



DOCKET MAILS  
Date 8/6/82 (Pooles)

CASE NO.

7650

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APPLICATION,  
TRANSCRIPTS,  
SMALL EXHIBITS,  
ETC.

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
18 August 1982

EXAMINER HEARING

IN THE MATTER OF:

Application of Texaco, Inc., for  
compulsory pooling, Lea County,  
New Mexico.

CASE  
7643

and

Application of Texaco, Inc., for  
compulsory pooling, Lea County,  
New Mexico.

CASE  
7650

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

W. Perry Pearce, Esq.  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

Owen Lopez, Esq.  
HINKLE LAW FIRM  
500 Don Gaspar  
Santa Fe, New-Mexico 87501

## I N D E X

## GLENN KING

Direct Examination by Mr. Lopez 4

Cross Examination by Mr. Nutter 11

## EDWARD A. HORVATH

Direct Examination by Mr. Lopez 13

Cross Examination by Mr. Nutter 21

## E X H I B I T S

Texaco Exhibit One, Land Plat 7

Texaco Exhibit Two, Letters 8

Texaco Exhibit Three, Operating Agreement 8

Texaco Exhibit Four, AFE 9

Texaco Exhibit Five, Structure Map 14

Texaco Exhibit Six, Cross Section 16

Texaco Exhibit Seven, Cross Section 17

Texaco Exhibit Eight, Cross Section 19

Texaco Exhibit Nine, Cross Section 19

1  
2 MR. NUTTER: We'll call next Case Number  
3 7643.

4 MR. PEARCE: That is on the application  
5 of Texaco, Inc., for compulsory pooling, Lea County, New  
6 Mexico.

7 MR. NUTTER: And also Case Number 7650.

8 MR. PEARCE: Again that is on the appli-  
9 cation of Texaco, Inc., for compulsory pooling, Lea County,  
10 New Mexico.

11 MR. NUTTER: I believe applicant wanted  
12 consolidation of these cases for hearing purposes. They will  
13 be consolidated.

14 MR. LOPEZ: Mr. Examiner, my name is  
15 Owen Lopez, with the Hinkle Law Firm, Santa Fe, New Mexico,  
16 appearing on behalf of the applicant, and we have two wit-  
17 nesses to be sworn.

18  
19 (Witnesses sworn.)  
20

21 GLENN KING

22 being called as a witness and being duly sworn upon his oath,  
23 testified as follows, to-wit:  
24  
25

## DIRECT EXAMINATION

BY MR. LOPEZ:

Q Mr. King, would you please state your name, residence, and occupation?

A My name is Glenn King, Midland, Texas. I'm an attorney and landman for the Land Department of Texaco.

Q Have you previously testified before the Commission and had your qualifications accepted as a matter of record?

A No, I have not.

Q Would you briefly then explain your educational and employment background as a landman?

A I have a Bachelor of Science degree with a double major in political science and history from East Texas State University and a Doctor of Jurisprudence from the University of Texas School of Law.

I've been with Texaco for approximately two and a half years, most of that time spent preparing contracts. I currently am supervisor of the contract section for the Midland Division.

Q Are you familiar with Texaco's application in these two cases?

A Yes, I am.

1  
2 Q Are you familiar with the land ownership  
3 of the areas involved in these cases and the matters with  
4 which a landman would routinely be familiar?

5 A Yes.

6 MR. LOPEZ: Are the witness' qualifications  
7 acceptable?

8 MR. NUTTER: They are.

9 Q Would you please state what Texaco seeks  
10 in these two cases?

11 A Texaco seeks an order pooling the mineral  
12 interests from 6420 feet beneath the surface to 100 feet be-  
13 low the Strawn formation in the west half of the northeast  
14 quarter of Section 33 for Case Number 7643; and the east half  
15 of the northeast quarter of Section 33 for Case 7650; Section  
16 33 being in Township 16 South, Range 37 East.

17 In each case the interests to be pooled  
18 will be dedicated to a well to be drilled at a standard loca-  
19 tion on each tract.

20 We also wish to submit information on the  
21 cost of drilling, completing the wells, the allocation of  
22 such costs, actual operating costs, charges for supervision.

23 We wish to be designated as operator and  
24 we seek a charge for additional risk involved in drilling  
25 these wells which we are assuming.



1  
2 MR. LOPEZ: Mr. Examiner, it might be  
3 pointed out at this time that as the witness explained, the  
4 mineral interest to be pooled differs somewhat from the de-  
5 scription contained in the advertisement under the cases, and  
6 if I recall your usual operating procedure may allow us to  
7 readvertise and go ahead and put on the testimony here today.

8 MR. NUTTER: Where's the difference?

9 MR. LOPEZ: Well --

10 A The application and docket state that we  
11 wish to pool the Drinkard and Strawn formations; however, we  
12 wish to pool from 6420 feet beneath the surface to 100 feet  
13 below the Strawn.

14 MR. NUTTER: Where is the 6420 feet?

15 A That should be the base of the Paddock  
16 formation.

17 MR. NUTTER: Is that the top of the Drink-  
18 ard?

19 A I don't believe so. On that matter I  
20 really --

21 MR. NUTTER: Okay, you're going to dis-  
22 cuss the vertical limits when we get to that?

23 MR. HORVATH: That will show on the cross  
24 section, yes.

25 MR. NUTTER: Okay, we may have to read-

1  
2 vertise it and we may not. We'll get to that later.

3 MR. LOPEZ: Okay, fine. Good.

4 Q Would you now please refer to Exhibit Num-  
5 ber One and identify the exhibit?

6 A Yes. Exhibit One is a land plat showing  
7 the area. The northeast quarter of Section 33 is outlined  
8 with dashed line; that's the acreage in question.

9 The small dot in the southeast quarter of  
10 the northeast quarter is the proposed location for the ini-  
11 tial well.

12 At this time Texaco either owns or has  
13 committed approximately 94 percent of the working interest  
14 under this acreage. The remaining six percent is uncommitted  
15 and is owned equally one-third by Lanroy Inc., one-third by  
16 Cleroy Inc., and one-third by John McGinley, et us Catherine  
17 McGinley.

18 MR. NUTTER: Are you talking about this  
19 ownership being uniform throughout the 160?

20 A Right.

21 MR. NUTTER: So we have undivided interest  
22 in the --

23 A Yes, sir.

24 MR. NUTTER: They are all common in every  
25 acre in this 160-acre tract?

1  
2 A Yes.

3 MR. NUTTER: Okay.

4 Q Now I'd refer you to what has been marked  
5 as Exhibit Number Two and ask you to identify it.

6 A Exhibit Two consists of a group of letters.  
7 The first three are the cover letters which we sent out with  
8 the operating agreement which we propose for this area and  
9 the AFE to all the working interest owners. In this case we  
10 have a cover letter to J. R. McGinley, to Lanroy Inc., and  
11 Cleroy Inc.

12 The fourth letter is the response from  
13 Mr. McGinley. He speaks for all three of them, in which --  
14 in his letter he declines to join. We followed up with tele-  
15 phone conversations with Mr. McGinley in which he said that  
16 all three companies -- or that the other two companies and  
17 himself declined to either lease or join.

18 Q Would you now turn to what's been marked  
19 Exhibit Three and identify it?

20 A Exhibit Three consists of the operating  
21 agreement which we proposed to all the working interest owners.  
22 It is a standard American Association of Petroleum Landmen  
23 Form Operating Agreement with no significant changes.

24 Exhibit A to this operating agreement will  
25 show the various working interest owners and the interest that

1  
2 they own. I believe there are twelve parties of which seven  
3 agreed to join the unit, two agreed to lease their interests,  
4 and three, the three in question, refused to join or lease.

5 Q Now would you refer to Exhibit Four and  
6 identify it?

7 A Exhibit Four is the AFE which was also  
8 submitted to these same parties. Also penciled in have been  
9 the dry hole costs.

10 MR. NUTTER: What is that figure? I can't  
11 read it very well.

12 A Dry hole cost is \$890,300.

13 MR. NUTTER: Thank you.

14 Q Does Texaco propose to be named as oper-  
15 ator in these cases?

16 A Yes, we do.

17 Q Do you -- are you prepared to make a re-  
18 commendation as to the amount of penalty which should be as-  
19 sessed as charges for supervision for operating the wells?

20 A Yes. We propose supervision charges of  
21 \$3750 per well per month for drilling wells, and \$375 per well  
22 per month for producing wells. These figures are consistent  
23 with those found in the operating agreement we propose and are  
24 approximately industry standard for a well of this type.

25 Q And I believe the operating agreement

1  
2 also provides for a 300 percent nonconsent penalty?

3 A Yes. It provides for a penalty consisting  
4 of 300 percent of the nonconsenting parties share of costs,  
5 which is what we request from the Commission, that amount to  
6 be 100 percent plus a 200 percent penalty.

7 Q Do you have any problems with regard to  
8 expiration of the leases in connection with the acreage under  
9 consideration?

10 A Yes, we do. Some of the leases are going  
11 to be expiring pretty soon. The first lease expires in Sep-  
12 tember. Therefor, of course, we respectfully request expe-  
13 ditious handling of this matter.

14 Q Were Exhibits One through Four prepared  
15 by you or under your supervision?

16 A Yes, they were.

17 Q In your opinion will the granting of these  
18 applications be in the interest of prevention of waste and  
19 protection of correlative rights?

20 A Yes, it will.

21 MR. LOPEZ: I have nothing further on  
22 direct.

23  
24 CROSS EXAMINATION  
25

1  
2 BY MR. NUTTER:

3 Q Okay, Mr. King, you mentioned that a  
4 number of parties had agreed to join in the drilling of the  
5 well and others had not.

6 A Yes.

7 Q Okay, now on Exhibit A to the operating  
8 agreement are these various parties with their interests.

9 A Yes.

10 Q Would you go through and tell us which  
11 ones have consented and which ones have not?

12 A Everyone has agreed to join in the unit  
13 with the exception of the Felmont and Mary Ruth McCrory, who  
14 have leased out their interests, and Cleroy, Lanroy, and J.  
15 R. McGinley and his wife, Catherine.

16 Q Okay, so who owns the lease, then, on the  
17 Felmont and McCrory interests, Texaco?

18 A Leased to Texaco now.

19 Q So everybody's in except Cleroy, Lanroy,  
20 and McGinley.

21 A Yes.

22 Q Now, who is the royalty owner here? Or  
23 are they royalty owners also?

24 A They own the mineral fee.

25 Q Okay, so they -- they will be royalty

1  
2 owners and working interest owners under a forced pooling  
3 action, is that correct?

4 A Yes.

5 Q And how about all -- what's -- who owns  
6 the rest of the royalty?

7 A Most of these parties own mineral fee  
8 themselves. Sohio and Producing Royalties, I believe, are  
9 the only two who are committing leasehold interests. The  
10 other parties own mineral interests.

11 Q I see. And you have been in contact with  
12 Lanroy, Cleroy, and McGinley --

13 A Yes.

14 Q -- on this proposition since June the  
15 9th, I presume.

16 A Yes.

17 Q That's the date of this letter.

18 A Their letter back to us declining was  
19 received on July 8th and we immediately followed up with  
20 telephone conversations. We talked to them several times  
21 and they --

22 Q Now that was McGinley's response.

23 A Yes.

24 Q He was representing Cleroy and Lanroy.

25 A Also owns the company, McCrory, and they

1  
2 are three affilitated companies. In this case he owns the  
3 acreage in his individual capacity but he speaks for the  
4 other two companies as well.

5 Q So you feel you have given them ample  
6 time in which to participate in the well before bringing this  
7 action.

8 A Yes.

9 MR. NUTTER: Are there any further ques-  
10 tions of Mr. King? He may be excused.

11 Would you call your next witness, please?

12 MR. LOPEZ: Yes.

13  
14 EDWARD A. HORVATH

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

17  
18 DIRECT EXAMINATION

19 BY MR. LOPEZ:

20 Q MR. Horvath, would you please state your  
21 full name, residence, and occupation?

22 A My name is Edward A. Horvath. I live in  
23 Midland, Texas. I'm a development geologist with Texaco in  
24 Midland.

25 Q Have you previously testified before the



Commission and had your qualifications accepted?

A No, I have not.

Q Would you then briefly describe your educational background and employment experience?

A I have a BA degree in geology from Wooster College. I have an MS degree in geology from the University of Utah.

I have twenty-two years of experience as a geologist in drilling and development exploration work in the Permian Basin, covering west Texas and eastern New Mexico.

Q I take it then you are familiar with the applications of Texaco in these cases?

A Yes.

Q And you are also familiar with the geological features underlying the acreage in acreage in question.

A Yes, I am.

MR. LOPEZ: Are the witness' qualifications acceptable?

MR. NUTTER: Yes, they are.

Q I would now ask you to refer to what has been marked Exhibit Five and identify this exhibit.

A Exhibit Five is a structural map contoured on top of the Strawn limestone. It covers from the Lovington

1  
2 East Penn Field, which is on the lefthand side, going across  
3 to the Casey Strawn Field on the righthand side. The verti-  
4 cal scale is one inch equal 2000 feet. The contour interval  
5 is 100 feet, starting with the highest portion on the far  
6 left, -7100, and declining to a -7600 to the right, to the  
7 east.

8                   There's a slight structural nosing coming  
9 across this area from left to right.

10                   The regional location, there's a location  
11 map or plat down in the lower lefthand corner, this is located  
12 on what we call the Carlsbad Shelf or the Northwestern Shelf.  
13 South of that is the Delaware Basin and the Central Basin  
14 Platform.

15                   The wells that are colored in red are  
16 Strawn producers. On the far left is the Lovington East Penn  
17 Field. There are one, two, three, four wells that were com-  
18 pleted in it. There are only presently -- only one well is  
19 still producing. That's the one that's totally colored in  
20 red. That was the discovery well.

21                   Going further across to the east, we see  
22 five wells which are completed in the Casey Strawn Field area.  
23 Those five wells were completed into the Strawn.

24                   There is one well that catches the north,  
25 up in that northwest corner that is in the Lovington Northeast

Penn Field area. It's a Strawn producer.

The Texaco acreage, of course, is colored in yellow, either total interest or part interest. The arrow with the circle shows the proposed location on this lease that we will drill for a Strawn test.

The black arrows point to at least nine wells which have penetrated the Strawn in this area. Many of them are tight; a couple of them have tested formation water.

The red band that we see going across is a geologic interpretation connecting the porosity from the Lovington East Penn Field area across the Casey Strawn Area. I believe that is a band of porosity. Probably it's a facies related type of development. Porosity has developed into it during sub-areal exposure.

Q Now I'd refer you to what has been marked as Exhibit Six and ask you to identify this.

A This is a structural cross section. It's an east/west one, mainly, going across again to the fields where we just saw in the last exhibit that zone of porosity, starting at the far left from the Lovington East Penn Field area.

There are three wells that are completed in the Strawn that we see on the far left. One is a dry hole

1  
2 in the Strawn produced out of a shallow horizon. Going  
3 across our proposed location of the Carter No. 1, it's  
4 11,500 foot Strawn test, into three wells that are in the  
5 Casey Strawn Field area completed in the Strawn.

6 It's hung on a minus datum of 3000 feet.  
7 You'll see the shallow horizons. You were asking earlier  
8 about the Paddock, which is a Glorieta equivalent. There is  
9 some Paddock production in the area. We come down next to  
10 the Upper Clear Fork, or the Blinebry that's in New Mexico,  
11 the Tubb, the Lower Clear Fork, or Drinkard, as it's known  
12 in New Mexico. That does produce in the area. And finally  
13 down into the Strawn horizon. We see the Strawn with a slight  
14 dip going from west to east, as was shown on the structural  
15 map.

16 Q All right, now refer to what's been marked  
17 as Exhibit Number Seven and identify it.

18 A Exhibit Seven is a similar cross section  
19 but it's (not understandable). It's an enlargement of the  
20 Strawn section, which we're mainly after, again across the  
21 identical wells. It shows on the far left, it shows the  
22 Strawn with thickness of about 100 feet, which we see on the  
23 far left. This is the Lovington East Penn Field, the three  
24 producers with the red on top in the Strawn.

25 We come to another well which penetrated

1  
2 the Strawn. It's a tight section. It's not tested but it  
3 appears to be tight on the log. We move across to our pro-  
4 posed location in the Strawn, and into the Casey Strawn Field  
5 area. Again there are two wells that are completed into it.

6 The red indicates the perforated intervals  
7 that we see through here; the green are DST's that were run;  
8 again perforated intervals here in red and the green are the  
9 DST's.

10 The potentials are put down at the bottom.  
11 As we can see as we come across this area, the porosity does  
12 not directly relate to the top of the Strawn. This is one of  
13 our problems because the Strawn at the top has a nice struc-  
14 ture configuration but the porosity as seen to the far east  
15 is a little bit higher; as we move to the west it seems to be  
16 dipping down. There is a possibility -- this is a very good,  
17 reasonable prospect for drilling to the Strawn, but there is  
18 a problem with the porosity. If this porosity continues  
19 dipping on down, it can become water bearing. This well has  
20 perforated this zone through here, perforated and got water.  
21 If they moved a little bit higher, probably got oil out of  
22 this.

23 So there is a problem with porosity,  
24 very erratic in its development. It can come in high and be  
25 oil productive. It can come in low and be water productive,

1  
2 or if similar to this one, it's tight and nonproductive.

3 Q Now referring to what's been marked Ex-  
4 hibit Eight.

5 A This is another structural cross section.  
6 It is mainly a north/south, more of a northwest/southeast  
7 cross section across the Casey Strawn Field area. On the far  
8 left we have two wells that were -- penetrated the Strawn.  
9 This was tight in the Strawn; this one was wet in the Strawn.  
10 We have two producers in the Casey Strawn, dropping on off to  
11 two wells that again penetrated the Strawn but were tight.  
12 This is going across that structure nosing as we saw in the  
13 previous exhibit.

14 Again we see the shallow horizons, again  
15 coming down from the Paddock, down through the Drinkard, and  
16 then down to the Strawn.

17 Q Okay, now would you refer to what's been  
18 marked Exhibit Nine and identify it?

19 A Exhibit Nine will be a blow-up again of  
20 the Strawn across the identical cross section.

21 This is again sort of a northwest/south-  
22 east cross section across the Casey Strawn Field area. This  
23 well penetrated the Strawn and it was merely tight. There's  
24 no test to interpret but the log indicates it's tight.

25 This one, which is due north of our loca-

1  
2 tion, got porosity in two zones, but was wet in both zones.  
3 Perforated the lower zone and got water; perforated the higher  
4 zone and got water.

5 Then we come into another well, again  
6 which is across one off the previous cross section, which got  
7 water down below and oil out of this set of perforations.

8 The next well next to it, the porosity  
9 a little bit higher, was oil productive.

10 Coming back down it looks like a little  
11 porosity but the DST, they received nothing on the DST off  
12 of this except some drilling fluid.

13 And down into the tight section in the  
14 Strawn.

15 Again, the erratic porosity development  
16 and you can see that it becomes a very high risk because of  
17 that porosity, trying to forecast it. We believe it is in  
18 that band coming across, but if it will be high or low, this  
19 will be very risky portion of it.

20 Q You heard Mr. King testify as to the  
21 penalty for nonconsent mineral interest owners in the oper-  
22 ating agreement. Do you have an opinion as to what the risk  
23 penalty should be authorized if the applications are granted  
24 in these cases?

25 A Yes, the evidence has been presented on

these exhibits. It justifies a 200 percent risk penalty.

Q Were Exhibits Five through Nine prepared by you or under your supervision?

A Yes, they were.

Q Is it your opinion that the granting of these applications will be in the interest of the prevention of waste and the protection of correlative rights?

A Yes, they will.

MR. LOPEZ: I have nothing further.

#### CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Horvath, mention was made during Mr. King's testimony of the advertisement of this case to be for the pooling of mineral interests in the Drinkard and the Strawn formations.

Now just observing one of your cross sections, and we see that if you stated -- he stated that you wanted to amend the application to go from, what was it, 6420 to a depth of --

A 100 feet below the Strawn.

Q -- one hundred feet below the base of the Strawn.

Now, by going to 54 -- by pooling from



6420 at the proposed location you would, in effect, be pooling the Blinebry and the Tubb in addition to the Drinkard, then on through the Strawn.

A It would be Abo, Wolfcamp, all the way on down through the Strawn, total bounds.

Q Okay. Are there any Blinebry or Tubb wells in this area?

A There are no Blinebry or Tubb that I know of. There are nearby Paddock, which is that Lovington Field, and is there is Drinkard, which is Knowles West, which is over by the Casey Strawn, it's kind of in between both locations.

Q Okay. Would your proposal then be to also include the Paddock in the pooling order?

A It would not be for the Paddock, no, below the Paddock.

Q And possibly you might get some Abo, maybe.

A Abo, yes.

Q So, Mr. Lopez, you'd prefer to withhold entry of an order at this time until we've readvertised the cases, or would you rather go ahead and risk drilling the well under the existing advertisement and then amend the order if you got production in some of these other formations?

1  
2 It depends on what your time schedule is  
3 for drilling the well.

4 MR. LOPEZ: We need to take the risk.  
5 Yeah, we'll go for the amendment.

6 MR. NUTTER: It can be amended quite  
7 easily, I'm sure, because you won't be drilling deeper and  
8 you're not changing the chances of someone wanting to partici-  
9 pate and not being able to by -- by willing to participate  
10 under these terms and then you'd amend it to go deeper and  
11 they didn't want to participate.

12 Everything that you've got prospects for  
13 are above, shallower and above what your deepest target is  
14 here.

15 MR. LOPEZ: Right.

16 MR. NUTTER: So do you want to take the  
17 case under advisement, then?

18 MR. LOPEZ: Yes.

19 MR. NUTTER: Okay. Are there any further  
20 questions of Mr. Horvath? He may be excused.

21 Do you have anything further, Mr. Lopez?

22 MR. LOPEZ: No, sir.

23 MR. NUTTER: Does anyone have anything  
24 they wish to offer in Cases Numbers 7643 and 7650?

25 We'll take the cases under advisement.

## 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 Conservation 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. 7443-7650 heard by me on 8/18 19 62

[Signature], Examiner  
Oil Conservation Division

SALL. BOYD, C.S.R.

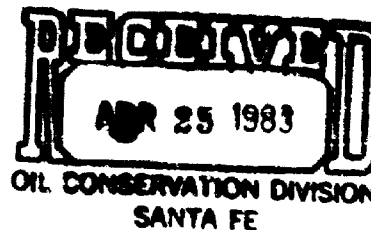
Box 193-B  
Santa Fe, New Mexico 87201  
Phone (505) 455-7409



PETROLEUM PRODUCTS

PRODUCING DEPARTMENT

April 22, 1983



TEXACO  
U.S.A.

A DIVISION OF TEXACO INC.  
P. O. BOX 3100  
MIDLAND, TEXAS 79702

192923 - LEE CARTER LEASE  
LEA COUNTY, NEW MEXICO

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

Attention: Mr. Joe Ramey, Director

Gentlemen:

In accordance with Compulsory Pooling Order No. R-7066 dated August 18, 1982 in Case No. 7650, Texaco herewith provides the attached Itemized Schedule of Well Costs for the Lee Carter No. 1 located in the East Half of the Northeast Quarter (E/2 NE/4) of Section 33, T-16-S, R-37-E, Lea County, New Mexico.

Yours very truly,

E. H. Watkins  
Land Manager

By

Glyn King

CGK-BW  
Attachments

CC: See attached list

Sohio Petroleum Company  
50 Penn Place  
Oklahoma City, Oklahoma 73118

Sun Exploration & Production Company  
P. O. Box 1861  
Midland, Texas 79702

Producing Royalties, Inc.  
P. O. Box 1071  
Lubbock, Texas 79407

W. T. Reed  
10143 Buckwood Drive  
El Paso, Texas 79925

Arco Oil and Gas Company  
P. O. Box 1610  
Midland, Texas 79702

Petroleum Corporation of Texas  
P. O. Box 911  
Breckenridge, Texas 76024

Heritage Resources  
P. O. Box 777  
Davis, Oklahoma 73030

Shell Oil Company  
P. O. Box 576  
Houston, Texas 77001

Cleroy Inc.  
420 S. Main  
Tulsa, Oklahoma 74103

Lanroy, Inc.  
420 S. Main  
Tulsa, Oklahoma 74103

J. R. McGinley et ux Catherine  
420 S. Main  
Tulsa, Oklahoma 74103

Getty Oil Company  
P. O. Box 1231  
Midland, Texas 79702

LEE CARTER WELL NO. 1  
ITEMIZED SCHEDULE OF WELL COSTS  
WELL COMPLETED JANUARY 25, 1983

Tangibles:

13-3/8 x 8-5/8 x 5 1/2 Well Head complete with	
2-2 1/2 and 2-2" valves	\$ 15,637.44
362 ft. 13-3/8" OD Casing 48# H-40	8,425.19
4788 ft. 8-5/8" OD Casing 24# and 32# J-55	119,753.70
11,591 ft. 5 1/2 OD Casing 17# S-95	121,688.74
11,386 ft. 2-7/8" OD Tubing 6.50# N-80	70,178.50
Line Pipe - (Flow Line)	
125 ft. 4 1/2 Casing (Used as Line Pipe)	
46 ft. 3 1/2" 7.70# Line Pipe	
569 ft. 2-3/8" 4.70 Tubing (Used as Line Pipe)	2,359.14
Sub Surface Pump (2 1/2x1-1/16x20x24)	1,311.50
640 P Lufkin Pumping Unit	42,120.00
Electrical Equipment	7,437.30
Sucker Rods	
6200 ft. 3/4" Rods	
2600 ft. 7/8" Rods	
2500 ft. 1" Rods	28,857.70

Intangibles:

Intangible Drilling Cost	389,402.55
Installation Costs of Pumping Equipment	<u>11,584.01</u>

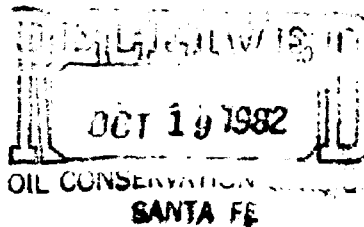
Total	\$818,755.77
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PETROLEUM PRODUCTS

PRODUCING DEPARTMENT

TEXACO  
U.S.A.  
A DIVISION OF TEXACO INC.  
P. O. BOX 3108  
MIDLAND, TEXAS 79702



October 14, 1982

192923 - Lee Carter, et al Lease  
Lea County, New Mexico

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

Attention: Mr. Joe D. Ramey

Gentlemen:

Pursuant to your Case No. 7650, Order No. R-7066, enclosed is a schedule of estimated well costs for Texaco's Lee Carter No. 1 well. It is anticipated that this well will be commenced on or before October 20, 1982.

Yours very truly,

E. H. Watkins  
Land Manager

By Gary E. Cox  
Gary E. Cox

GEC-BH

Enclosure

AUTHORITY FOR EXPENDITURE

M-112 (Drig)

Lease Name & Well No. LEE CARTER WELL NO. 1 Land Dept. Lease No. 192923 Field WILDCAT  
 County Lea State New Mexico District Hobbs Area Caprock

Classification: Exploratory \_\_\_\_\_ Development X Oil X Gas \_\_\_\_\_ Depth 11,500'

Location 1980' FNL & 660' FEL, Section 33, T-16-S, R-37-E

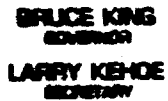
QUANTITY	DESCRIPTION				CASH	M.O.H.
	<b>WELL AND LEASE EQUIPMENT:</b>					
	Surface Assembly: 13-3/8" x 8-5/8" x 5-1/2" x 2-7/8", 5000 psi W.P.				20,000	5,000
350'	13-3/8"	OD 48	# H-40, STC	Casing		10,000
2100'	8-5/8"	OD 24	# K-55, STC	"		30,300
2400'	8-5/8"	OD 28	# S-80, STC	"		44,000
300'	8-5/8"	OD 32	# S-80, STC	Drift to 7-7/8"		6,000
6500'	5-1/2"	OD 17	# K-55, LTC	"		69,600
4500'	5-1/2"	OD 17	# N-80, LTC	"		72,000
500'	5-1/2"	OD 17	# S-95, LTC	"		4,200
1	Production Packer				8,000	
	"	OD	#	"		
	"	OD	#	"		
9500'	2-3/8"	OD 4.7	# J-55, EUE	Tubing		41,800
2000'	2-3/8"	OD 4.7	# N-80, EUE	"		13,600
3000'	2-7/8"	OD	# T&C	Line Pipe		13,900
	Installing Line Pipe				9,000	
SUB ACCT	<b>INTANGIBLE DEVELOPMENT COSTS:</b>					
760	Trucking				15,000	
761	Roads, Dirt Work, Pits				15,000	
762	Contract Drilling - Footage ft @ \$					
763	Contract Drilling - Day Work 45 Days @ \$ 7,500				337,500	
764	Contract Completion Unit (Incl. C.T.) 10 Days @ \$1500				15,000	
765	Bits				50,000	35,000
767	Salaries & Wages - Non-Rig (Co. Payroll only)					5,000
769	Drill Pipe Rental					
770	Directional Tools & Services					
771	Fishing Tools and Services					
772	Other Rental Tools & Eq. (Geolograph, Gas Detector, Mud Logging Unit, Etc.)					
773	Mud and Additives				75,000	
774	Cementing & Services (Inc. Centralizers, Scrapers, Floating Equipment & Temp. Surveys)				65,000	
775	Water				30,000	
776	Fuel					
777	Coring Services and Analysis					
778	Drill Stem and Wire Line Testing Tests @ \$					
779	Perforating				10,000	
780	Acidizing (x) and/or Fracturing ( )				20,000	
781	Electric Logging and Surveys				30,000	
782	Waste Disposal of Mud, Chemicals, Etc.					
783	Damages					
789	Other Drilling Costs (Inc. Cattle Guard, Staking, Location, State Permits, Etc.)				90,000	
	Tubing Inspection				10,000	
	Casing Crews				15,000	
	Rig Move in				100,000	
Well & Lse Eqpt	Gross	Pexaco Int	MCH	Pexaco Int	TOTALS: \$914,500	\$ 315,400
IDC					" 870,300	
Totals					GRAND TOTAL:	\$1,229,900

DISTRICT APPROVALS	DATE	OTHER APPROVALS	DATE
Petr. Engr JAMES LEL	5/7/82	JCD	5/11/82
Comptroller			
Warehouse			
Asst. Supt.			
Dist. Supt.			

Days to Drill 45 Days to Complete 15 Estimate No. \_\_\_\_\_

ARM'D(2), R48, XEN, RVS, BLE, FIC





POST OFFICE BOX 2000  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
(505) 827-2434

Mr. Owen Lopez  
Hinkle, Cox, Eaton, Coffield  
& Hensley  
Attorneys at Law  
P. O. Box 2068  
Santa Fe, New Mexico 87501

Re: CASE NO. 7650  
ORDER NO. R-7066

~~Texaco Inc.~~

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

**JOE D. RAMEY**  
Director

Hobbs OCD x  
 Artesia OCD x  
 Aztec OCD

Other \_\_\_\_\_

03

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. 7650  
Order No. R-7066

APPLICATION OF TEXACO INC. FOR  
COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on August 18, 1982, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 1st day of September, 1982, 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, Texaco Inc., seeks an order pooling all mineral interests from the top of the Drinkard formation to a point 100 feet below the base of the Strawn formation underlying the E/2 NE/4 of Section 33, Township 16 South, Range 37 East, NMPM, Casey-West Knowles Area, Lea 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 oil and 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. 7650

Order No. R-7066

(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 \$3750.00 per month while drilling and \$375.00 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 December 1, 1982, the order pooling said unit should become null and void and of no effect whatsoever.

02  
-3-

Case No. 7650  
Order No. R-7066

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, from the top of the Drinkard to a point 100 feet below the base of the Strawn formation underlying the E/2 NE/4 of Section 33, Township 16 South, Range 37 East, NMPM, Casey-West Knowles Area, Lea County, New Mexico, are hereby pooled to form a standard 80-acre oil 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 December, 1982; and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Drinkard and Strawn formations;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of December, 1982, 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 Texaco Inc. 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

-4-

Case No. 7650  
Order No. R-7066

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 \$3750.00 per month while drilling and \$375.00 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. 7650

Order No. R-7066

(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 interest's 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 Lea 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 hereinafter designated.



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

*Joe D. Ramey*  
JOE D. RAMEY,  
Director

WEST VIRGINIA STATE COURT

All Exhibits  
(1 thru 9, inclusive)  
are in Case File 7643

*OK*

Dockets Nos. 27-82 and 28-82 are tentatively set for September 1 and September 15, 1982. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 18, 1982

9 A.M. - OIL CONSERVATION DIVISION - MORGAN HALL,  
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 September, 1982, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.

(2) Consideration of the allowable production of gas for September, 1982, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

**CASE 7635:** In the matter of the hearing called by the Oil Conservation Division on its own motion to permit CO<sub>2</sub>-in-Action, Travelers Indemnity and all other interested parties to appear and show cause why the Trigg Well No. 3 located in Unit J, Section 25, Township 15 North, Range 28 East, San Miguel County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

**CASE 7636:** In the matter of the hearing called by the Oil Conservation Division on its own motion to permit CO<sub>2</sub>-in-Action, Travelers Indemnity and all other interested parties to appear and show cause why the Amistad No. 1 located in Unit E of Section 18, and the Amistad No. 2 located in Unit D of Section 7, both in Township 19 North, Range 36 East, Union County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

**CASE 7637:** In the matter of the hearing called by the Oil Conservation Division on its own motion to permit R.A.F. Enterprises, Fireman's Fund Insurance Company and all other interested parties to appear and show cause why the Shaw Well No. 1, located in Unit M, Section 15, Township 4 North, Range 8 East, Torrance County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

**CASE 7638:** In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Cibola Energy Corporation, Mid-Continent Casualty Company, and all other interested parties to appear and show cause why the Simms Ranch Well No. 1, located in Unit N, Section 9, the Clyde Berlier Well No. 1, located in Unit K and the Clyde Berlier Well No. 2, located in Unit F, both in Section 21, the Mora Ranch Well No. 3 located in Unit M and the Mora Ranch Well No. 4, located in Unit M, both in Section 5, all in Township 21 North, Range 21 East, Mora County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

**CASE 7639:** Application of Acoma Oil Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Wantz Abo, Drinkard and Blinbry Pool production in the wellbore of its S. J. Starkeys Lease Well No. 2, located in Unit B of Section 26, Township 21 South, Range 37 East.

**CASE 7640:** Application of Morris R. Antweil for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in all formations from the surface down through and including the Abo formation in and under the NE/4 NE/4 of Section 12, Township 20 South, Range 37 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 7641:** Application of Reading & Bates Petroleum Co. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in all formations from the surface down through the Devonian formation underlying the NW/4 SE/4 of Section 33, Township 14 South, Range 38 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 7642:** Application of Doyle Hartman for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface through the Jalmat Pool, underlying a previously approved 120-acre non-standard proration unit comprising the S/2 NE/4 and NE/4 NE/4 of Section 20, Township 25 South, Range 37 East, to be dedicated to a well to be drilled at a previously approved unorthodox location. 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 7643:** Application of Texaco, Inc. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Drinkard and Strawn formations underlying the W/2 NE/4 of Section 33, Township 16 South, Range 37 East, Casey-West Knowles Area, 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 7650:** Application of Texaco Inc. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Drinkard and Strawn formations underlying the E/2 NE/4 of Section 33, Township 16 South, Range 37 East, Casey-West Knowles Area, 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 7644:** Application of Rault Petroleum Corporation & McKay Petroleum Corporation for compulsory pooling, De Baca County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Abo formation underlying the SW/4 of Section 33, Township 3 South, Range 25 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 7645:** Application of Stevens Operating Corporation for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface down to the base of the Abo formation underlying the NE/4 of Section 29, Township 7 South, Range 26 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 7652:** Application of Conoco Inc. for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Cisco formation underlying all of partial Sections 34 and 35, Township 20 1/2 South, Range 23 East, underlying a previously approved 688-acre non-standard proration unit, to be dedicated to a well at a previously approved unorthodox location which is to be re-entered. Also to be considered will be the cost of re-entering 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 re-entering said well.
- CASE 7646:** Application of Tenneco Oil Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Pennsylvanian gas well to be drilled 1855 feet from the North line and 660 feet from the East line of Section 25, Township 16 South, Range 33 East, the N/2 of said Section 25 to be dedicated to the well.
- CASE 7651:** Application of Mortex Gas & Oil Company for the amendment of Order No. R-6903, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Division Order No. R-6903 to provide that non-consenting working interest owners shall have thirty days following final adjudication of title in which to pay their proportionate share of well costs.
- CASE 7647:** Application of Guest Energy Corporation for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the San Andres formation in the open hole interval from 4150 feet to 5600 feet in its State A Well No. 2, located in Unit L of Section 26, Township 14 South, Range 33 East.
- CASE 7653:** Application of Rio Pecos Corporation for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Chaverlea-North Federal Unit Area, comprising 1,920 acres, more or less, of Federal and Fee lands in Township 8 South, Range 31 East.
- CASE 7648:** Application of Rio Pecos Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the top of the Wolfcamp to the base of the Pennsylvanian formation, underlying the W/2 of Section 35, Township 18 South, Range 24 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 7654: Application of Rault Petroleum Corporation for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location for an undesignated Pennsylvanian gas well to be drilled 600 feet from the South line and 560 feet from the West line of Section 13, Township 8 South, Range 27 East, the S/2 of said Section 13 to be dedicated to the well.

CASE 7306: (Reopened)

In the matter of Case 7306 being reopened pursuant to the provisions of Order No. R-6769 which promulgated temporary pool rules for Madera-Lower Perm Gas Pool in Lea County, including provision for 640-acre spacing units. All interested parties may appear and show cause why said pool should not be developed on 320-acre spacing.

CASE 7655: Application of Yates Petroleum Corporation for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface down through the Abo formation underlying the NW/4 of Section 20, Township 7 South, Range 26 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.

CASES 7528 and 7529: (Continued from July 7, 1982, Examiner Hearing)

Application of Jack J. Grynberg for compulsory pooling, Chaves County, New Mexico. Applicant, in each of the following two cases, seeks an order pooling all mineral interests down through the Abo formation underlying the lands specified in each case, each to form a standard 160-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon. Also to be considered in each case will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling said wells:

CASE 7528: NW/4 Section 4, Township 5 South, Range 24 East

CASE 7529: NE/4 Section 4, Township 5 South, Range 24 East

CASE 7649: Application of Southern Union Exploration Company for retroactive exemption, San Juan and Rio Arriba Counties, New Mexico. Applicant, in the above-styled cause, seeks the retroactive exemption from Section 5 of the New Mexico Natural Gas Pricing Act of the following Basin Dakota infill wells: Jicarilla A No. 13-E in Unit N of Section 13 and Jicarilla A No. 10-E in Unit G of Section 23, both in Township 26 North, Range 4 West, and Jicarilla K No. 15-E in Unit A of Section 1, Township 25 North, Range 5 West, all in Rio Arriba County, and the Hodges No. 15-E in Unit J of Section 27, Township 26 North, Range 8 West. Each of the aforesaid wells was subject to the New Mexico Natural Gas Pricing Act until exempted from same by the Division on July 23, 1982, and applicant seeks the retroactive exemption of each of said wells to date of first delivery into the pipeline which ranges from December 24, 1980 to January 11, 1982.

CASE 7594: (Continued from July 21, 1982, Examiner Hearing)

Application of Harvey E. Yates Company for statutory unitization, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order unitizing, for the purposes of a secondary recovery project, all mineral interests in that portion of the Bone Spring formation described as the Carbonate unit between the first and second Bone Spring Sands underlying the Young Deep Unit, encompassing 560 acres, more or less, of Federal lands underlying portions of Sections 3, 4, 9 and 10, Township 18 South, Range 32 East.

LAW OFFICES

HINKLE, COX, EATON, COFFIELD & HENSLEY

1000 FIRST NATIONAL BANK BUILDING

POST OFFICE BOX 3500

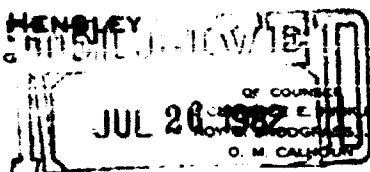
MIDLAND, TEXAS 79702

(817) 683-4691

LEWIS C. COX\*  
PAUL W. EATON  
CONRAD E. COFFIELD  
HAROLD L. HENSLEY, JR.\*  
STUART D. SHANNON\*  
C. D. MARTIN  
PAUL J. KELLY, JR.\*  
JAMES H. BOZARTH  
DOUGLAS L. LUMPKIN\*  
PAUL N. BOHANNON  
ERNEST R. FINNIS, JR.  
J. DOUGLAS FOSTER

T. CALDER EZZELL, JR.\*  
WILLIAM B. BURFORD  
JOHN S. NELSON\*  
RICHARD E. OLSON\*  
DEBORAH NORRWOOD  
ANDERSON CARTER, II  
STEVEN D. ARNOLD  
JEFFREY L. BOWMAN  
EDITH C. HARRISMAN\*  
DAVID L. SPOEDE  
JEFFREY D. HEWETT  
JAMES BRUCE\*

\*NOT LICENSED IN TEXAS



W. E. BONDURANT, JR. (1904-1973)  
ROBERT A. STONE (1906-1988)

ROSWELL, NEW MEXICO OFFICE  
600 HINKLE BUILDING  
POST OFFICE BOX 10  
(505) 622-6510

AMARILLO, TEXAS OFFICE  
1700 AMERICAN NATIONAL BANK BUILDING  
POST OFFICE BOX 12058  
(806) 372-5549

July 21, 1982

Mr. Dan Nutter  
Oil Conservation Division  
Post Office Box 2088  
Santa Fe, New Mexico 87501

*Case 7650*

Re: Texaco Inc. Application for  
Compulsory Pooling, Lea County,  
New Mexico

Dear Dan:

I am transmitting herewith, executed in triplicate, copies of an Application for Texaco Inc. for compulsory pooling regarding its Lee Carter Well #1 in ENE 1/4 Section 33, Township 16 South, Range 37 East, N.M.P.M., Lea County, New Mexico. Please note that we have requested that this Application be set for hearing on August 18, 1982.

If any additional materials or information are required, please advise.

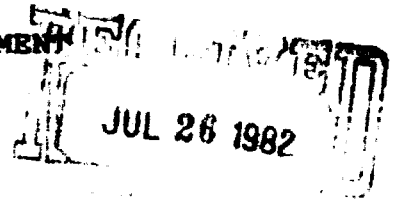
Very truly yours,

HINKLE, COX, EATON,  
COFFIELD & HENSLEY

  
Conrad E. Coffield

CEC:cl  
xc: Texaco Inc.  
Attention: Bruce Pope  
Ron Griggs

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



APPLICATION OF TEXACO INC. FOR )  
COMPULSORY POOLING, LEA COUNTY, )  
NEW MEXICO )

Case 2650

APPLICATION

Texaco Inc., by its undersigned attorneys, hereby makes application for an Order pooling all interests in the Drinkard and Strawn formations underlying the E $\frac{1}{4}$ NE $\frac{1}{4}$  Section 33, Township 16 South, Range 37 East, N.M.P.M., Lea County, New Mexico, and in support thereof would show:

1. Applicant is entitled to proceed with the drilling of a well located in the E $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 33, Township 16 South, Range 37 East, N.M.P.M., Lea County, New Mexico, under the authority of Applicant's ownership of an oil and gas leasehold interest therein.

2. Applicant proposes to drill its Lee Carter Well #1 at a legal location in said E $\frac{1}{4}$ NE $\frac{1}{4}$  Section 33, to a depth sufficient to test the Drinkard and Strawn formations and seeks to dedicate the E $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 33 to the well. Applicant requested the parties listed on the attached schedule as leasehold owners of mineral interests in E $\frac{1}{4}$ NE $\frac{1}{4}$  Section 33 to agree to participate in the drilling of said well or to farmout or otherwise commit their interests to said well, but the parties so far have refused to do so.


3. Applicant asks that the Division consider the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charged for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

4. The pooling of all interests in the Drinkard and Strawn formations in E $\frac{1}{4}$ NE $\frac{1}{4}$  Section 33 will avoid the drilling of unnecessary wells, prevent waste and protect correlative rights.

5. Applicant respectfully requests the setting of this matter before the Division at its regular hearing on August 18, 1982.

Dated this 21st day of July, 1982.

HINKLE, COX, EATON, COFFIELD & HENSLEY

By:   
Conrad E. Coffield  
Post Office Box 3580  
Midland, Texas 79702  
Attorneys for Texaco Inc.

SCHEDULE

Mr. J. R. McGinley  
420 South Main  
Tulsa, Oklahoma 74103

Lanroy Inc.  
420 South Main  
Tulsa, Oklahoma 74103

Cleroy Inc.  
420 South Main  
Tulsa, Oklahoma 74103

ORDERS

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:

*Pl*  
*M.S.* *JHR*

CASE NO. 7650

Order No. R- 7066

APPLICATION OF TEXACO INC. FOR  
COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.

*[Signature]*

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on August 18,  
1982, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this \_\_\_\_\_ day of August, 1982, 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, Texaco Inc., seeks an order pooling all mineral interests <sup>from the top of the Drinkard formation to</sup> ~~in the Drinkard and Strawn~~ <sup>a point 100 feet below the base of the Strawn</sup> formation underlying the E/2 NE/4 of Section 33, Township 16 South, Range 37 East, NM&M, Casey-West Knowles Area, Lea 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 <sup>oil and</sup> 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 \$ 3750.00 per month while drilling and \$ 375.00 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 December 1, 1982, 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, <sup>from the</sup> ~~top of the Drinkard to a point 100 feet below the base of the Strawn~~ <sup>the Drinkard and Strawn</sup> formations underlying the E/2 NE/4 of Section 33, Township 16 South, Range 37 East, NMPM, Casey-West Knowles Area, Lea County, New Mexico, are hereby pooled to form a standard 80-acre <sup>oil</sup> ~~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 December, 1982, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Drinkard and Strawn formations;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of December, 1982, 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 Texaco Inc. 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 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 \$ 3750.00 per month while drilling and \$ 375.00 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.

(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 interest's 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 Lea 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

S E A L