

CASE 7254: MESA PETROLEUM COMPANY FOR
COMPULSORY POOLING, SAN JUAN COUNTY,
NEW MEXICO

LI camp
of + mod

Case No.

7254

Application

Transcripts

Small Exhibits

ETC

CHARLES E. OSGOOD, JR.



July 16, 1981

Dan Rutter

*File
Case 7254*

State of New Mexico
Energy and Minerals Department
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

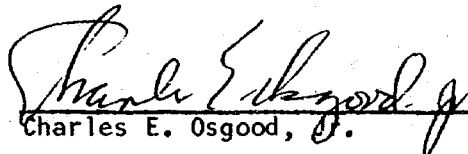
RE: Case No. 7254
Order No. R - 6713

Gentlemen:

This letter is written by me for and on behalf of Mesa Petroleum Co.

Pursuant to Item (3) of Page 3 of the captioned order I am sending the attached Schedule of Estimated Well Costs.

Very truly yours,


Charles E. Osgood, Jr.

CEO, Jr/bb
Attach.

MESA
PETROLEUM CO.

San Juan Division
Co. / Div. / Subdiv. / Dept.

REVISED

At

ID #

Code General

Exploratory

RECEIVED
JUL 20 1981
OIL CONSERVATION DIVISION
SANTA FE

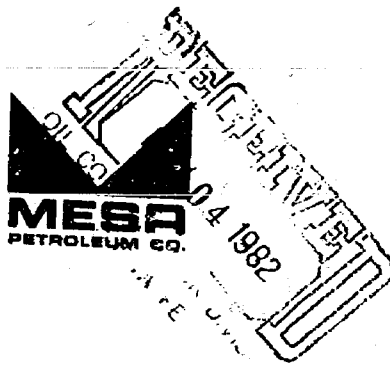
LEASE, WELL NAME, AND LOCATION Bruington 15E
1450' PNL & 1850' FWL Sec. 15-T30N-R11W, San Juan County, New Mexico

DESCRIPTION Drill and complete a 6900' dual Dakota - Mesaverde flowing gas well

Sub Acct. Codes	ITEM DESCRIPTION	Common	MV	Dakota	Total
X01	DRILLING—FOOTAGE 6900' Ft. At \$ 14.40 /Ft.	\$ 72,000		\$ 27,360	\$ 99,360
X02	DRILLING or COMPLETION RIG MI-RU, RD-MO—DAY WORK				
	(A) DAY WORK 2 DAYS At \$ 4,620.00 /DAY	9,240			9,240
X03	DRILLING or COMPLETION RIG		10,500	10,500	21,000
	(A) BOILER DAYS At \$ /DAY				
	(B) CAMP & CATERING DAYS At \$ /DAY				
	(C) OTHER DAYS At \$ /DAY				
X04	CEMENTING SERVICES, CEMENT & ACCESSORIES	20,000			20,000
X05	MUD, CHEMICALS, SERVICES & EQUIP. (A) MUD, CHEM., OIL	20,000			20,000
	(B) WATER	10,000			10,000
X06	LOGS, TESTING & MUD LOGGING UNIT	15,000			15,000
X07	DRILL STEM TEST & RELATED TESTING EQUIPMENT				
X08	PERFORATING, WELL STIMULATION SERVICES		45,000	35,000	80,000
X09	LOCATION, ROADS, SURVEYS, AIRSTRIPS	10,000			10,000
X10	COMPANY LABOR, SUPERVISION, ENGINEERING & OVERHEAD	3,000			3,000
X11	RENTAL EQUIPMENT & TOOLS	10,000			10,000
X12	ROCK BITS, HOLE OPENERS, REAMERS, STABILIZERS	500			500
X13	HAULING & FREIGHT	8,500			8,500
X14	MOBILIZATION - INSTALLATION				
X15	DEMOBILIZATION - DISMANTLING & SALVAGE				
X16	SUPPLYBOATS, CREWBOATS, BARGES, TUGS				
X17	FUEL, LUBES, POWER				
X18	SHOREBASE, OFFICE, DOCK FEE & CRANES				
X19	AIRCRAFT RENTALS—HELICOPTERS, FIXED WING				
X20	DIVERS AND RELATED EQUIPMENT				
X21	MISCELLANEOUS	16,320	5,250	7,750	29,320
X22	COST to ABANDON (NOT INCLUDED IN PRODUCER TOTAL)				
X23	MUD ENGINEER DAYS At \$ /DAY				
X24	CONSULTING ENGINEER				
	(A) DRILLING 16 DAYS At \$ 350.00 /DAY	5,600			5,600
	(B) COMPLETION 14 DAYS At \$ 350.00 /DAY		2,450	2,450	4,900
X25	GEOLOGICAL CONSULTANT 10 DAYS At \$ 300.00 /DAY	3,000			3,000
	Total Intangible & Non-Controllable Costs	\$ 203,160	\$ 63,200	\$ 83,060	\$ 349,420
X41	BUOYS AND MARKERS	\$	\$	\$	\$
X42	CASING/TUBULARS				
	(A) 250 FT. OF 10 3/4 " OD \$ 14.25 /FT.	3,563			3,563
	(B) 6900 FT. OF 5 1/2 " OD \$ 5.65 /FT.	28,250		10,735	38,985
	(C) 6900 FT. OF 2 1/16 " OD \$ 2.25 /FT.			15,525	15,525
	(D) 5000 FT. OF 1 1/4 " OD \$ 2.04 /FT.		10,200		10,200
	(E) FT. OF " OD \$ /FT.				
X43	WELL HEAD & GUIDE STRUCTURE	2,000			2,000
X44	SUB-SURFACE WELL EQUIPMENT		7,000	7,000	14,000
X45	SURFACE WELL EQUIPMENT	13,950	4,500	4,500	22,950
X46	OTHER MAJOR EQUIPMENT				
	(A) Tanks		3,250	7,500	10,750
	(B) Separators		11,500	11,500	23,000
	(C)				
X47	BUILDINGS				
X48	ELECTRICAL & INSTRUMENTATION EQUIPMENT				
X49	INSTALLATION, MATERIALS, & SERVICES		5,000	5,000	10,000
	Total Tangible Controllable & Non-Controllable Costs	\$ 47,763	\$ 41,450	\$ 61,760	\$ 150,973
	Total Costs	\$ 250,923	\$ 104,650	\$ 144,820	\$ 500,393

Prepared by [Signature] Date Drlg. Super 9/8/80
 Reviewed by [Signature] Date Oper. Mgr. 9/8/80
 Approved by [Signature] Date Div. Mgr.
 Author [Signature] Date

Mesa WI
Others WI



T.L. Lutringer
manager — accounting

April 28, 1982

State of New Mexico
Energy and Minerals Department
Oil Conservation Division
P. O. Box 2088
Santa Fe NM 87501

Attention Joe D. Ramey - Director

Gentlemen:

Subject: Case 7254

As per Division Order No. R-6713, we are enclosing a detailed schedule of costs on the Bruington 15E (MV).

If there are any questions concerning the enclosed schedule please let us know.

Sincerely,

Carolyn M. Connelly
Carolyn M. Connelly, Supervisor
Joint Interest Accounting

jb

Enclosure

Copy to w/attachments
El Paso Natural Gas
P. O. Box 1492
El Paso TX 79978

Southwest Production Company
8333 Douglas Avenue, Suite 1352
Dallas TX 75225

*Nutter
File Case 7254
Jhu*

MESA PETROLEUM CO.
BRUINGTON 15E (MV)
ITEMIZED SCHEDULE OF WELL COSTS

Install Anchors	\$ 274.27
Drilling & Day Work	60,868.62
Set Surface Casing	1,301.67
Centralized/Casing Shoe	114.71
Mud/Water/Chemicals	24,426.53
Logging	5,449.80
Location/Roads/Surveys	16,182.46
Drilling Labor & Supervision	2,596.22
Rental Equipment & Tools	51.85
Hauling & Freight	373.58
Engineering Consultants	1,865.37
Geological Consultants	1,604.52
Drilling Overhead	704.63
Completion/Daywork	22,591.22
Cement/Cementing Services	23,773.64
Chemicals	538.44
Bond Log/Mud Unit	8,929.55
Perforating & Well Stimulation	38,818.90
Clean Up Roads & Location	188.92
Completion Labor & Supervision	4,278.99
Rental/Collars, Flanges	249.41
Bits	278.53
Haul Casing & Tubing	1,084.67
Diesel	825.55
Casing Crew/Security Patrol	3,410.37
Completion Overhead	1,385.51
5-1/2 & 8-5/8 Casing	2,307.30
Wellhead Equipment	4,002.45
Tubing	19,041.08
Surface Equipment	5,574.76
Total	<u><u>\$253,093.52</u></u>



BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

April 23, 1982

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

Mesa Petroleum Company
P. O. Box 2009
Amarillo, Texas 79189

Attention: Mr. T. L. Lutringer

Re: Extension of time to file
Well Costs

Gentlemen:

Reference is made to your letter of April 5 requesting a 30-day extension of time in which to comply with the provisions of Paragraph (5) of Division Order No. R-6713 and file with the Division and each known working interest owner an itemized schedule of actual well costs for the well drilled on lands pooled by Order No. R-6713. This schedule was to be filed within 90 days following completion of the well.

According to our records, the subject well was reported as being "complete, ready to produce," on October 16, 1981. On January 19, 1982, tests were filed indicating that both the Mesaverde and the Dakota zones in the well were tested on January 18, 1982. However apparently only the Dakota was connected to a pipe line.

Even though it would appear that the itemized schedule should have been filed within 90 days following the October 16, 1981, date or by January 15, 1982, and is long overdue, Mesa is hereby allowed until May 15, 1982, to comply.

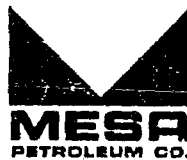
Yours very truly,

JOE D. RAMEY
Director

JDR/DSN/fd

cc: ✓ Case 7254

T. L. Lutringer
manager — accounting



Hutton

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

April 2, 1982

State of New Mexico
Energy and Minerals Department
Oil Conservation Division
P. O. Box 2308
Santa Fe New Mexico 87503

Gentlemen:

Subject: Aztec Prospect OP 06-NM-0729 Bruington 15E
W/2Section T30N R11W San Juan County, New Mexico

Please refer to Case No. 7254, Order No. R-6713.

IT IS THEREFORE ORDERED:

(5) It is requested that we be granted a 30 day extension of time in order to furnish an itemized schedule of all costs on the subject well.

The reason for our request is because all of the costs on the well have not been received or recorded to date.

Sincerely,

T. L. Lutringer
Manager, Accounting

nj

Copy to Southwest Production Company
8333 Douglas Avenue
Suite 1352
Dallas, Texas 75225

El Paso Natural Gas
P. O. Box 1492
El Paso, Texas 79978

Art Brewster - Denver Office
Herman Giesbrecht - Denver Office

*C-104: spd 9-30-81
compl ready
to produce: 10/16/81
C-105 test DK 1-18-82 CAOF 2649
test M 1-18-82 CAOF 1998
order (5)
allows operator
90 days after completion
APR 5 1982*

AMARILLO, TEXAS 79189

POST OFFICE BOX 2308

ONE MESA SQUARE



CERTIFIED MAIL
RETURN RECEIPT REQUESTED

CERTIFIED

P12 4683619

MAIL

FIRST



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
P O BOX 2308
SANTA FE NM 87503

MARCH 30, 1982 ORDER BY COUNTIES/OPERATIONS PAGE 21
UM GAS ST POOL NAME CUPATER LEASE 5-5-5 LAND

MONTHLY TOTALS ARE THRU MONTH OF DECEMBER
MONTHLY TOTALS ARE ADDED TO CUMULATIVE TOTALS

CHAVES COUNTY *****

COUNTY TOTALS									
20	21	22	23	24	25	26	27	28	29
51	4	9330E	158 P	13006	371	84496	305648	32595	CATC SAN ANCRE+SHILL CIL CO+AMCC
52	4	9330E	1300 P	34110	281	15025	89804	2721	CATC SAN ANCRE+SHILL CIL CO+CCCRDIF
53	4	9330E	867 P	1567	1531	102464	415611	49718	FOLLOWING WELL PLUGGED AND ABANDONED 1979
54	4	9330E	1558	4210	1615	25279	37452	12644	CATC SAN ANCRE+SHILL CIL CO+CCCRDIF
55	4	9330E	4889	12724	1562	44252	239678	16833	CATC SAN ANCRE+SHILL CIL CO+THELMA
56	4	9330E	2266	4227	1580	63534	14842	39831	CATC SAN ANCRE+SHILL CIL CO+THELMA
57	4	9330E	2474	8121	1589	163057	93233	18085	CATC SAN ANCRE+SHILL CIL CO+THELMA
58	4	9330E	646 P	37504	349	71653	260546	57094	CATC SAN ANCRE+SHILL CIL CO+THELMA
59	4	9330E	1152	5100	1576	12086	199174	5962	CATC SAN ANCRE+SHILL CIL CO+CCCRDIF
60	4	9330E	1545	4216	1532	45029	84E52	14625	CATC SAN ANCRE+SHILL CIL CO+CCCRDIF
61	4	9330E	1331	1647	1645	792	19836	30044	CATC SAN ANCRE+SHILL CIL CO+THELMA
62	4	9330E	1531	1645	1645	66880	86591	14754	CATC SAN ANCRE+SHILL CIL CO+THELMA
63	4	9330E	2506	1645	1571	81657	116491	49064	CATC SAN ANCRE+SHILL CIL CO+THELMA
64	4	9330E	2424 P	2213	16333	15055	32495	5706	FOLLOWING WELL PLUGGED AND ABANDONED 1980
65	4	9330E	2564 P	6325	4683	62690	210	50255	CATC SAN ANCRE+SHILL CIL CO+MARSHALL
66	4	9330E	4412 P	8291	40127	27661	73100	64731	CATC SAN ANCRE+SHILL CIL CO+MARSHALL
67	4	9330E	1156 P	334	27661	40958	14604	5593	FOLLOWING WELL PLUGGED AND ABANDONED 1974
68	4	9330E	P	1583	985	1156	45016	406	MANY GATES ABANDONED 1974
69	4	9330E	1067 P	4651	8664	5211	154386	20	CATC SAN ANCRE+SHILL CIL CO+THELMA
70	4	9330E	1253 P	18240	5211	2837	719	5593	CATC SAN ANCRE+SHILL CIL CO+THELMA
71	4	9330E	900 P	236	1653	102574	2686	67670	FOLLOWING WELL RECOMPLETED TO MANY GATES
72	4	9330E	3791 P	345	9307	728	900	64003	MANY GATES ABANDONED 1974
73	4	9330E	5670 P	30916	9870	262	118	65859	MANY GATES ABANDONED 1974
74	4	9330E	189508	332637	136E11	34058	25754	2654	PENJACK ABC (G+YATES PETROL+CC+CANCA
75	4	9330E	323	47	2654	201	234	2	BITTER LAKE (G+YATES PETROL+CC+CANCA
76	4	9330E	4327	2	179	8322	2021	4	BITTER LAKE (G+YATES PETROL+CC+CANCA
77	4	9330E	15596	2021	6125	6240	3152	1922	BITTER LAKE (G+YATES PETROL+CC+CANCA
78	4	9330E	448	1922	6395	39	2156	307	BITTER LAKE (G+YATES PETROL+CC+CANCA
79	4	9330E	39 P	307	2062	1948	248	28	BITTER LAKE (G+YATES PETROL+CC+CANCA
80	4	9330E	233 P	2654	13132 G	15376 G	1	323	BITTER LAKE (G+YATES PETROL+CC+CANCA
81	4	9330E	182 P	1	15376 G	1	323	323	BITTER LAKE (G+YATES PETROL+CC+CANCA
82	4	9330E	200 P	198	1	179	8322	2021	BITTER LAKE (G+YATES PETROL+CC+CANCA
83	4	9330E	543 P	346	6125	6240	3152	1922	BITTER LAKE (G+YATES PETROL+CC+CANCA
84	4	9330E	325 P	346	448	6395	39	2156	307
85	4	9330E	39 P	307	2062	1948	248	2	

COUNTY TOTALS									
20	21	22	23	24	25	26	27	28	29
51	4	9330E	158 P	13006	371	84496	305648	32595	CATC SAN ANCRE+SHILL CIL CO+AMCC
52	4	9330E	1300 P	34110	281	15025	89804	2721	CATC SAN ANCRE+SHILL CIL CO+CCCRDIF
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56	4	9330E	2266	4227	1580	63534	14842	39831	CATC SAN ANCRE+SHILL CIL CO+THELMA
57	4	9330E	2474	8121	1589	163057	93233	18085	CATC SAN ANCRE+SHILL CIL CO+THELMA
58	4	9330E	646 P	37504	349	71653	260546	57094	CATC SAN ANCRE+SHILL CIL CO+THELMA
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62	4	9330E	1531	1645	1645	66880	86591	14754	CATC SAN ANCRE+SHILL CIL CO+THELMA
63	4	9330E	2506	1645	1571	81657	116491	49064	CATC SAN ANCRE+SHILL CIL CO+THELMA
64	4	9330E	2424 P	2213	16333	15055	32495	5706	FOLLOWING WELL PLUGGED AND ABANDONED 1980
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66	4	9330E	4412 P	8291	40127	27661	73100	64731	CATC SAN ANCRE+SHILL CIL CO+MARSHALL
67	4	9330E	1156 P	334	27661	40958	14604	5593	FOLLOWING WELL PLUGGED AND ABANDONED 1974
68	4	9330E	P	1583	985	1156	45016	406	MANY GATES ABANDONED 1974
69	4	9330E	1067 P	4651	8664	5211	154386	20	CATC SAN ANCRE+SHILL CIL CO+THELMA
70	4	9330E	1253 P	18240	5211	2837	719	5593	CATC SAN ANCRE+SHILL CIL CO+THELMA
71	4	9330E	900 P	236	1653	102574	2686	67670	FOLLOWING WELL RECOMPLETED TO MANY GATES
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75	4	9330E	323	47	2654	201	234	2	BITTER LAKE (G+YATES PETROL+CC+CANCA
76	4	9330E	4327	2	179	8322	2021	4	BITTER LAKE (G+YATES PETROL+CC+CANCA
77	4	9330E	15596	2021	6125	6240	3152	1922	BITTER LAKE (G+YATES PETROL+CC+CANCA
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COUNTY TOTALS									
20	21	22	23	24	25	26	27	28	29
51	4	9330E	158 P	13006	371	84496	305648	32595	CATC SAN ANCRE+SHILL CIL CO+AMCC
52	4	9330E	1300 P	34110	281	15025	89804	2721	CATC SAN ANCRE+SHILL CIL CO+CCCRDIF
53	4	9330E	867 P	1567	1531	102464	415611	49718	FOLLOWING WELL PLUGGED AND ABANDONED 1979
54	4	9330E	1558	4210	1615	25279	37452	12644	CATC SAN ANCRE+SHILL CIL CO+CCCRDIF
55	4	9330E	4889	12724	1562	44252	239678	16833	CATC SAN ANCRE+SHILL CIL CO+THELMA
56	4	9330E	2266	4227	1580	63534	14842	39831	CATC SAN ANCRE+SHILL CIL CO+THELMA
57	4	9330E	2474	8121	1589	163057	93233	18085	CATC SAN ANCRE+SHILL CIL CO+THELMA
58	4	9330E	646 P	37504	349	71653	260546	57094	CATC SAN ANCRE+SHILL CIL CO+THELMA
59	4	9330E	1152	5100	1576	12086	199174	5962	CATC SAN ANCRE+SHILL CIL CO+CCCRDIF
60	4	9330E	1545	4216	1532	45029	84E52	14625	CATC SAN ANCRE+SHILL CIL CO+CCCRDIF
61	4	9330E	1331	1647	1645	792	19836	30044	CATC SAN ANCRE+SHILL CIL CO+THELMA
62	4	9330E	1531	1645	1645	66880	86591	14754	CATC SAN ANCRE+SHILL CIL CO+THELMA
63	4	9330E	2506	1645	1571	81657	116491	49064	CATC SAN ANCRE+SHILL CIL CO+THELMA
64	4	9330E	2424 P	2213	16333	15055			



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

June 29, 1981

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

Mr. William F. Carr
Campbell, Byrd and Black
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico

Re: CASE NO. 7254
ORDER NO. R-6713

Applicant:

Mesa Petroleum Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD	x
Artesia OCD	x
Aztec OCD	x

Other

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 7254
Order No. R-6713

APPLICATION OF MESA PETROLEUM
COMPANY FOR COMPULSORY POOLING,
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 17, 1981,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 25th day of June, 1981, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS:

- (1) That due public notice having been given as required
by law, the Division has jurisdiction of this cause and the
subject matter thereof.
- (2) That the applicant, Mesa Petroleum Company, seeks an
order pooling all mineral interests in the Mesaverde formation
underlying the W/2 of Section 15, Township 30 North, Range 11
West, NMPM, Blanco Mesaverde Pool, San Juan County, New Mexico.
- (3) That the applicant has the right to drill and proposes
to drill a well at a standard location thereon.
- (4) That there are interest owners in the proposed proration
unit who have not agreed to pool their interests.
- (5) That to avoid the drilling of unnecessary wells, to
protect correlative rights, and to afford to the owner of each
interest in said unit the opportunity to recover or receive
without unnecessary expense his just and fair share of the gas
in said pool, the subject application should be approved by
pooling all mineral interests, whatever they may be, within said
unit.

-2-

Case No. 7254
Order No. R-6713

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

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(8) That any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(11) That \$2100.00 per month while drilling and \$210.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before November 1, 1981, the order pooling said unit should become null and void and of no effect whatsoever.

-3-

Case No. 7254
Order No. R-6713

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Mesaverde formation underlying the W/2 of Section 15, Township 30 North, Range 11 West, NMPM, Blanco Mesaverde Pool, San Juan County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of November, 1981, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Mesaverde formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of November, 1981, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Mesa Petroleum Company is hereby designated the operator of the subject well and unit.

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

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

(5) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division

-4-

Case No. 7254
Order No. R-6713

and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

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

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

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$2100.00 per month while drilling and \$210.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-5-

Case No. 7254
Order No. R-6713

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

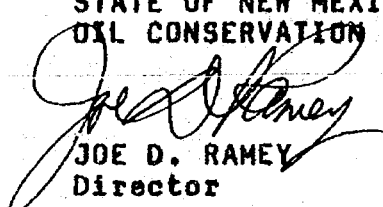
(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) That 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



JOE D. RAMEY
Director



SEAL

fd/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
17 June 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Mesa Petroleum
Company for compulsory pooling,
San Juan County, New Mexico.

CASE
7254

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

William F. Carr, Esq.
CAMPBELL, BYRD, & BLACK
Jefferson Place
Santa Fe, New Mexico 87501

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I N D E X

CHARLES E. OSGOOD

Direct Examination by Mr. Carr
Cross Examination by Mr. Nutter

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E X H I B I T S

Applicant Exhibit One, Plat

Applicant Exhibit Two, Document

Applicant Exhibit Three, Correspondence

Applicant Exhibit Four, AFE

Applicant Exhibit Five, Cross Section

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MR. NUTTER: Call Case Number 7254.

MR. PADILLA: Application of Mesa Petro-

leum Company for compulsory pooling, San Juan County, New Mexico.

MR. CARR: May it please the Examiner, my name is William F. Carr, with the law firm Campbell, Byrd, and Black, P. A., Santa Fe, New Mexico, appearing on behalf of the applicant.

I have one witness who needs to be sworn.

(Witness sworn.)

CHARLES E. OSGOOD, JR.

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. CARR:

Will you please state your full name and

Q
place of residence?

Charles E. Osgood, O-S-G-O-O-D, Junior,

A.
Denver, Colorado.

Mr. Osgood, by whom are you employed and

Q
in what capacity?

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A. In this matter I'm employed by Mesa Petroleum Company, and that's abbreviated "Co.", to assist them in getting non-operator consent and joinder in the drilling of an infill Dakota proposed well.

Q. Have you previously testified before this Commission or one of its examiners?

A. No, I have not.

Q. Will you briefly summarize your educational background and your work experience?

A. I attended the University of New Mexico and graduated in architecture in 1951. I pursued that line of work until 1954, when I entered the petroleum industry as an independent producer and a consultant.

Q. And since that time by whom have you been employed?

A. I was employed by Mesa Petroleum Co. as Land Manager in 1964 in Amarillo, Texas; remained with them in that capacity until 1968 when I was moved to Denver, Colorado, as the Rocky Mountain Division Manager for Mesa Petroleum.

I resigned my job with them in April of 1972 to return to independent work as a consultant and a producer.

Q. Are you an independent operator?

1
2 A. Yes, I am. I own production and working
3 interest production in the San Juan Basin and the Anadarko
4 Basin.

5 Q Are you familiar with the application
6 that has been filed in this case and the subject well?

7 A. Yes, I am.

8 MR. CARR: Are the witness' qualifica-
9 tions acceptable?

10 MR. NUTTER: Yes, they are. I didn't
11 get your name, though.

12 A. Charles E. Osgood, O-S-G-O-O-D, Jr.

13 MR. NUTTER: Thank you.

14 Q Mr. Osgood, have you prepared certain
15 exhibits for introduction in this case?

16 A. Yes, I have.

17 Q Will you please refer to what has been
18 marked for identification as Mesa Exhibit Number One and
19 explain to Mr. Nutter what this is and what it shows?

20 A. Mesa Exhibit Number One is a plat of
21 a portion of Township 30 North, Range 11 West, which shows
22 wells that have been drilled in that area, the zone in which
23 each of the -- and the zone in which each of the wells is
24 completed.

25 There also is a line of cross section

1
2 indicated as A-A', running from the southeast --- southwest
3 to the northeast of Section 15 and Section 11.

4 Q And the subject proration unit is out-
5 lined in red?

6 A That's correct, as the west half of
7 Section 15, Township 30 North, Range 11 West.

8 Q Is this a standard proration unit?

9 A It is.

10 Q What is the proposed location of the
11 subject well?

12 A The proposed location for the 15-E is
13 1450 feet from the north line and 1850 feet from the west
14 line.

15 Q Is this a standard well location?

16 A Yes, it is.

17 Q What is the status of the acreage that
18 you propose to dedicate to the well?

19 A The acreage is owned both fee and
20 Federal.

21 Q Are there other Mesaverde wells in the
22 area?

23 A The nearest Mesaverde completion is
24 located in the southwest quarter of Section 11. All of the
25 wells that were drilled to the Dakota have penetrated the

1
2 Mesaverde but this is the nearest Mesaverde completion.

3 Q And is that more than a mile from the
4 subject location?

5 A It's, yes, a mile or more from the pro-
6 posed location.

7 Q Will you now refer to Mesa Exhibit Num-
8 ber Two and identify this and explain what it shows?

9 A Mesa Exhibit Number Two is Exhibit A,
10 which is taken from the joint operating agreement that was
11 forwarded to Southwest Production Company when we asked them
12 to agree to participate in the drilling of this well.

13 It shows the leases to be contributed
14 by each of the parties, and the parties who own leases are
15 Mesa Petroleum, El Paso Natural Gas Company, and Southwest
16 Production Company.

17 Southwest Production Company's interest
18 is limited to the rights in the Mesaverde formation only in
19 the northeast quarter of the northwest quarter of subject
20 section.

21 On page two, at the bottom, is shown the
22 parties, their addresses, and their respective percentages of
23 interest in the well proposed to be drilled,

24 Q Now I believe you stated you have re-
25 ceived voluntary joinder in this well from all interest owners

1
2 except Southwest Production Company.

3 A. That's correct, El Paso has agreed to
4 participate in the drilling and completion of the well with
5 Mesa as the operator.

6 Q. Have you given notice to Southwest that
7 its interests are the subject of this application?

8 A. Yes. Notice was given by the mailing
9 of the application to Southwest Production Company on April
10 the 13th, 1981, and also notice of the hearing was mailed by
11 the Commission to Southwest on June the 6th, 1981.

12 Q. Will you briefly review your efforts
13 to secure voluntary joinder from Southwest Production Company?

14 A. As, to be entered as Exhibit Three, is
15 a series of correspondence, letters which I have written to
16 Mr. Joseph P. Driscoll of Southwest Production Company, en-
17 deavoring to negotiate either his joinder or farmout or a
18 purchase by Mesa from him of his rights to the Mesaverde.

19 I've talked with him by telephone. I
20 made a trip to Dallas to visit with him. At the time I made
21 the trip to Dallas we offered him \$15,000 for his Mesaverde
22 rights. He agreed, and advised me that he had a silent part-
23 ner whom he'd have to contact before he could consummate the
24 sale, and never have I had any response since I made that
25 visit, not to further correspondence or his receipt of the

1
2 notice of the application to pool.

3 Q Will you now refer to what has been
4 marked for identification as Mesa Exhibit Number Four, identify
5 this, and review the data contained thereon?

6 A Exhibit Number Four is a copy of Mesa's
7 AFE cost estimate, which was mailed to Mr. Driscoll. It
8 shows the estimated costs for the drilling and completing of
9 this Dakota well, breaking the cost down to those costs which
10 would be common to the Mesaverde and the Dakota, and then
11 setting out independently costs applicable only the Mesaverde
12 completion and the Dakota completion.

13 This shows a total well cost of \$500,393.
14 Southwest Production Company would be expected to pay under
15 the terms of the joint operating agreement and the dual com-
16 pletion language incorporated therein, which has been ac-
17 cepted by El Paso, half of the costs, the common costs, which
18 would be 12-1/2 percent times 1/2, and all of the costs ap-
19 plicable only the Mesaverde.

20 This would give southwest a total cost
21 of \$28,763 on the well completion.

22 Q And what would the costs of the well
23 be if it was a dry hole?

24 A \$250,923.

25 Q Are these costs in line with what is

1
2 being charged by other operators in the area?

3 A. Yes, they are.

4 Q. Are you prepared to make a recommendation
5 to the Examiner concerning the overhead and administrative
6 cost that would be incurred while drilling this well or while
7 producing the well, if in fact, it is a producer?

8 A. Yes. We have a joint operating agree-
9 ment dated October 3rd, 1980, which has been accepted and
10 approved by El Paso, and contained therein an accounting
11 procedure; under the overhead provision are the rates for
12 drilling and producing.

13 The drilling well rate is \$2100 per
14 month, and the producing well rate is \$210 per month.

15 Q. Are these figures in line with what's
16 being charged by other operators?

17 A. That's correct, they are.

18 Q. And do you recommend that these figures
19 be incorporated into any order which may result from this
20 hearing?

21 A. Yes, I do.

22 Q. Does Mesa request to be designated the
23 operator of the subject well?

24 A. Yes, they do.

25 Q. Now, Mr. Osgood, I direct your attention

1
2 back to Exhibit Number One and ask you to refer to this and
3 to your Exhibit Number Five.

4 A. Okay.

5 Q And explain to the Examiner what risks
6 you believe Mesa will incur in drilling this well.

7 A Exhibit Number Five is a log cross
8 section prepared along the line of cross section, which I
9 previously mentioned.

10
11 The well A' would be the Tenneco well
12 located to your right and it runs then to a well that's in
13 the southwest quarter of Section 11. Then the well goes --
14 the cross section goes to the well in the northeast of Sec-
15 tion 15.

16 Mesa's proposed location has been pulled
17 into the line, and then the line ends at the well marked on
18 the A end of the cross section in the southwest of Section
19 15.

20 This shows the Mesaverde section where
21 a completion might be contemplated and indicates that the
22 formation capacity to produce is probably very marginal. The
23 log indications in the well in the southwest of 11 indicate
24 a very tight Mesaverde reservoir.

25 The only Mesaverde completion that's
on the log section is the one in the southwest of 15, or

1
2 southwest of 11, pardon me.

3 Q What is the porosity shown in the Pubco
4 well, which is the well on the left of your cross section?

5 A The sonic porosity in one zone was
6 calculated 11 percent; the sonic porosity on another zone
7 was calculated 8-1/2 percent, and it's considered by Mesa
8 that the cutoff point for commercial production is about 12
9 percent porosity.

10 Q Mr. Osgood, are you prepared to make
11 a recommendation to the Examiner concerning the risk factor
12 that should be assessed against any operator, or any interest
13 owner who does not participate in the well?

14 A 200 percent.

15 Q In your opinion will granting this
16 application be in the best interest of conservation, the
17 prevention of waste, and the protection of correlative rights?

18 A Yes, it will. The Mesaverde, it
19 doesn't appear, would justify drilling a Mesaverde well alone,
20 and it appears that this well, if the Mesaverde appears to
21 be commercially productive, ought to be dually completed.

22 Q Were Exhibits One through Five prepared
23 by you or can you testify from your own knowledge as to
24 their accuracy?

25 A I can.

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2 MR. CARR: At this time, Mr. Nutter, we
3 would offer Mesa Exhibits One through Five.

4 MR. NUTTER: Exhibits One through Five
5 will be admitted in evidence.

6 MR. CARR: I have nothing further on
7 direct.

8
9 CROSS EXAMINATION

10 BY MR. NUTTER:

11 Q Mr. Osgood, now, in this Section 15
12 here, the west half shows a well in the southwest quarter,
13 which is the end of the cross section.

14 A That's correct.

15 Q And it's -- the symbol, as I read it,
16 is a KD, is that correct?

17 A That's right, it's a Dakota well.

18 Q Is that a Dakota well?

19 A That's right.

20 Q So this well would be an infill well
21 for the Dakota.

22 A That's correct. It's proposed -- it
23 was proposed as a -- an application has been submitted to the
24 Commission and approved as an infill Dakota well.

25 Q There's no Mesaverde on that unit.

1
2 A. No.

3 Q. So it's the initial well in the Mesa-
4 verde?

5 A. Yes. The nearest Mesaverde well is
6 the completion marked A' in the southwest of 11.

7 There's also a Mesaverde completion in
8 the northeast quarter of 10, but we've got no -- no Mesaverde
9 completions located to the west or to the south, of this
10 proposed location.

11 Q. Now your allocation of costs to South-
12 west Production Company indicate that it's going to cost them
13 \$355,000.

14 A. No.

15 Q. Or their proportionate share of \$355,000,
16 is that it?

17 A. Their proportionate share of half of
18 the common costs, which would be \$125,000, approximately, and
19 all of the Mesaverde, which would be \$104,000.

20 They don't pay -- they don't pay their
21 proportionate share of 100 percent of the common costs. It's
22 half of the -- half of the common costs are allocated to the
23 Dakota completion and half of them to the cost of drilling to
24 the Dakota.

25 Q. Right.

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A. And the other half to the Mesaverde.

Q. Right.

A. So their total costs as to the common
would be \$15,682, and as to the Mesaverde, \$13,081, for a
total of --

Q. Okay, so the \$250,000 isn't to get to
the Mesaverde. That's common cost to get to the Mesaverde
and Dakota.

A. That's correct.

Q. Okay, so they'd pay their proportionate
share of half of that \$250,000, and their proportionate share
of \$104,000.

A. That's correct.

Q. Okay.

MR. NUTTER: Are there any further
questions of Mr. Osgood? He may be excused.

Do you have anything further, Mr. Carr?

MR. CARR: That concludes our case.

MR. NUTTER: Does anyone have anything
they wish to offer in Case Number 7254?

We'll take the case under advisement.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion Division was reported by me; that the said transcript
is a full, true, and correct record of the hearing, prepared
by me to the best of my ability.

Sally W. Boyd CSR

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 7254
heard by me on 6/17 1981.

[Signature] Examiner
Oil Conservation Division

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
17 June 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Mesa Petroleum
Company for compulsory pooling,
San Juan County, New Mexico.

CASE
7254

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

William F. Carr, Esq.
CAMPBELL, BYRD, & BLACK
Jefferson Place
Santa Fe, New Mexico 87501

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I N D E X

CHARLES E. OSGOOD

Direct Examination by Mr. Carr	3
Cross Examination by Mr. Nutter	13

E X H I B I T S

Applicant Exhibit One, Plat	5
Applicant Exhibit Two, Document	7
Applicant Exhibit Three, Correspondence	8
Applicant Exhibit Four, AFE	9
Applicant Exhibit Five, Cross Section	11

MR. NUTTER: Call Case Number 7254.

MR. PADILLA: Application of Mesa Petroleum Company for compulsory pooling, San Juan County, New Mexico.

MR. CARR: May it please the Examiner, my name is William F. Carr, with the law firm Campbell, Byrd, and Black, P. A., Santa Fe, New Mexico, appearing on behalf of the applicant.

I have one witness who needs to be sworn.

(Witness sworn.)

CHARLES E. OSGOOD, JR.

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. CARR:

Q Will you please state your full name and place of residence?

A Charles E. Osgood, O-S-G-O-O-D Junior, Denver, Colorado.

Q Mr. Osgood, by whom are you employed and in what capacity?

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A. In this matter I'm employed by Mesa Petroleum Company, and that's abbreviated "Co.", to assist them in getting non-operator consent and joinder in the drilling of an infill Dakota proposed well.

Q. Have you previously testified before this Commission or one of its examiners?

A. No I have not.

Q. Will you briefly summarize your educational background and your work experience?

A. I attended the University of New Mexico and graduated in architecture in 1951. I pursued that line of work until 1954, when I entered the petroleum industry as an independent producer and a consultant.

Q. And since that time by whom have you been employed?

A. I was employed by Mesa Petroleum Co. as Land Manager in 1964 in Amarillo, Texas; remained with them in that capacity until 1968 when I was moved to Denver, Colorado, as the Rocky Mountain Division Manager for Mesa Petroleum.

I resigned my job with them in April of 1972 to return to independent work as a consultant and a producer.

Q. Are you an independent operator?

1
2 A Yes, I am. I own production and working
3 interest production in the San Juan Basin and the Anadarko
4 Basin.

5 Q Are you familiar with the application
6 that has been filed in this case and the subject well?

7 A Yes, I am.

8 MR. CARR: Are the witness' qualifica-
9 tions acceptable?

10 MR. NUTTER: Yes, they are. I didn't
11 get your name, though.

12 A Charles E. Osgood, O-S-G-O-O-D, Jr.

13 MR. NUTTER: Thank you.

14 Q Mr. Osgood, have you prepared certain
15 exhibits for introduction in this case?

16 A Yes, I have.

17 Q Will you please refer to what has been
18 marked for identification as Mesa Exhibit Number One and
19 explain to Mr. Nutter what this is and what it shows?

20 A Mesa Exhibit Number One is a plat of
21 a portion of Township 30 North, Range 11 West which shows
22 wells that have been drilled in that area, the zone in which
23 each of the -- and the zone in which each of the wells is
24 completed.

25 There also is a line of cross section

1
2 indicated as A-A', running from the southeast --- southwest
3 to the northeast of Section 15 and Section 11.

4 Q And the subject proration unit is out-
5 lined in red?

6 A That's correct, as the west half of
7 Section 15, Township 30 North, Range 11 West.

8 Q Is this a standard proration unit?

9 A It is.

10 Q What is the proposed location of the
11 subject well?

12 A The proposed location for the 15-E is
13 1450 feet from the north line and 1850 feet from the west
14 line.

15 Q Is this a standard well location?

16 A Yes, it is.

17 Q What is the status of the acreage that
18 you propose to dedicate to the well?

19 A The acreage is owned both fee and
20 Federal.

21 Q Are there other Mesaverde wells in the
22 area?

23 A The nearest Mesaverde completion is
24 located in the southwest quarter of Section 11. All of the
25 wells that were drilled to the Dakota have penetrated the

1
2 Mesaverde but this is the nearest Mesaverde completion.

3 Q And is that more than a mile from the
4 subject location?

5 A It's yes, a mile or more from the pro-
6 posed location.

7 Q Will you now refer to Mesa Exhibit Num-
8 ber Two and identify this and explain what it shows?

9 A Mesa Exhibit Number Two is Exhibit A,
10 which is taken from the joint operating agreement that was
11 forwarded to Southwest Production Company when we asked them
12 to agree to participate in the drilling of this well.

13 It shows the leases to be contributed
14 by each of the parties, and the parties who own leases are
15 Mesa Petroleum, El Paso Natural Gas Company, and Southwest
16 Production Company.

17 Southwest Production Company's interest
18 is limited to the rights in the Mesaverde formation only in
19 the northeast quarter of the northwest quarter of subject
20 section.

21 On page two, at the bottom, is shown the
22 parties, their addresses, and their respective percentages of
23 interest in the well proposed to be drilled.

24 Q Now I believe you stated you have re-
25 ceived voluntary joinder in this well from all interest owners

1
2 except Southwest Production Company.

3 A That's correct, El Paso has agreed to
4 participate in the drilling and completion of the well with
5 Mesa as the operator.

6 Q Have you given notice to Southwest that
7 its interests are the subject of this application?

8 A Yes. Notice was given by the mailing
9 of the application to Southwest Production Company on April
10 the 13th, 1981, and also notice of the hearing was mailed by
11 the Commission to Southwest on June the 6th, 1981.

12 Q Will you briefly review your efforts
13 to secure voluntary joinder from Southwest Production Company?

14 A As, to be entered as Exhibit Three, is
15 a series of correspondence, letters which I have written to
16 Mr. Joseph P. Driscoll of Southwest Production Company, en-
17 deavoring to negotiate either his joinder or farmout or a
18 purchase by Mesa from him of his rights to the Mesaverde.

19 I've talked with him by telephone. I
20 made a trip to Dallas to visit with him. At the time I made
21 the trip to Dallas we offered him \$15 000 for his Mesaverde
22 rights. He agreed, and advised me that he had a silent part-
23 ner whom he'd have to contact before he could consummate the
24 sale, and never have I had any response since I made that
25 visit, not to further correspondence or his receipt of the

notice of the application to pool.

Q Will you now refer to what has been marked for identification as Mesa Exhibit Number Four identify this, and review the data contained thereon?

A Exhibit Number Four is a copy of Mesa's AFE cost estimate, which was mailed to Mr. Driscoll. It shows the estimated costs for the drilling and completing of this Dakota well, breaking the cost down to those costs which would be common to the Mesaverde and the Dakota, and then setting out independently costs applicable only the Mesaverde completion and the Dakota completion.

This shows a total well cost of \$500,393. Southwest Production Company would be expected to pay under the terms of the joint operating agreement and the dual completion language incorporated therein, which has been accepted by El Paso, half of the costs, the common costs, which would be 12-1/2 percent times 1/2 and all of the costs applicable only the Mesaverde.

This would give southwest a total cost of \$28,763 on the well completion.

Q And what would the costs of the well be if it was a dry hole?

A \$250,923.

Q Are these costs in line with what is

1
2 being charged by other operators in the area?

3 A Yes, they are.

4 Q Are you prepared to make a recommendation
5 to the Examiner concerning the overhead and administrative
6 cost that would be incurred while drilling this well or while
7 producing the well, if in fact, it is a producer?

8 A Yes. We have a joint operating agree
9 ment dated October 3rd, 1980, which has been accepted and
10 approved by El Paso, and contained therein an accounting
11 procedure, under the overhead provision are the rates for
12 drilling and producing.

13 The drilling well rate is \$2100 per
14 month, and the producing well rate is \$210 per month.

15 Q Are these figures in line with what's
16 being charged by other operators?

17 A That's correct, they are.

18 Q And do you recommend that these figures
19 be incorporated into any order which may result from this
20 hearing?

21 A Yes, I do.

22 Q Does Mesa request to be designated the
23 operator of the subject well?

24 A Yes, they do.

25 Q Now, Mr. Osgood, I direct your attention

back to Exhibit Number One and ask you to refer to this and to your Exhibit Number Five.

A. Okay.

Q And explain to the Examiner what risks you believe Mesa will incur in drilling this well.

A. Exhibit Number Five is a log cross section prepared along the line of cross section, which I previously mentioned.

The well A' would be the Tenneco well located to your right and it runs then to a well that's in the southwest quarter of Section 11. Then the well goes -- the cross section goes to the well in the northeast of Section 15.

Mesa's proposed location has been pulled into the line, and then the line ends at the well marked on the A end of the cross section in the southwest of Section 15.

This shows the Mesaverde section where a completion might be contemplated and indicates that the formation capacity to produce is probably very marginal. The log indications in the well in the southwest of 11 indicate a very tight Mesaverde reservoir.

The only Mesaverde completion that's on the log section is the one in the southwest of 15, or

1
2 southwest of 11, pardon me.

3 Q What is the porosity shown in the Pubco
4 well, which is the well on the left of your cross section?

5 A The sonic porosity in one zone was
6 calculated 11 percent; the sonic porosity on another zone
7 was calculated 8-1/2 percent, and it's considered by Mesa
8 that the cutoff point for commercial production is about 12
9 percent porosity.

10 Q Mr. Osgood, are you prepared to make
11 a recommendation to the Examiner concerning the risk factor
12 that should be assessed against any operator, or any interest
13 owner who does not participate in the well?

14 A 200 percent.

15 Q In your opinion will granting this
16 application be in the best interest of conservation, the
17 prevention of waste, and the protection of correlative rights?

18 A Yes, it will. The Mesaverde, it
19 doesn't appear, would justify drilling a Mesaverde well alone,
20 and it appears that this well, if the Mesaverde appears to
21 be commercially productive, ought to be dually completed.

22 Q Were Exhibits One through Five prepared
23 by you or can you testify from your own knowledge as to
24 their accuracy?

25 A I can.

1
2 MR. CARR: At this time, Mr. Nutter, we
3 would offer Mesa Exhibits One through Five.

4 MR. NUTTER: Exhibits One through Five
5 will be admitted in evidence.

6 MR. CARR: I have nothing further on
7 direct.

8
9 CROSS EXAMINATION

10 BY MR. NUTTER:

11 Q Mr. Osgood, now, in this Section 15
12 here, the west half shows a well in the southwest quarter,
13 which is the end of the cross section.

14 A That's correct.

15 Q And it's -- the symbol, as I read it,
16 is a KD, is that correct?

17 A That's right, it's a Dakota well.

18 Q Is that a Dakota well?

19 A That's right.

20 Q So this well would be an infill well
21 for the Dakota.

22 A That's correct. It's proposed -- it
23 was proposed as a -- an application has been submitted to the
24 Commission and approved as an infill Dakota well.

25 Q There's no Mesaverde on that unit.

1
2 A. No.

3 Q. So it's the initial well in the Mesa-
4 verde?

5 A. Yes. The nearest Mesaverde well is
6 the completion marked A' in the southwest of 11.

7 There's also a Mesaverde completion in
8 the northeast quarter of 10, but we've got no -- no Mesaverde
9 completions located to the west or to the south, of this
10 proposed location.

11 Q. Now your allocation of costs to South-
12 west Production Company indicate that it's going to cost them
13 \$355,000.

14 A. No.

15 Q. Or their proportionate share of \$355,000,
16 is that it?

17 A. Their proportionate share of half of
18 the common costs, which would be \$125,000, approximately, and
19 all of the Mesaverde, which would be \$104,000.

20 They don't pay -- they don't pay their
21 proportionate share of 100 percent of the common costs. It's
22 half of the -- half of the common costs are allocated to the
23 Dakota completion and half of them to the cost of drilling to
24 the Dakota.

25 Q. Right.

1
2
3 A. And the other half to the Mesaverde.
4 Q. Right.

5 A. So their total costs as to the common
6 would be \$15,682, and as to the Mesaverde, \$13,081, for a
7 total of --

8 Q. Okay, so the \$250,000 isn't to get to
9 the Mesaverde. That's common cost to get to the Mesaverde
10 and Dakota.

11 A. That's correct.

12 Q. Okay, so they'd pay their proportionate
13 share of half of that \$250,000, and their proportionate share
14 of \$104,000.

15 A. That's correct.

16 Q. Okay.

17 MR. NUTTER: Are there any further
18 questions of Mr. Osgood? He may be excused.

19 Do you have anything further, Mr. Carr?

20 MR. CARR: That concludes our case.

21 MR. NUTTER: Does anyone have anything
22 they wish to offer in Case Number 7254?

23 We'll take the case under advisement.

24
25 (Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion Division was reported by me; that the said transcript
is a full, true, and correct record of the hearing, prepared
by me to the best of my ability.

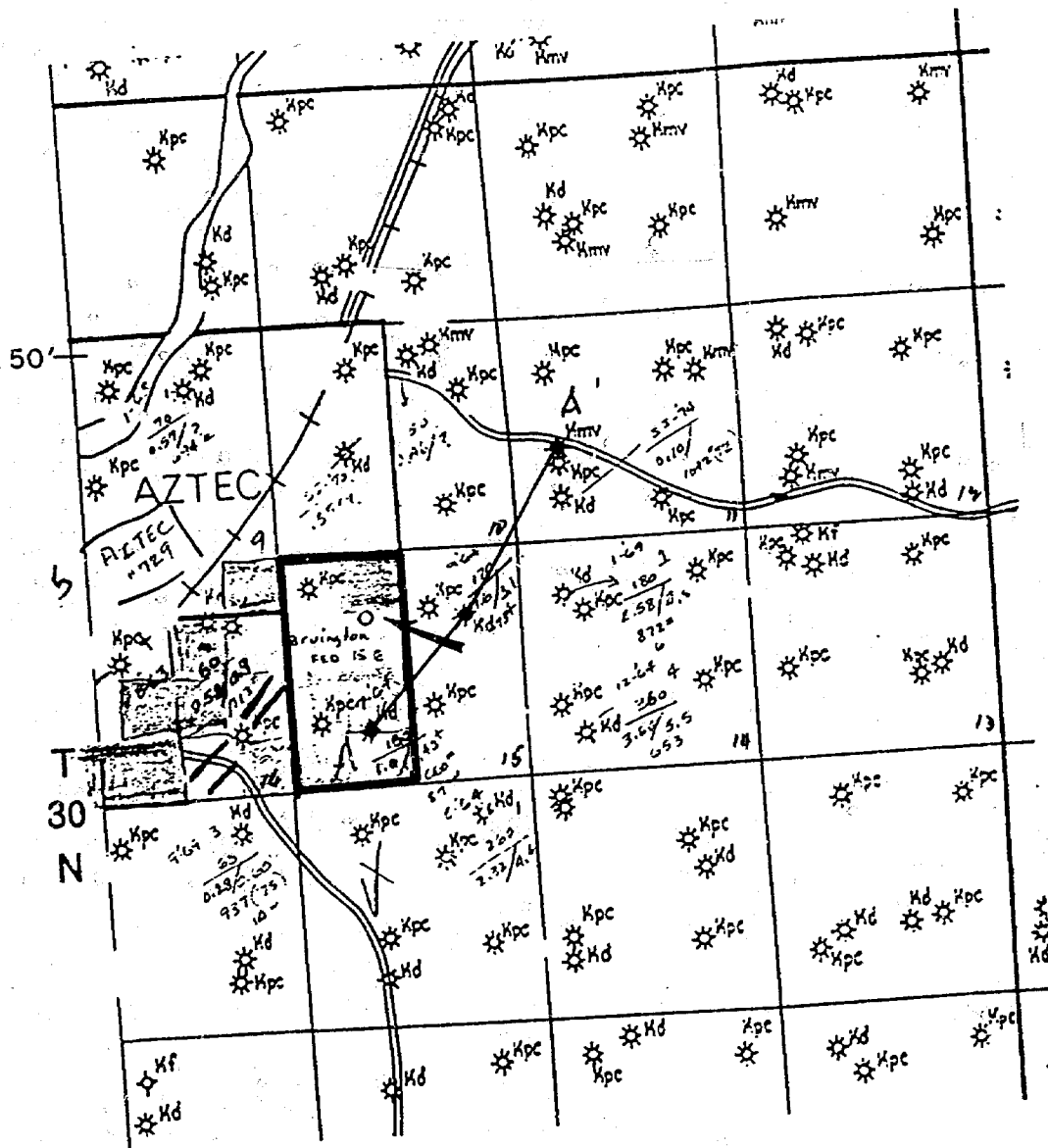
Sally W. Boyd CSR

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 7254
heard by me on 6/17 1981.
[Signature] Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

RIIW



6-65
 100
 0.78 / 2.0
 714°
 23W

date 1st production
 Chic Cont / MMEFG
 MCEG/D
 Cum BCF / Ull. BCF
 1977 SIVHP
 Gross water production

San Juan Co., NM.

BEFORE EXAMINER NUTTER
 OIL CONSERVATION DIVISION
 MESA EXHIBIT NO. 1
 CASE NO. 7254

EXHIBIT "A"

Attached to and made a part of Operating Agreement dated October 3, 1980, between Mesa Petroleum Co., as Operator, and El Paso Natural Gas Company et al, as Non-Operators, covering the W 1/2 of Section 15, Township 30 North, Range 11 West, San Juan County, New Mexico.

UNIT AREA

W 1/2 of Section 15, Township 30 North, Range 11 West, San Juan County, New Mexico, insofar, and only insofar, as it covers the formations from the base of the Pictured Cliffs to the base of the Dakota formation.

LEASES AND INTERESTS CONTRIBUTED TO THIS AGREEMENT*

Leases contributed by Mesa Petroleum Co.:

Lease No. 1:

Lessor:	George F. Bruington
Lessee of Record:	Mesa Petroleum Co.
Book and Page:	Book 287, Page 59
Date of Lease:	August 17, 1955
Description of Lands Committed:	NE1/4SW1/4
No. of Acres:	40.00

Lease No. 2:

Lessor:	United States of America
Lessee of Record:	Mesa Petroleum Co.
Serial No.:	NM-019410, Book 283, Page 71
Date of Lease:	September 1, 1955
Description of Lands Committed:	SE1/4SW1/4, W1/2SW1/4
No. of Acres:	123.42

Lease No. 3:

Lessors:	Chester Thompson and Eva Thompson, husband & wife
Lessee of Record:	Mesa Petroleum Co. (Dakota only)
Book and Page:	Book 89, Page 544
Date of Lease:	January 12, 1935
Description of Lands Committed:	NE1/4NW1/4
No. of Acres:	40.00

Leases contributed by El Paso Natural Gas Company:

Lease No. 1:

Lessors:	Glen Swire and Mamie Swire, husband & wife
Lessee of Record:	El Paso Natural Gas Company
Book and Page:	Book 165, Page 356
Date of Lease:	July 30, 1951
Description of Lands Committed:	NW1/4NW1/4, except three (3) acres thereof situated in the extreme southwest corner thereof
No. of Acres:	37.00

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION

MESA EXHIBIT NO. 2
CASE NO. 7254

Revised 12/18/80

Leases contributed by El Paso Natural Gas Company:

Lease No. 2:

Lessor: Arthur Ponsford
Lessee of Record: El Paso Natural Gas Company
Book and Page: Book 165, Page 358
Date of Lease: July 30, 1951
Description of Lands Committed: A tract of land 300' by 400' situated in the extreme southwest corner of the NW1/4NW1/4
No. of Acres: 3.00

Lease No. 3:

Lessor: George F. Bruington and Grace A. Bruington, husband & wife
Lessee of Record: El Paso Natural Gas Company
Book and Page: Book 165, Page 360
Date of Lease: July 30, 1951
Description of Lands Committed: S1/2NW1/4
No. of Acres: 80.00

Lease contributed by Southwest Production Company:

Lease No. 1:

Lessor: Chester Thompson and Eva Thompson, husband & wife
Lessee of Record: Southwest Production Company
(Only those rights from the base of the Pictured Cliffs formation to the base of the Mesaverde formation)
Book and Page: Book 89, Page 544
Date of Lease: January 12, 1935
Description of Lands Committed: NE1/4NW1/4
No. of Acres: 40.00

*Such leases and interests being so contributed only insofar as they cover the "Unit Area."

PARTIES, THEIR ADDRESS AND THEIR RESPECTIVE
PERCENTAGE INTERESTS IN UNIT AREA

	FORMATION	
	Mesaverde	Dakota
Mesa Petroleum Co. P. O. Box 2009 Amarillo, Texas 79189	50.3965431%	62.8965431%
El Paso Natural Gas Company P. O. Box 1492 El Paso, Texas 79978	37.1034569%	37.1034569%
Southwest Production Company 8333 Douglas Ave. Suite 1352 Dallas, Texas 75225	12.5000000%	None
	<u>100.00%</u>	<u>100.00%</u>

October 2, 1980

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION

NESA EXHIBIT NO. 3
CASE NO. 11254

Mr. Joseph P. Driscoll
Southwest Production Company
8333 Douglas Avenue, Suite 1352
Dallas, Texas 75225

Re: T30N-R11W
Section 15: NE4NW4
San Juan County, New Mexico

Dear Mr. Driscoll:

On January 12, 1935, Chester Thompson et ux executed an Oil and Gas Lease in favor of Al Greer covering the captioned. The lease was subsequently assigned by Greer to Southwest Production Company. Southwest then made an Assignment to Pubco of all rights from the base of the Mesaverde formation to the base of the Dakota formation. Rights to the base of the Pictured Cliffs had been previously assigned by Southwest to M. J. Florance. From the record it appears that you, if there are no unrecorded instruments, are the owner of the rights in the Mesaverde formation.

Mesa Petroleum Co. is going to drill a Dakota in-fill well in the SW 1/4 and would like to dually complete the well in the Mesaverde. You would, it appears, own a 12.50% working interest in the Mesaverde completion. The well would be owned as follows:

	Mesaverde	Dakota
Mesa Petroleum Co.	50.00%	62.50%
El Paso Natural Gas Co.	37.50%	37.50%
Southwest Production Co.	12.50%	None

Enclosed is an AFE for the dually completed well. You would be paying 12.50% of the "Common" and "MV" costs estimated at \$355,573.00 or \$44,446.63 to your 12.50%. I am preparing a J.O.A. on The Model Form, 1977, Revised for Multiple Zone Completions, which I will get in the mail to you next week.

Should you have any questions please contact me.

Very truly yours,

Charles E. Osgood, Jr.

October 3, 1980

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Mr. Joseph P. Driscoll
Southwest Production Company
8333 Douglas Ave., Suite 1352
Dallas, TX 75225

Re: Mesa Petroleum Co.
San Juan In-Fill Program
Aztel Prospect
Bruington 15E
W1/2 Sec. 15-T30N-R11W
San Juan County, N.M.

Dear Sir:

This is a follow up to my letter dated October 2, 1980, concerning the captioned. This letter is written by me for and on behalf of Mesa Petroleum Co.

Here for your execution and return are the A.F.E. and Joint Operating Agreement for the Bruington 15E. Please return to me one executed A.F.E. and two J.O.A. signature pages.

All communication concerning this should be directed to me.

Very truly yours,

Charles E. Osgood, Jr.

CEO,Jr/gg
Enclosures

November 19, 1980

Mr. Joseph P. Driscoll
Southwest Production Company
8333 Douglas Ave., Suite 1352
Dallas, TX 75225

Re: Mesa Petroleum Co.
Bruington 15E
W $\frac{1}{2}$ Section 15 - T30N-R11W
San Juan County, NM

Dear Sirs:

With transmittal dated October 3, 1980, I forwarded to you an A.F.E. and Joint Operating Agreement for the captioned well. To date you have not responded. Will you please return the executed A.F.E. and two J.O.A. signature pages. If you have questions, we would like to know what they are. Perhaps you would rather farmout or sell your rights to participate in this well.

Very truly yours,

Charles E. Osgood, Jr.

CEO, Jr/bb

12-17-ED
TELEPHONE DISCUSSION
HE DOESN'T SEEM TO
WANT TO PARTICIPATE
DOES SEEM TO BE
CONVINCED TO
EITHER F/O OR
ALREADY RECOVERED
ON A FARMOUT
HE HAS 6 RECOVERED
WELL

December 23, 1980

Mr. Joseph P. Driscoll
Southwest Production Company
8333 Douglas Avenue, Suite 1352
Dallas, TX 75225

Re: Mesa Petroleum Co.
San Juan In-Fill Program
Aztec Prospect
Bruington 15E
W $\frac{1}{2}$ Section 15-30N-11W
San Juan County, N.M.

Dear Mr. Driscoll:

Enclosed are several revised pages for the captioned well Joint Operating Agreement. Changes are as follows:

- Page 8 (b) : Section G, Line 10; words "Section 32" changed to "Article VII, Section C. 1. B."
- Page 8 (e) : Section (f), Line 12; words "Paragraph 12" changed to "Article VI. B. 2."
- Page 14 (a) : New page with corrected J. O. A. date and well name.
- Exhibit "A" : Both pages have been revised.
Page 1: Lease No. 2 has had the acreage raised from 120.00 to 123.42. This is because of a re-survey approved December 4, 1974 and a B. L. M. decision on the lease acreage in NM019410 dated August 15, 1977.
Page 2: Because on the revised acreage in Lease No. 2 it was necessary to revise the ownership percentages.

These changes do not affect the ownership in Southwest Production. Will you

Mr. Joseph P. Driscoll
Southwest Production Company
December 23, 1980
Page 2

please place these pages in the Operating Agreement in place of the original
pages which should be destroyed.

I felt that our telephone conversation on Thursday the 18th was very beneficial.
I have advised Mesa that you are interested in disposing of your interest, prob-
ably for cash. It will take a while but I should have you an offer soon.

Very truly yours,

Charles E. Osgood, Jr.

CEO, Jr./bb
Enclosure

February 11, 1981

C
O
P
Y

Mr. Joe Driscoll
Southwest Production Company
8333 Douglas Ave., Suite 1352
Dallas, TX 75225

Re: Mesa Petroleum Co.
Aztec Prospect
Bruington 15E

Dear Mr. Driscoll:

Here is a copy for you of El Paso Natural's Execution of
the Joint Operating Agreement for the captioned well.

This well is now set to drill pending only your decision
to sell or join. Please let me have your decision.

Very truly yours,

Charles E. Osgood, Jr.

CEO, Jr/bb
Encl.

February 17, 1981

Mr. Joe Driscoll
Southwest Production Company
8333 Douglas Avenue, Suite 1352
Dallas, TX 75225

Re: Mesa Petroleum Co.
Aztec Prospect
Bruington 15E

Dear Sir:

After my meeting with you in Dallas on January 28, 1981, I had expected our communications to improve. I regret to say that they have not. In substance \$15,000 may not be any big deal but in principal the answer to a \$15,000 deal is just as important to us as the answer to a \$15,000,000 deal. If anything the smaller decision should be an easier one to make.

Please be advised that if you have not advised us, in writing, by February 23, 1981, whether you intend to either sell us your Mesa-verde rights or participate in the drilling of the well we will feel that we are forced to abandon our plans for a dual zone completion. This is not a choice that we will willingly make but your lack of interest and failure to respond will force us to do so.

Please Mr. Driscoll, let me hear from you.

Very truly yours,

Charles E. Osgood, Jr.

CEO, Jr/bb
xc: Mesa Petroleum Co.

March 4, 1981

Mr. Art Brewster
Mesa Petroleum Co
1660 Lincoln Street
Suite 2800
Denver, CO 80264

Re: Aztec Prospect
Bruington 15E
W $\frac{1}{2}$ Sec. 15 - 30N - 11W
San Juan County, N.M.

Dear Art:

The captioned well was proposed as a dual Dakota - Mesaverde completion. Ownership is as follows:

	Dakota	Mesaverde
Mesa Petroleum Co.	62.89654%	50.39654%
El Paso Natural Gas	37.10346%	37.10346%
Southwest Production	None	<u>12.50000%</u>
		100.00000%

On February 11, 1981, I sent you the El Paso signature pages to the October 3, 1980 Operating Agreement.

As you know, I have spent some time attempting to make a deal with Southwest Production Company on their Mesaverde rights. We have offered \$15,000 for an assignment of their rights. On February 17 I wrote Mr. Driscoll (Southwest Production) advising that we would have to abandon the plans for a dual completion if we did not have a decision from him by February 23. On Friday the 20th of February, Mr. Driscoll called me advising that he was working towards a decision but had to get some input from the A. C. Neilson people. At that time I was assured that we would hear

Mr. Art Brewster
Mesa Petroleum Co.
March 4, 1981
Page Two

again by February 24th. I did not hear then and have not heard
as of the date of this letter.

Since the Mesaverde is a secondary objective, and a weak one
at that and, because I have been unable to motivate Mr. Driscoll
to give us a decision, I recommend that the plan for a dual com-
pletion be abandoned. The well should be re-scheduled as a
Dakota only completion.

Mr. Driscoll is a very nice person, but our deal is just not of
sufficient magnitude to capture his fancy long enough to get a
decision.

Very truly yours,

Charles E. Osgood, Jr.

CEO, Jr/bb
Xc: Joe Driscoll

C
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Y



AFE, COST ESTIMATE

San Juan Division

Co./Div./Subdiv./Dept.

REVISED

AI

ID #

Code General Account #

Exploratory Development

LEASE, WELL NAME, AND LOCATION Bruington 15E
1450' FNL & 1850' FWL Sec. 15-T30N-R11W, San Juan County, New MexicoDESCRIPTION Drill and complete a 6900' dual Dakota - Mesaverde flowing gas well

Sub Acct. Codes	ITEM DESCRIPTION	Common	MV	Dakota	Total
X01	DRILLING—FOOTAGE 6900' Ft. At \$ 14.40 /Ft.	\$ 72,000		\$ 27,360	\$ 99,360
X02	DRILLING or COMPLETION RIG MI-RU, RD-MO—DAY WORK				
	(A) DAY WORK 2 DAYS At \$ 4,620.00 /DAY	9,240			9,240
X03	DRILLING or COMPLETION RIG		10,500	10,500	21,000
	(A) BOILER DAYS At \$ /DAY				
	(B) CAMP & CATERING DAYS At \$ /DAY				
	(C) OTHER DAYS At \$ /DAY				
X04	CEMENTING SERVICES, CEMENT & ACCESSORIES	20,000			20,000
X05	MUD, CHEMICALS, SERVICES & EQUIP. (A) MUD, CHEM., OIL	20,000			20,000
	(B) WATER	10,000			10,000
X06	LOGS, TESTING & MUD LOGGING UNIT	15,000			15,000
X07	DRILL STEM TEST & RELATED TESTING EQUIPMENT				
X08	PERFORATING, WELL STIMULATION SERVICES		45,000	35,000	80,000
X09	LOCATION, ROADS, SURVEYS, AIRSTRIPS	10,000			10,000
X10	COMPANY LABOR, SUPERVISION, ENGINEERING & OVERHEAD	3,000			3,000
X11	RENTAL EQUIPMENT & TOOLS	10,000			10,000
X12	ROCK BITS, HOLE OPENERS, REAMERS, STABILIZERS	500			500
X13	HAULING & FREIGHT	8,500			8,500
X14	MOBILIZATION - INSTALLATION				
X15	DEMOBILIZATION - DISMANTLING & SALVAGE				
X16	SUPPLYBOATS, CREWBOATS, BARGES, TUGS				
X17	FUEL, LUBES, POWER				
X18	SHOREBASE, OFFICE, DOCK FEE & CRANES				
X19	AIRCRAFT RENTALS—HELICOPTERS, FIXED WING				
X20	DIVERS AND RELATED EQUIPMENT				
X21	MISCELLANEOUS	16,320	5,250	7,750	29,320
X22	COST to ABANDON (NOT INCLUDED IN PRODUCER TOTAL)				
X23	MUD ENGINEER DAYS At \$ /DAY				
X24	CONSULTING ENGINEER				
	(A) DRILLING 16 DAYS At \$ 350.00 /DAY	5,600			5,600
	(B) COMPLETION 14 DAYS At \$ 350.00 /DAY		2,450	2,450	4,900
X25	GEOLOGICAL CONSULTANT 10 DAYS At \$ 300.00 /DAY	3,000			3,000
	Total Intangible & Non-Controllable Costs	\$ 203,160	\$ 63,200	\$ 83,060	\$ 349,420
X41	BUOYS AND MARKERS	\$	\$	\$	\$
X42	CASING/TUBULARS				
	(A) 250 FT. OF 10 3/4 " OD \$ 14.25 /FT.	3,563			3,563
	(B) 6900 FT. OF 5 1/2 " OD \$ 5.65 /FT.	28,250		10,735	38,985
	(C) 6900 FT. OF 2 1/16 " OD \$ 2.25 /FT.			15,525	15,525
	(D) 5000 FT. OF 1 1/4 " OD \$ 2.04 /FT.		10,200		10,200
	(E) FT. OF " OD \$ /FT.				
X43	WELL HEAD & GUIDE STRUCTURE	2,000			2,000
X44	SUB-SURFACE WELL EQUIPMENT		7,000	7,000	14,000
X45	SURFACE WELL EQUIPMENT	13,950	4,500	4,500	22,950
X46	OTHER MAJOR EQUIPMENT				
	(A) Tanks		3,250	7,500	10,750
	(B) Separators		11,500	11,500	23,000
	(C)				
X47	BUILDINGS				
X48	ELECTRICAL & INSTRUMENTATION EQUIPMENT				
X49	INSTALLATION, MATERIALS, & SERVICES		5,000	5,000	10,000
	Total Tangible Controllable & Non-Controllable Costs	\$ 47,763	\$ 41,450	\$ 61,760	\$ 150,973
	Total Costs	\$ 250,923	\$ 104,650	\$ 144,820	\$ 500,393

Prepared By [Signature] Date 9/8/80Mesa Approved [Signature] Date 9/8/80Mesa Approved [Signature] Date 9/8/80Mesa Approved [Signature] Date 9/8/80

Mesa WI

Others WI

October 2, 1980

BEFORE EXAMINER NUTTER	
OIL CONSERVATION DIVISION	
MESA	EXHIBIT NO. <u>3</u>
CASE NO. <u>7254</u>	

Mr. Joseph P. Driscoll
Southwest Production Company
8333 Douglas Avenue, Suite 1352
Dallas, Texas 75225

Re: T30N-R11W
Section 15; NE4NW4
San Juan County, New Mexico

Dear Mr. Driscoll:

On January 12, 1935, Chester Thompson et ux executed an Oil and Gas Lease in favor of Al Greer covering the captioned. The lease was subsequently assigned by Greer to Southwest Production Company. Southwest then made an Assignment to Pubco of all rights from the base of the Mesaverde formation to the base of the Dakota formation. Rights to the base of the Pictured Cliffs had been previously assigned by Southwest to M. J. Florance. From the record it appears that you, if there are no unrecorded instruments, are the owner of the rights in the Mesaverde formation.

Mesa Petroleum Co. is going to drill a Dakota in-fill well in the SW 1/4 and would like to dually complete the well in the Mesaverde. You would, it appears, own a 12.50% working interest in the Mesaverde completion. The well would be owned as follows:

	Mesaverde	Dakota
Mesa Petroleum Co.	50.00%	62.50%
El Paso Natural Gas Co.	37.50%	37.50%
Southwest Production Co.	12.50%	None

Enclosed is an AFE for the dually completed well. You would be paying 12.50% of the "Common" and "MV" costs estimated at \$355,573.00 or \$44,446.63 to your 12.50%. I am preparing a J.O.A. on The Model Form, 1977, Revised for Multiple Zone Completions, which I will get in the mail to you next week.

Should you have any questions please contact me.

Very truly yours,

Charles E. Osgood, Jr.

October 3, 1980

Mr. Joseph P. Driscoll
Southwest Production Company
8333 Douglas Ave., Suite 1352
Dallas, TX 75225

Re: Mesa Petroleum Co.
San Juan In-Fill Program
Aztel Prospect
Bruington 15E
W1/2 Sec. 15-T30N-R11W
San Juan County, N.M.

Dear Sir:

This is a follow up to my letter dated October 2, 1980, concerning the captioned. This letter is written by me for and on behalf of Mesa Petroleum Co.

Here for your execution and return are the A.F.E. and Joint Operating Agreement for the Bruington 15E. Please return to me one executed A.F.E. and two J.O.A. signature pages.

All communication concerning this should be directed to me.

Very truly yours,

Charles E. Osgood, Jr.

CEO, Jr/gg
Enclosures

C
U
P
Y

November 19, 1980

Mr. Joseph P. Driscoll
Southwest Production Company
8333 Douglas Ave., Suite 1352
Dallas, TX 75225

Re: Mesa Petroleum Co.
Bruington 15E
W $\frac{1}{2}$ Section 15 - T30N-R11W
San Juan County, NM

Dear Sirs:

With transmittal dated October 3, 1980, I forwarded to you an A.F.E. and Joint Operating Agreement for the captioned well. To date you have not responded. Will you please return the executed A.F.E. and two J.O.A. signature pages. If you have questions, we would like to know what they are. Perhaps you would rather farmout or sell your rights to participate in this well.

Very truly yours,

Charles E. Osgood, Jr.

CEO,Jr/bb

12-17-80
TELEPHONE RECORD
HE DOESN'T SEEM TO
WANT TO PARTICIPATE
BUT DOES SEEM TO BE
WILLING TO SELL
EITHER 1/2 OR 1/3.
ALSO DON'T REMEMBER
EXACTLY WHAT HE
SAYS HAS TO DO WITH
THE COMPANY.

December 23, 1980

Mr. Joseph P. Driscoll
Southwest Production Company
8333 Douglas Avenue, Suite 1352
Dallas, TX 75225

Re: Mesa Petroleum Co.
San Juan In-Fill Program
Aztec Prospect
Bruington 15E
W $\frac{1}{2}$ Section 15-30N-11W
San Juan County, N.M.

Dear Mr. Driscoll:

Enclosed are several revised pages for the captioned well Joint Operating Agreement. Changes are as follows:

- Page 8 (b) : Section G, Line 10; words "Section 32" changed to "Article VII, Section C. 1. B."
- Page 8 (e) : Section (f), Line 12; words "Paragraph 12" changed to "Article VI. B. 2."
- Page 14 (a) : New page with corrected J. O. A. date and well name.
- Exhibit "A" : Both pages have been revised.
Page 1: Lease No. 2 has had the acreage raised from 120.00 to 123.42. This is because of a re-survey approved December 4, 1974 and a B. L. M. decision on the lease acreage in NM019410 dated August 15, 1977.
Page 2: Because on the revised acreage in Lease No. 2 it was necessary to revise the ownership percentages.

These changes do not affect the ownership in Southwest Production. Will you

Mr. Joseph P. Driscoll
Southwest Production Company
December 23, 1980
Page 2

please place these pages in the Operating Agreement in place of the original pages which should be destroyed.

C I felt that our telephone conversation on Thursday the 18th was very beneficial. I have advised Mesa that you are interested in disposing of your interest, probably for cash. It will take a while but I should have you an offer soon.

Very truly yours,

O _____
Charles E. Osgood, Jr.

P CEO, Jr. /bb
Enclosure

Y

February 11, 1981

Mr. Joe Driscoll
Southwest Production Company
8333 Douglas Ave., Suite 1352
Dallas, TX 75225

Re: Mesa Petroleum Co.
Aztec Prospect
Bruington 15E

Dear Mr. Driscoll:

Here is a copy for you of El Paso Natural's Execution of
the Joint Operating Agreement for the captioned well.

This well is now set to drill pending only your decision
to sell or join. Please let me have your decision.

Very truly yours,

Charles E. Osgood, Jr.

CEO, Jr/bb
Encl.

C
O
P
Y

February 17, 1981

Mr. Joe Driscoll
Southwest Production Company
8333 Douglas Avenue, Suite 1352
Dallas, TX 75225

Re: Mesa Petroleum Co.
Aztec Prospect
Bruington 15E

Dear Sir:

After my meeting with you in Dallas on January 28, 1981, I had expected our communications to improve. I regret to say that they have not. In substance \$15,000 may not be any big deal but in principal the answer to a \$15,000 deal is just as important to us as the answer to a \$15,000,000 deal. If anything the smaller decision should be an easier one to make.

Please be advised that if you have not advised us, in writing, by February 23, 1981, whether you intend to either sell us your Mesa-verde rights or participate in the drilling of the well we will feel that we are forced to abandon our plans for a dual zone completion. This is not a choice that we will willingly make but your lack of interest and failure to respond will force us to do so.

Please Mr. Driscoll, let me hear from you.

Very truly yours,

Charles E. Osgood, Jr.

CEO, Jr/bb
xc: Mesa Petroleum Co.

March 4, 1981

Mr. Art Brewster
Mesa Petroleum Co
1660 Lincoln Street
Suite 2800
Denver, CO 80264

Re: Aztec Prospect
Bruington 15E
W $\frac{1}{2}$ Sec. 15 - 30N - 11W
San Juan County, N. M.

Dear Art:

The captioned well was proposed as a dual Dakota - Mesaverde completion. Ownership is as follows:

	Dakota	Mesaverde
Mesa Petroleum Co.	62.89654%	50.39654%
El Paso Natural Gas	37.10346%	37.10346%
Southwest Production	None	<u>12.50000%</u>
		100.00000%

On February 11, 1981, I sent you the El Paso signature pages to the October 3, 1980 Operating Agreement.

As you know, I have spent some time attempting to make a deal with Southwest Production Company on their Mesaverde rights. We have offered \$15,000 for an assignment of their rights. On February 17 I wrote Mr. Driscoll (Southwest Production) advising that we would have to abandon the plans for a dual completion if we did not have a decision from him by February 23. On Friday the 20th of February, Mr. Driscoll called me advising that he was working towards a decision but had to get some input from the A. C. Neilson people. At that time I was assured that we would hear

Mr. Art Brewster
Mesa Petroleum Co.
March 4, 1981
Page Two

again by February 24th. I did not hear then and have not heard as of the date of this letter.

Since the Mesaverde is a secondary objective, and a weak one at that and, because I have been unable to motivate Mr. Driscoll to give us a decision, I recommend that the plan for a dual completion be abandoned. The well should be re-scheduled as a Dakota only completion.

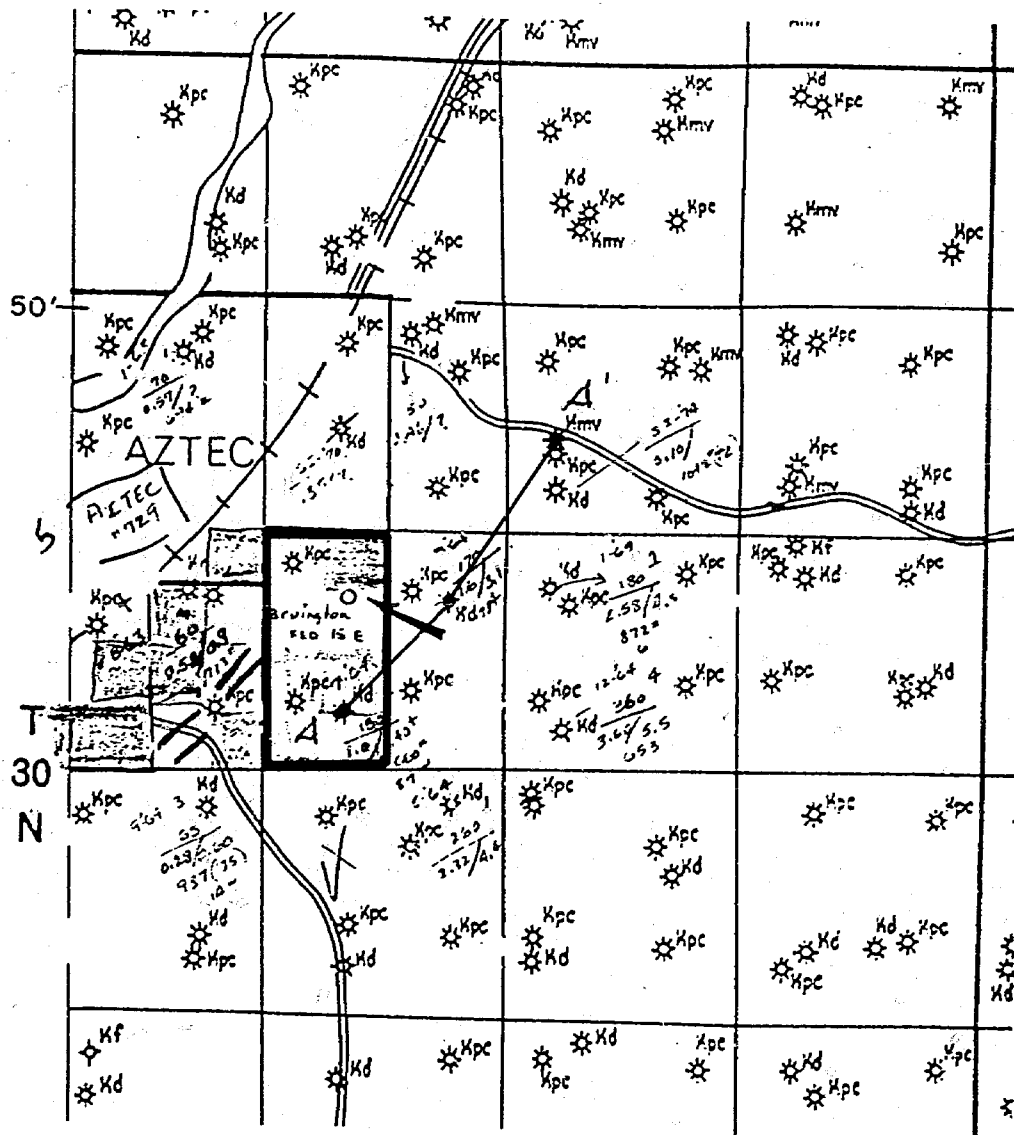
Mr. Driscoll is a very nice person, but our deal is just not of sufficient magnitude to capture his fancy long enough to get a decision.

Very truly yours,

Charles E. Osgood, Jr.

CEO, Jr/bb
Xc: Joe Driscoll

RIIW



6-65

5

100

0.8/2.0

7:4

23W

date 1st production

BHIC OIL / MMEFG

MCEG/D

Cum BCF / UH. RCF

1977 STWHP

6 max water production

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION

MECA EXHIBIT NO. 1

CASE NO. 7254

San Juan Co., NM.

EXHIBIT "A"

Attached to and made a part of Operating Agreement dated October 3, 1980, between Mesa Petroleum Co., as Operator, and El Paso Natural Gas Company et al, as Non-Operators, covering the W 1/2 of Section 15, Township 30 North, Range 11 West, San Juan County, New Mexico.

UNIT AREA

W 1/2 of Section 15, Township 30 North, Range 11 West, San Juan County, New Mexico, insofar, and only insofar, as it covers the formations from the base of the Pictured Cliffs to the base of the Dakota formation.

LEASES AND INTERESTS CONTRIBUTED TO THIS AGREEMENT*

Leases contributed by Mesa Petroleum Co.:

Lease No. 1:

Lessor:	George F. Bruington
Lessee of Record:	Mesa Petroleum Co.
Book and Page:	Book 287, Page 59
Date of Lease:	August 17, 1955
Description of Lands Committed:	NE1/4SW1/4
No. of Acres:	40.00

Lease No. 2:

Lessor:	United States of America
Lessee of Record:	Mesa Petroleum Co.
Serial No.:	NM-019410, Book 283, Page 71
Date of Lease:	September 1, 1955
Description of Lands Committed:	SE1/4SW1/4, W1/2SW1/4
No. of Acres:	123.42

Lease No. 3:

Lessor:	Chester Thompson and Eva Thompson, husband & wife
Lessee of Record:	Mesa Petroleum Co. (Dakota only)
Book and Page:	Book 89, Page 544
Date of Lease:	January 12, 1935
Description of Lands Committed:	NE1/4NW1/4
No. of Acres:	40.00

Leases contributed by El Paso Natural Gas Company:

Lease No. 1:

Lessor:	Glen Swire and Mamie Swire, husband & wife
Lessee of Record:	El Paso Natural Gas Company
Book and Page:	Book 165, Page 356
Date of Lease:	July 30, 1951
Description of Lands Committed:	NW1/4NW1/4, except three (3) acres thereof situated in the extreme southwest corner thereof
No. of Acres:	37.00

BEFORE EXAMINER NUTTER	
OIL CONSERVATION DIVISION	
MESA	EXHIBIT NO. 2
CASE NO.	7254

Leases contributed by El Paso Natural Gas Company:

Lease No. 2:

Lessor: Arthur Ponsford
Lessee of Record: El Paso Natural Gas Company
Book and Page: Book 165, Page 358
Date of Lease: July 30, 1951
Description of Lands Committed: A tract of land 300' by 400' situated in the extreme southwest corner of the NW1/4NW1/4
No. of Acres: 3.00

Lease No. 3:

Lessors: George F. Bruington and Grace A. Bruington, husband & wife
Lessee of Record: El Paso Natural Gas Company
Book and Page: Book 165, Page 360
Date of Lease: July 30, 1951
Description of Lands Committed: S1/2NW1/4
No. of Acres: 80.00

Lease contributed by Southwest Production Company:

Lease No. 1:

Lessor: Chester Thompson and Eva Thompson, husband & wife
Lessee of Record: Southwest Production Company
(Only those rights from the base of the Pictured Cliffs formation to the base of the Mesaverde formation)
Book and Page: Book 89, Page 544
Date of Lease: January 12, 1935
Description of Lands Committed: NE1/4NW1/4
No. of Acres: 40.00

*Such leases and interests being so contributed only insofar as they cover the "Unit Area."

PARTIES, THEIR ADDRESS AND THEIR RESPECTIVE
PERCENTAGE INTERESTS IN UNIT AREA

	FORMATION	
	<u>Mesaverde</u>	<u>Dakota</u>
Mesa Petroleum Co. P. O. Box 2009 Amarillo, Texas 79189	50.3965431%	62.8965431%
El Paso Natural Gas Company P. O. Box 1492 El Paso, Texas 79978	37.1034569%	37.1034569%
Southwest Production Company 8333 Douglas Ave. Suite 1352 Dallas, Texas 75225	12.5000000%	None
	100.00%	100.00%



AFE, COST ESTIMATE

San Juan Division

Co./Div./Subsid./Dept

REVISED

AT

ID #

Code General Account #

Exploratory Development

LEASE, WELL NAME, AND LOCATION Bruington 15E
1450' FNL & 1850' FWL Sec. 15-T30N-R11W, San Juan County, New Mexico

DESCRIPTION Drill and complete a 6900' dual Dakota - Mesaverde flowing gas well

Sub Acct. Codes	ITEM DESCRIPTION	Common	MV	Dakota	Total
X01	DRILLING—FOOTAGE 6900' FI. At \$ 14.40 /FI.	\$ 72,000		\$ 27,360	\$ 99,360
X02	DRILLING or COMPLETION RIG MI-RU, RD-MO—DAY WORK				
	(A) DAY WORK 2 DAYS At \$ 4,620.00 /DAY	9,240			9,240
X03	DRILLING or COMPLETION RIG		10,500	10,500	21,000
	(A) BOILER DAYS At \$ /DAY				
	(B) CAMP & CATERING DAYS At \$ /DAY				
	(C) OTHER DAYS At \$ /DAY				
X04	CEMENTING SERVICES, CEMENT & ACCESSORIES	20,000			20,000
X05	MUD, CHEMICALS, SERVICES & EQUIP. (A) MUD, CHEM., OIL	20,000			20,000
	(B) WATER	10,000			10,000
X06	LOGS, TESTING & MUD LOGGING UNIT	15,000			15,000
X07	DRILL STEM TEST & RELATED TESTING EQUIPMENT				
X08	PERFORATING, WELL STIMULATION SERVICES		45,000	35,000	80,000
X09	LOCATION, ROADS, SURVEYS, AIRSTRIPS	10,000			10,000
X10	COMPANY LABOR, SUPERVISION, ENGINEERING & OVERHEAD	3,000			3,000
X11	RENTAL EQUIPMENT & TOOLS	10,000			10,000
X12	ROCK BITS, HOLE OPENERS, REAMERS, STABILIZERS	500			500
X13	HAULING & FREIGHT	8,500			8,500
X14	MOBILIZATION - INSTALLATION				
X15	DEMOBILIZATION - DISMANTLING & SALVAGE				
X16	SUPPLYBOATS, CREWBOATS, BARGES, TUGS				
X17	FUEL, LUBES, POWER				
X18	SHOREBASE, OFFICE, DOCK FEE & CRANES				
X19	AIRCRAFT RENTALS—HELICOPTERS, FIXED WING				
X20	DIVERS AND RELATED EQUIPMENT				
X21	MISCELLANEOUS	16,320	5,250	7,750	29,320
X22	COST to ABANDON (NOT INCLUDED IN PRODUCER TOTAL)				
X23	MUD ENGINEER DAYS At \$ /DAY				
X24	CONSULTING ENGINEER				
	(A) DRILLING 16 DAYS At \$ 350.00 /DAY	5,600			5,600
	(B) COMPLETION 14 DAYS At \$ 350.00 /DAY		2,450	2,450	4,900
X25	GEOLOGICAL CONSULTANT 10 DAYS At \$ 300.00 /DAY	3,000			3,000
	Total Intangible & Non-Controllable Costs	\$ 203,160	\$ 63,200	\$ 83,060	\$ 349,420
X41	BUOYS AND MARKERS	\$	\$	\$	\$
X42	CASING/TUBULARS				
	(A) 250 FT. OF 10 3/4 " OD \$ 14.25 /FT.	3,563			3,563
	(B) 6900 FT. OF 5 1/2 " OD \$ 5.65 /FT.	28,250		10,735	38,985
	(C) 6900 FT. OF 2 1/16 " OD \$ 2.25 /FT.			15,525	15,525
	(D) 5000 FT. OF 1 1/4 " OD \$ 2.04 /FT.		10,200		10,200
	(E) FT. OF " OD \$ /FT.				
X43	WELL HEAD & GUIDE STRUCTURE	2,000			2,000
X44	SUB-SURFACE WELL EQUIPMENT		7,000	7,000	14,000
X45	SURFACE WELL EQUIPMENT	13,950	4,500	4,500	22,950
X46	OTHER MAJOR EQUIPMENT				
	(A) Tanks		3,250	7,500	10,750
	(B) Separators		11,500	11,500	23,000
	(C)				
X47	BUILDINGS				
X48	ELECTRICAL & INSTRUMENTATION EQUIPMENT				
X49	INSTALLATION, MATERIALS, & SERVICES		5,000	5,000	10,000
	Total Tangible Controllable & Non-Controllable Costs	\$ 47,763	\$ 41,450	\$ 61,760	\$ 150,973
	Total Costs	\$ 250,923	\$ 104,650	\$ 144,820	\$ 500,393

Prepared By: [Signature] Date: Drlg. Super Date: 9/8/80

Mesa WI
Others WI

Field Approved: [Signature] Date: Oper. Mgr. Date: 9/8/80

Field Approved: [Signature] Date: Div. Mgr. Date:

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
20 May 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Mesa Petroleum Com-
pany for compulsory pooling, San
Juan County, New Mexico.

CASE
7254

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

1
2 MR. NUTTER: The hearing will come to
3 order, please.

4 We'll call next Case Number 7254.

5 MR. PADILLA: Application of Mesa Pet-
6 roleum Company for compulsory pooling, San Juan County, New
7 Mexico.

8 MR. NUTTER: Applicant in this case
9 has requested a continuance.

10 Case Number 7254 will be continued to
11 the Examiner Hearing scheduled to be held at this same place
12 at 9:00 o'clock a. m. June 17th, 1981.

13
14 (Hearing concluded.)
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREPY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion Division was reported by me; that the said transcript
is a full, true, and correct record of the hearing, prepared
by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 7254
heard by me on 5/20 1981.

[Signature] Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
20 May 1981

EXAMINER HEARING

IN THE MATTER OF:

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CASE
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TRANSCRIPT OF HEARING

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For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion Division was reported by me; that the said transcript
is a full, true, and correct record of the hearing, prepared
by me to the best of my ability.

Sally W. Boyd CSR

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 7254
heard by me on 5/20 19.87.

[Signature] Examiner
Oil Conservation Division

- CASE 7279:** Application of BCO, Inc. for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Basin-Dakota and Lybrook-Gallup production in the wellbores of the following wells located in Township 23 North, Range 7 West: Dunn Well No. 3 located in Unit I of Section 3 and State H Wells Nos. 3 and 4, located in Units M and D, respectively, of Section 2.
- CASE 7280:** Application of Northwest Pipeline Corporation for a dual completion and downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its Rosa Unit Well No. 77 located in Unit L of Section 33, Township 31 North, Range 5 West, to produce gas from the Mesaverde formation and commingled Gallup and Dakota production through separate strings of tubing.
- CASE 7281:** Application of Dugan Production Corporation for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of undesignated Gallup and Basin-Dakota production in the wellbore of its Windfall Well No. 10 located in Unit F of Section 31, Township 26 North, Range 11 West.
- CASE 7282:** Application of Jerome P. McHugh for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Wildhorse-Gallup and Basin-Dakota production in the wellbore of his Apache Well No. 3-E located in Unit H of Section 19, Township 26 North, Range 3 West.
- CASE 7254:** (Continued from May 20, 1981, Examiner Hearing)
Application of Mesa Petroleum Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde formation underlying the W/2 of Section 15, Township 30 North, Range 11 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7270:** (Continued from June 3, 1981, Examiner Hearing)
Application of Southland Royalty Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 21, Township 19 South, Range 27 East, to be dedicated to its Pecos River Federal 21-A Com Well No. 1 drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7250:** (Continued from June 3, 1981, Examiner Hearing)
Application of Southland Royalty Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the N/2 of Section 22, Township 18 South, Range 29 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

Docket No. 19-81

Dockets Nos. 20-81 and 21-81 are tentatively set for July 2 and 15, 1981. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 17, 1981

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for July, 1981, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas for July, 1981, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.
- CASE 7273: Application of Blanks Energy Corporation for an unorthodox oil well location and possible directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 330 feet from the South line and 900 feet from the East line of Section 16, Township 18 South, Range 35 East, South Vacuum-Devonian Pool, the S/2 SE/4 of said Section 16 to be dedicated to the well. If commercial production is not obtained at said location, applicant proposes to come back up the hole and directionally drill in a westerly direction and bottom the well in the Devonian formation at a standard location in the SW/4 SE/4 of said Section 16.
- CASE 7274: Application of Bass Enterprises Production Company for directional drilling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill its James Ranch Unit Well No. 13 from an unorthodox surface location 660 feet from the South line and 1340 feet from the East line of Section 36, Township 22 South, Range 30 East, in such a manner as to bottom said well in the Morrow formation at a standard location at least 660 feet from the South line and 1980 feet from the West line of Section 31, Township 22 South, Range 31 East, the S/2 of said Section 31 to be dedicated to the well.
- CASE 7275: Application of S. P. Yates for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp-Pennsylvanian formations underlying the N/2 of Section 21, Township 19 South, Range 27 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7263: (Continued from June 3, 1981, Examiner Hearing)
- Application of Yates Petroleum Corporation for amendment of Order No. R-5527, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Division Order No. R-5527, which approved an unorthodox Morrow location, to permit the recompletion of its Blevins "IK" Well No. 1 in Unit D of Section 35, Township 17 South, Range 26 East, as an unorthodox gas well location in all Wolfcamp and Pennsylvanian formations.
- CASE 7276: Application of Mobil Producing Texas & New Mexico Inc. for the extension of the vertical limits of the Langlie Mattix Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the vertical limits of the Jalmat Pool and the upward extension of the vertical limits of the Langlie Mattix Pool to the following depths underlying the following 40-acre tracts in Township 25 South, Range 37 East: NE/4 SE/4 of Section 4: 3327 feet; NE/4 SW/4 of Section 3: 3215 feet; and NE/4 NW/4 of Section 15: 3206 feet.
- CASE 7277: Application of Holly Energy, Inc. for an unorthodox oil well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Beeson Well No. 2 to be drilled 1100 feet from the North line and 2300 feet from the West line of Section 29, Township 17 South, Range 30 East, Grayburg-Jackson Pool, the NE/4 NW/4 of said Section 29 to be dedicated to the well.
- CASE 7278: Application of Pollution Control, Inc. for an oil treating plant permit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purpose of treating and reclaiming sediment oil at a site in the E/2 NW/4 of Section 18, Township 20 South, Range 33 East.

Dockets Nos. 17-81 and 18-81 are tentatively set for June 3 and 17, 1981. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 20, 1981

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for June, 1981, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas for June, 1981, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 7242: (Readvertised)

Application of Harvey E. Yates Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox Wolfcamp-Mississippian location of its McDonald Well No. 1 to be drilled 660 feet from the South line and 990 feet from the East line of Section 33, Township 13 South, Range 36 East, the S/2 of said Section 33 to be dedicated to the well.

CASE 7243: (Readvertised)

Application of Harvey E. Yates Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian and Mississippian formations underlying the S/2 of Section 33, Township 13 South, Range 36 East, for a gas completion and/or all mineral interests in the Pennsylvanian-Devonian formations underlying the SE/4 SE/4 of said Section 33 for an oil completion. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7253: Application of Bandera Energy Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the E/2 of Section 27, Township 16 South, Range 35 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7254: Application of Mesa Petroleum Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde formation underlying the W/2 of Section 15, Township 30 North, Range 11 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7255: Application of Gulf Oil Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the W/2 of Section 28, Township 18 South, Range 32 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7256: Application of Petro-Lewis Corporation for doughole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the doughole commingling of Blinebry, Drinkard, and Abo production in the wellbore of its Gulf Sarkeys Well No. 2 located in Unit F of Section 25, Township 21 South, Range 37 East.

CASE 7257: (This case will be dismissed and a different well will be docketed for hearing later.)

Application of Cities Service Company for a salt water disposal well, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Entrada formation at approximately 5300 feet in its Federal "M" Well No. 1 in Unit P of Section 21, Township 19 North, Range 5 West.

Docket No. 16-81

CASE 7225: (Continued from April 22, 1981, Examiner Hearing)

Application of Knox Industries, Inc. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox Morrow location of its Maddox Well No. 1 to be drilled 1980 feet from the South line and 660 feet from the West line of Section 12, Township 23 South, Range 34 East, Northeast Antelope Ridge Field, the S/2 of said Section 12 to be dedicated to the well.

CASE 7258: Application of HNG Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the S/2 of Section 32, Township 21 South, Range 35 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling said well.

CASE 7086: (Continued from April 8, 1981, Examiner Hearing)

Application of Blackwood & Nichols Company, Ltd. for designation of a tight formation, San Juan and Rio Arriba Counties, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Pictured Cliffs formation underlying portions of Townships 30 and 31 North, Ranges 6, 7, and 8 West, containing 33,500 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 18 CFR Section 271.701-705.

CASE 7259: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit New Mexico State University and Fireman's Fund Insurance Company to appear and show cause why two certain geothermal wells, being the New Mexico State University Well No. TC-3 and Well No. DT-4, both located in the NW/4 SE/4 of Section 14, Township 29 South, Range 8 West, Luna County, New Mexico, should not be ordered plugged and abandoned in accordance with a Division-approved plugging program.

CASE 7260: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, abolishing, contracting vertical limits, and extending horizontal limits of certain pools in Eddy, Lea, and Roosevelt Counties, New Mexico:

(a) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Atoka production and designated as the West Antelope Ridge-Atoka Gas Pool. The discovery well is Monsanto Company Back Basin Well No. 1 located in Unit I of Section 20, Township 23 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 20: E/2

(b) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Strawn production and designated as the Antelope Ridge-Strawn Gas Pool. The discovery well is Estoril Production Corporation Curry Federal Well No. 1 located in Unit I of Section 22, Township 23 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 15: S/2
Section 22: All

(c) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Montoya production and designated as the Fowler-Montoya Pool. The discovery well is Gulf Oil Corporation Lillie Well No. 1 located in Unit D of Section 23, Township 24 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM
Section 23: NW/4

(d) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Atoka production and designated as the Grama Ridge-Atoka Gas Pool. The discovery well is Minerals, Inc. Llano 33 State Well No. 1 located in Unit J of Section 33, Township 21 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM
Section 33: S/2

(e) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the McMillan-Wolfcamp Gas Pool. The discovery well is Marbob Energy Corporation State CJ Com Well No. 1 located in Unit G of Section 24, Township 20 South, Range 26 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 26 EAST, NMPM
Section 24: N/2

(f) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Spring production and designated as the North Osado-Bone Spring Pool. The discovery well is Jake L. Hamon Hamon-Samedan-Petty Well No. 1 located in Unit N of Section 8, Township 20 South, Range 36 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 36 EAST, NMPM
Section 8: SW/4

(g) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the West Palmillo-Wolfcamp Pool. The discovery well is Bass Enterprises Production Company Palmillo State Well No. 1 located in Unit J of Section 1, Township 19 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM
Section 1: NW/4 SE/4

(h) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Scoggin Draw-Atoka Gas Pool. The discovery well is Amoco Production Company Federal F Gas Com Well No. 1 located in Unit G of Section 3, Township 18 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM
Section 3: E/2

(i) CREATE a new pool in Roosevelt County, New Mexico, classified as an oil pool for Cisco production and designated as the East Tannehill-Cisco Pool. The discovery well is Energy Reserves Group, Inc. El Paso State Well No. 1 located in Unit P of Section 8, Township 6 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 6 SOUTH, RANGE 34 EAST, NMPM
Section 8: SE/4

(j) ABOLISH the Carlsbad-Canyon Gas Pool in Eddy County, New Mexico, described as: (acreage to be added to East Carlsbad-Wolfcamp Gas Pool)

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM
Section 21: S/2

(k) ABOLISH the Carlsbad Permo-Pennsylvanian Gas Pool in Eddy County, New Mexico, described as: (acreage to be added to East Carlsbad-Wolfcamp Gas Pool)

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM
Section 15: All

(l) EXTEND the Baldrige Canyon-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 24 EAST, NMPM
Section 36: S/2

TOWNSHIP 23 SOUTH, RANGE 25 EAST, NMPM
Section 31: S/2

TOWNSHIP 24 SOUTH, RANGE 24 EAST, NMPM
Section 1: E/2
Section 12: E/2

TOWNSHIP 24 SOUTH, RANGE 25 EAST, NMPM
Section 6: W/2
Section 7: N/2

Docket No. 16-81

- (m) EXTEND the Baum-Upper Pennsylvanian Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 13 SOUTH, RANGE 33 EAST, NMPM
Section 30: SE/4
- (n) EXTEND the Bull's Eye-San Andres Pool in Eddy County, New Mexico, to include therein:
TOWNSHIP 8 SOUTH, RANGE 28 EAST, NMPM
Section 12: N/2 SE/4
TOWNSHIP 8 SOUTH, RANGE 29 EAST, NMPM
Section 7: NW/4 SW/4
- (o) EXTEND the North Caprock-Mississippian Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 12 SOUTH, RANGE 32 EAST, NMPM
Section 5: SE/4
- (p) EXTEND the East Carlsbad-Wolfcamp Gas Pool in Eddy County, New Mexico, to include therein:
TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM
Section 14: N/2
Section 15: All
Section 16: E/2
Section 20: E/2
Section 21: All
- (q) EXTEND the Catclaw Draw-Morrow Gas Pool in Eddy County, New Mexico, to include therein:
TOWNSHIP 20 SOUTH, RANGE 26 EAST, NMPM
Section 33: E/2
- (r) EXTEND the Comanche Stateline Tansill-Yates-Seven Rivers-Queen Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM
Section 20: E/2 NE/4
- (s) EXTEND the Diamond Mound-Morrow Gas Pool in Eddy County, New Mexico, to include therein:
TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM
Section 6: S/2
- (t) EXTEND the Dublin Ranch-Atoka Gas Pool in Eddy County, New Mexico, to include therein:
TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM
Section 22: S/2
Section 27: N/2
- (u) EXTEND the East Empire Yates-Seven Rivers Pool in Eddy County, New Mexico, to include therein:
TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 23: NW/4 SW/4
- (v) EXTEND the Hare-San Andres Gas Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
Section 21: S/2
- (w) EXTEND the South Kemnitz Atoka-Morrow Gas Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM
Section 30: E/2
- (x) EXTEND the North McMillan-Morrow Gas Pool in Eddy County, New Mexico, to include therein:
TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM
Section 21: S/2

- (y) EXTEND the Maljamar-Strawn Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 32 EAST, NMPM
Section 28: W/2

- (z) EXTEND the Malaga-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 28 EAST, NMPM
Section 10: S/2
Section 23: N/2

- (aa) EXTEND the North Peterson-Pennsylvanian Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 4 SOUTH, RANGE 33 EAST, NMPM
Section 17: SE/4

- (bb) EXTEND the South Salt Lake-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPM
Section 5: Lots 1, 2, 3, 4, 5, 6, 7,
and 8

- (cc) CONTRACT the vertical limits of the Shugart-Pennsylvanian Gas Pool to include the Morrow formation only and redesignate said pool as Shugart-Morrow Gas Pool, and extend the horizontal limits of said pool to include therein:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM
Section 26: N/2

- (dd) EXTEND the North Shugart-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM
Section 7: E/2
Section 18: All

- (ee) EXTEND the East Weir-Blinbry Pool in Lea County, New Mexico, to include therein:

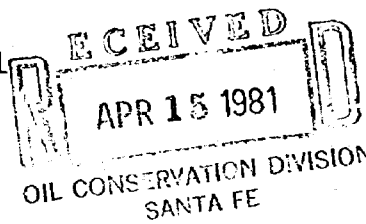
TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 7: N/2 N/2
Section 8: N/2 N/2
Section 9: W/2 NW/4

CAMPBELL, BYRD & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
HARL D. BYRD
BRUCE D. BLACK
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TELEPHONE: (505) 988-4421
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April 13, 1981



Case 7254

Mr. Joe D. Ramey
Division Director
Oil Conservation Division
New Mexico Department of
Energy and Minerals
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Application of Mesa Petroleum Company for
Compulsory Pooling, San Juan County, New Mexico

Dear Mr. Ramey:

Enclosed in triplicate is the application of Mesa Petroleum
Company in the above-referenced matter.

The applicant requests that this matter be included on the
docket for the examiner hearing scheduled to be held on
June 17, 1981.

Very truly yours,

A handwritten signature in cursive script, appearing to read "William F. Carr".

William F. Carr

WFC:lr

Enclosures

cc: Mr. Charles E. Osgood, Jr.

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

RECEIVED
APR 15 1981
OIL CONSERVATION DIVISION

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

Case 7254

APPLICATION

Comes now, MESA PETROLEUM COMPANY, by and through its undersigned attorneys and, as provided by Section 70-2-17, New Mexico Statutes Annotated, 1978 Compilation, hereby makes application for an order pooling all of the mineral interests in the Mesaverde formation in and under the W/2 of Section 15, Township 30 North, Range 11 West, N.M.P.M., San Juan County, New Mexico, and in support thereof would show the Division:

1. Applicant is the owner of 50.3965% of the working interest in the Mesaverde formation in and under the W/2 of said Section 15, and applicant has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced pooled unit to its Bruington 15 E Well to be drilled at an orthodox location 1450 feet from the North line and 1850 feet from the West line of said Section 15.
3. Applicant has sought and obtained either voluntary agreement for pooling or farmout from all other working interest owners in the Mesaverde formation in the W/2 of said Section 15 except Southwest Production Company, owners of a 12.5% working interest.

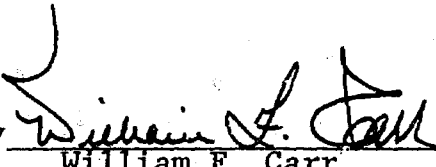
4. Said pooling of interest and well completion will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interest should be pooled, and applicant should be designated the operator of the well to be drilled.

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 lands, designating the applicant as operator of the well, providing for applicant to recover its costs of drilling, equipping and completing the well, and its costs of supervision while drilling, and after completion, including overhead charges, and setting a risk factor for the risk assumed by the applicant in drilling, completing and equipping the well, and such other and further provisions as may be proper in the premises.

Respectfully submitted,
CAMPBELL, BYRD AND BLACK, P.A.

By


William F. Carr
Post Office Box 2208
Santa Fe, New Mexico 87501
Attorneys for Applicant

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

RECEIVED

APR 15 1981

SANTA FE

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

Case 7254

APPLICATION

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1. Applicant is the owner of 50.3965% of the working interest in the Mesaverde formation in and under the W/2 of said Section 15, and applicant has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced pooled unit to its Bruington 15 E Well to be drilled at an orthodox location 1450 feet from the North line and 1850 feet from the West line of said Section 15.
3. Applicant has sought and obtained either voluntary agreement for pooling or farmout from all other working interest owners in the Mesaverde formation in the W/2 of said Section 15 except Southwest Production Company, owners of a 12.5% working interest.

4. Said pooling of interest and well completion will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

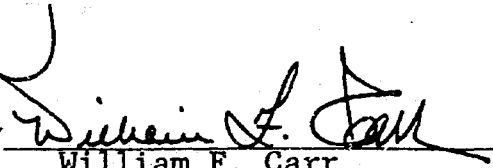
5. In order to permit the applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interest should be pooled, and applicant should be designated the operator of the well to be drilled.

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 lands, designating the applicant as operator of the well, providing for applicant to recover its costs of drilling, equipping and completing the well, and its costs of supervision while drilling, and after completion, including overhead charges, and setting a risk factor for the risk assumed by the applicant in drilling, completing and equipping the well, and such other and further provisions as may be proper in the premises.

Respectfully submitted,

CAMPBELL, BYRD AND BLACK, P.A.

By



William F. Carr
Post Office Box 2208
Santa Fe, New Mexico 87501
Attorneys for Applicant

RECEIVED
APR 15 1981

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

CONSERVATION DIVISION
SANTA FE

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

Case 7254

APPLICATION

Comes now, MESA PETROLEUM COMPANY, by and through its undersigned attorneys and, as provided by Section 70-2-17, New Mexico Statutes Annotated, 1978 Compilation, hereby makes application for an order pooling all of the mineral interests in the Mesaverde formation in and under the W/2 of Section 15, Township 30 North, Range 11 West, N.M.P.M., San Juan County, New Mexico, and in support thereof would show the Division:

1. Applicant is the owner of 50.3965% of the working interest in the Mesaverde formation in and under the W/2 of said Section 15, and applicant has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced pooled unit to its Bruington 15 E Well to be drilled at an orthodox location 1450 feet from the North line and 1850 feet from the West line of said Section 15.
3. Applicant has sought and obtained either voluntary agreement for pooling or farmout from all other working interest owners in the Mesaverde formation in the W/2 of said Section 15 except Southwest Production Company, owners of a 12.5% working interest.

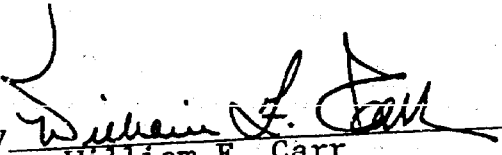
4. Said pooling of interest and well completion will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interest should be pooled, and applicant should be designated the operator of the well to be drilled.

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 lands, designating the applicant as operator of the well, providing for applicant to recover its costs of drilling, equipping and completing the well, and its costs of supervision while drilling, and after completion, including overhead charges, and setting a risk factor for the risk assumed by the applicant in drilling, completing and equipping the well, and such other and further provisions as may be proper in the premises.

Respectfully submitted,
CAMPBELL, BYRD AND BLACK, P.A.

By


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Attorneys for Applicant

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dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 7254

Order No. R- 6213

APPLICATION OF MESA PETROLEUM
COMPANY FOR COMPULSORY POOLING,
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 17,
19⁸¹, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this _____ day of June, 19 81, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS:

(1) That due public notice having been given as required by
law, the Division has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Mesa Petroleum Company,
seeks an order pooling all mineral interests in the Mesaverde
formation underlying the W/2
of Section 15, Township 30 North, Range 11 West
NMPM, Blanco Mesaverde Pool, San Juan County, New
Mexico.

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

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

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(8) That any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that ~~paid~~ estimated well costs exceed reasonable well costs.

(11) That \$ 2100.00 per month while drilling and \$ 210.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before November 1, 1981, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Mesaverde formation underlying the W/2 of Section 15, Township 30 North, Range 11 West, NMPM, Hance Mesaverde Pool, San Juan County, New Mexico, are hereby pooled to form a standard 320- acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of November, 1981, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Mesaverde formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of November, 1981, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Mesa Petroleum Company is hereby designated the operator of the subject well and unit.

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

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

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

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided

-5-
Case No.
Order No. R-

above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

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

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$ 2100.00 per month while drilling and \$ 210.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-6-
Case
Order No.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) That 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.