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JAMES A. CREEL

TAX LAW
DEE S. FINLEY, JR.
COMMERCIAL REAL ESTATE LAW

CHARLES B. HARRIS
ESTATE PLANNING AND PROBATE LAW

ROLAND K. JOHNSON
MARK C. MATULA

THOMAS D. POWERS
CONSUMER BANKRUPTCY LAW

ANDREW D. SIMS

November 11, 1986

*BOARD 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

11/13/87 Offer from K. ...
He will get in touch with her

Dear Mr. Wigley:

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. $2.333\% \times 107,550 = 8962.04$ or $2.333\% \times 205,030 = 47,065$ Comp. Carried after then tank
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,

Bill Bredthauer

William G. Bredthauer

WGB/er

cc: Mrs. Evelyn Clay O'Hara

• 6/6/87 Called Lynn left message

UNITED BANK PLAZA
400 N. PENN. SUITE 1000

CHARLES B. READ
PRESIDENT

NORMAN L. STEVENS, JR.
VICE-PRESIDENT

PHONE 505 622-3770

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

AJ/jas

