

(13) All proceeds from production from the well that are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(14) If the operator of the pooled unit fails to commence drilling the well to which the unit is dedicated on or before August 1, 1999, or if all the parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order should become of no effect.

(15) The operator of the well and unit should notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Energen Resources Corporation, all mineral interests, whatever they may be, within the Wolfcamp and Strawn formations underlying the following described acreage in Section 35, Township 15 South, Range 35 East, NMPM, Lea County, New Mexico, are hereby pooled as follows:

- (a) as to the Strawn formation, the W/2 SW/4 to form a standard 80-acre oil spacing and proration unit for the Undesignated West Lovington Strawn Pool; and
- (b) as to the Wolfcamp formation, the SW/4 SW/4 to form a standard 40-acre oil spacing and proration unit for the Townsend Permo Upper Pennsylvanian Pool.

(2) These units shall be dedicated to the applicant's proposed Beadle No. 1 (API No. 30-025-34606) well to be drilled and completed at a standard oil well location 330 feet from the South and West lines (Unit M) of Section 35.

PROVIDED HOWEVER THAT, the operator of the unit shall commence drilling the well on or before August 1, 1999, and shall thereafter continue drilling the well with due diligence to a depth sufficient to test the Strawn formation.

PROVIDED FURTHER THAT, in the event the operator does not commence drilling the well on or before August 1, 1999, Ordering Paragraph (1) shall be of no effect unless the operator obtains a time extension from the Division Director for good cause shown.

PROVIDED FURTHER THAT, should the well not be drilled to completion or abandoned within 120 days after commencement thereof, the operator shall appear before

the Division Director and show cause why Ordering Paragraph (1) should not be rescinded.

(3) Energen is hereby designated the operator of the subject well and units.

(4) After the effective date of this order and within 90 days prior to commencing the well, the operator shall furnish the Division and each known working interest owner in the unit an itemized schedule of estimated well costs.

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

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

(7) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid its share of estimated well costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator its share of the amount that estimated well costs exceed well costs.

(8) The operator is hereby authorized to withhold the following costs and charges from production:

- (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner who has not paid its share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished; and
- (b) as a charge for the risk involved in drilling the well, 200 percent of the above costs.

(9) The operator shall distribute the costs and charges withheld from production to the parties who advanced the well costs.