

CASE NO.

2694

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

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

EXAMINER HEARING

IN THE MATTER OF:

Application of Depco, Inc., for com-
pulsory pooling, Chaves County, New
Mexico.

CASES
7694
7695

BEFORE: Richard L. Stamets

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:

David R. Vandiver, Esq.
LOSEE, CARSON, & DICKERSON P.A.
P. O. Drawer 239
Artesia, New Mexico 88210

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2 MR. STAMETS: Without objection we will
3 be calling the next two cases at the same time, and I would
4 ask that Cases 7694 and 7695 be called.

5 MR. PEARCE: Both of those cases are on
6 the application of Depco, Inc., for compulsory pooling,
7 Chaves County, New Mexico.

8 MR. VANDIVER: Mr. Examiner, my name is
9 David Vandiver, and I'm with Losee, Carson, and Dickerson,
10 P. A., in Artesia, New Mexico.

11 And I'm appearing in these cases on be-
12 half of Depco, Inc., and I have two witnesses, Mr. J. T.
13 Hutchison and Mr. Jack Ahlen.

14 MR. PEARCE: Could I have both witnesses
15 rise, please?

16
17 (Witnesses sworn.)
18

19 MR. VANDIVER: Call Mr. Hutchison first,
20 please.
21

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

DIRECT EXAMINATION

BY MR. VANDIVER:

Q Would you state your name, please?

A My name is J. T. Hutchison and I am District Landman with Depco, Inc., in Midland, Texas.

Q How long have you been so employed?

A I've been employed with Depco for six months.

MR. STAMETS: Excuse me, is that Hutchinson or Hutchison?

A H-U-T-C-H-I-S-O-N.

MR. STAMETS: Hutchison, thank you.

Q Mr. Hutchison, in your occupation with Depco what do your duties include?

A Preparing operating agreements, farm out agreements, title checking, and curing titles.

Q And are you familiar with the applications of the applicant before the Division?

A Yes, I am.

Q Could you briefly state the nature of these applications?

A This is in the forced pooling?

Q Yes.

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A. We are endeavoring to force pool Corona in two wells that we are trying to develop. And in one of the wells we are also trying to force pool Mesa Petroleum.

Q. Is that Corona Oil Company?

A. Yes, it is.

Q. And are you also seeking to have Depco designated as operator of your proposed wells?

A. Yes, we are.

Q. Have you compiled certain exhibits upon which you intend to rely?

A. Yes, sir, we have.

Q. Would you please refer to the applicant's Exhibit Number One and describe for the Examiner what that shows?

A. Exhibit Number One is an application to for permit to drill the well deeper and to plug back the well.

Q. And which well is that?

A. And this is going to be the Rose Federal Com No. 12.

Q. Did it originally have another name?

A. Yes, sir, it was the Rose Federal Com No. 3.

Q. Why was the name changed?

A. There was, I think at the time that they

1
2 were -- the application was sent in that they were misnamed
3 and NMOCD requested that they change the numbers on them.

4 Q What's the location of your proposed Rose
5 Federal Com No. 12?

6 A 1980 from -- from the west line and 660
7 from the north line of Section 21, 5 South, Range 25 East.

8 Q What does the second page of Exhibit One
9 show?

10 A The second page shows the dedication plat
11 and the location of the particular well.

12 Q And what lands are to be dedicated to
13 your Rose Federal Com No. 12?

14 A This will be the northwest quarter of
15 Section 21.

16 Q Depco's acreage is outlined in red?

17 A Yes, it is.

18 Q On that plat. And you own a Federal Oil
19 and Gas Lease covering the north half of the northwest quarter
20 of Section 21?

21 A Yes, we do.

22 Q Would you refer the Examiner to Exhibit
23 Number -- Applicant's Exhibit Number Two, and briefly describe
24 what that is?

25 A Page one is the application for permit

1
2 to drill the Rose Federal Com No. 2, which was later changed
3 to the Rose Federal Com No. 11.

4 Q And the second page of that exhibit?

5 A Page -- page two shows the land plat,
6 dedication plat of the acreage that we're going to include in
7 the unit.

8 Q What is the acreage to be dedicated to
9 your Rose Federal Com No. 11?

10 A This will be the northwest quarter of
11 Section 21. I'm sorry, the northeast corner.

12 Q Northeast quarter?

13 A Northeast quarter, yes.

14 Q What is the location of that well?

15 A 660 from the north line and 660 from the
16 east line.

17 Q And Depco's acreage is outlined in red?

18 A Yes, it is.

19 Q On the acreage dedication plat. And you
20 have a Federal lease covering the east half northeast quarter
21 and northwest quarter northeast quarter?

22 A Yes, we do.

23 Q With respect to Exhibits One and Two,
24 who owns the oil and gas leasehold estate covering the south
25 half of the northwest quarter with respect to the Rose Federal

1
2 Com No. 12?

3 A. That is Mesa Petroleum. I believe they
4 are working as MTS Limited, and Corona Oil.

5 Q. Mesa Petroleum Company is the general
6 partner of MTS Limited Partnership, is that correct?

7 A. Yes, they are.

8 Q. And with respect to your Rose Federal Com
9 No. 11, who owns the oil and gas leasehold estate covering
10 the southwest quarter northeast quarter?

11 A. This is also MTS Limited and Corona Oil.

12 Q. I'd like you to refer the Examiner to
13 Applicant's Exhibit Three and Four and briefly describe what
14 they are.

15 A. Three is my initial written notification
16 to Mesa as a general partner for MTS that we are proposing
17 a well in the northeast quarter of Section 21, and also indi-
18 cating that we will forward an AFE very shortly.

19 Q. What is an AFE?

20 A. An Authorization for Expenditure.

21 Q. And does that set forth the estimated
22 well costs?

23 A. Yes, it certainly does.

24 Q. And did you forward an AFE to Mesa on
25 behalf of MTS Limited Partnership?

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2

A. Yes, we did.

3

Q With respect to the Rose Federal Com No.

4

12, did Mesa execute your AFE?

5

A. No, they have not.

6

Q With respect to your Rose Federal Com No.

7

12, did MTS, Mesa on behalf of MTS Limited Partnership exe-

8

cute your AFE?

9

A. Would you ask your previous question,

10

please?

11

Q My first question was with respect to

12

your proposed Rose Federal Com No. 11 Well, did MTS Limited

13

Partnership sign your AFE?

14

A. Yes, they did.

15

Q With respect to your Rose Federal Com No.

16

12 did MTS sign your proposed AFE?

17

A. They did not.

18

Q When you submitted your proposals for

19

these two wells to MTS Limited Partnership, was it your under-

20

standing that you were also submitting the proposals to

21

Corona Oil Company?

22

A. Yes, it was.

23

Q Is it your understanding that Mesa is

24

authorized to act on behalf of Corona Oil Company with respect

25

to their joint leasehold estate?

1
2 A. When I initially talked with them, that
3 was my understanding.

4 Q. Has Corona Oil Company been furnished
5 copies of your proposed AFE's for these two wells?

6 A. No, they have not.

7 Q. Have you discussed your proposals with
8 officers of Corona Oil Company?

9 A. Yes, sir, I have.

10 Q. And have they indicated whether or not
11 they would desire to join in the drilling of these two wells?

12 A. Yes, sir, I have been in telephone con-
13 tact with the vice president of Corona Oil and they have indi-
14 cated by way of telegram that they will not participate in
15 the drilling of these wells, the Rose Federal Com No. 11 or
16 Rose Federal Com No. 12.

17 Q. Do you know why they're not willing to
18 participate?

19 A. Yes, sir, it's my understanding that they
20 are currently out of drilling funds.

21 Q. I will hand you what has been marked as
22 Applicant's Exhibit Number Five and ask you to explain this
23 for the Examiner.

24 A. Exhibit Number Five is a letter from Mesa
25 Petroleum to me at Depco, indicating that they will not parti-

1
2 cipate in the drilling of the Rose Federal Com No. 12 and that
3 they are in fact desirous of being the operators and have ex-
4 tended an AFE for our examination.

5 Q So the situation is that Mesa on behalf
6 of MTS Limited Partnership has executed your AFE and agreed
7 to participate in drilling the Rose Federal Com No. 11 but
8 Corona Oil Company has not agreed to participate in your No.
9 11 Well, and MTS Limited Partnership has not agreed nor has
10 Corona Oil Company to participate in the drilling of your
11 proposed Rose Federal Com No. 12, is that correct?

12 A That is correct.

13 Q When you submitted your AFEs to MTS
14 Limited Partnership, did you also submit an operating agreement?

15 A No, we did not.

16 Q But they have agreed to sign and join in
17 an operating agreement covering your No. 11 Well?

18 A Yes, they have.

19 Q Is that on -- what sort of operating
20 agreement is that?

21 A It is a 1977 operating agreement with
22 the COPAS accounting procedures attached to it.

23 Q In your proposed No. 11 well what super-
24 vision rates does your proposed operating agreement allow?

25 A I am not sure what the price is. It is

1
2 currently being revised right now and I have not seen the --
3 seen what price they have set on there.

4 Q In your experience what are the customary
5 charges for drilling and producing well supervision rates?

6 A Well --

7 Q For wells of this type in the area?

8 A I believe the rate is roughly around \$3000.

9 Q For a drilling well?

10 A Yes, it is.

11 Q And for a producing well?

12 A It is around \$300 per day -- or per
13 month, I'm sorry.

14 Q Does your proposed operating agreement on
15 the No. 11 have a penalty for nonconsenting parties?

16 A Yes, sir, it does and it's 300 percent.

17 Q You mean return of your investment plus
18 200 percent?

19 A Yes, it is.

20 Q I'll hand you what's been marked as Appli-
21 cant's Exhibit Number Six and ask you what that is.

22 A Exhibit Number Six is my letter to Mesa
23 Petroleum indicating that the Rose Federal Com No. 2, that
24 the name has been changed to Rose Federal Com No. 11.

25 Q And I'll hand you what's been marked as

1
2 Applicant's Exhibits Seven and Eight and ask you to describe
3 those documents, what they are?

4 A Exhibit Number Seven and Eight are revised
5 Authorities for Expenditures on the Rose Federal Com No. 11
6 and Rose Federal Com No. 12.

7 Q And that's, I believe you testified earlier
8 these are estimated costs?

9 A Yes, they are.

10 Q But you will keep up with the actual costs
11 incurred in connection with drilling these wells?

12 A Yes, we will.

13 Q I hand you what's been marked as Appli-
14 cant's Exhibit Number Nine and ask you to describe what that
15 is.

16 A This is a telegram from Western Union
17 from Don Williams, the Vice President of Corona Oil Company,
18 indicating that they will not agree to pool its interests
19 in the northeast quarter or the northwest quarter of Section
20 21, 5 South, 25 East, for the drilling of the Rose Federal
21 Com No. 11 or 12.

22 Q And each of these exhibits were prepared
23 by you or under your supervision or authority or correspon-
24 dence which you received in the regular course of business?

25 A Yes, they were.

1
2 MR. VANDIVER: Mr. Examiner, I would move
3 the admission of Exhibits One through Nine at this time, and
4 I have no further questions.

5 MR. STAMETS: These exhibits will be ad-
6 mitted.

7 Are there any questions of the witness?

8 MR. PEARCE: If I may briefly.

9
10 CROSS EXAMINATION

11 BY MR. PEARCE:

12 Q I may have missed, Mr. Hutchison, I apol-
13 ogize, the AFEs which were sent to Mesa MTS on these two
14 wells --

15 A Yes.

16 Q When were those AFEs sent? I notice two
17 Depco letters saying we're preparing them and we're going to
18 send them, and I notice that the revised is dated September
19 the 28th.

20 A Yes. The revised has not in fact been
21 sent.

22 Q Okay.

23 A They were --

24 Q When did the initial go? Do you have
25 something there which indicates?

1
2 MR. PEARCE: We'll just atke one minute
3 off the record, Sally.
4

5 (Thereupon a discussion was
6 had off the record.)
7

8 MR. PEARCE: If we could go back on the
9 record.

10 Q Mr. Hutchison, do you now have information
11 which indicates either the date on which the initial AFEs were
12 sent to Mesa Petroleum?

13 A Yes, sir, that was July the 26th, 1982.

14 Q Okay. Thank you, fir.

15 MR. PEARCE: One other thing, Mr. Exa-
16 miner, if I might, I would like the record to reflect that
17 in the application filed on Cases 7694 and 7695 there are
18 affidavits of mailing, which indicate that copies of the ap-
19 plication for compulsory pooling and the docket for this
20 hearing in the case of Case 7694 was mailed on September 20th
21 to MTS Limited Partnership and Corona Oil Company, and that
22 in Case 7695 a copy of the compulsory pooling application and
23 the docket of this hearing was mailed to Corona Oil Company
24 on September the 20th, 1982.

25 I have nothing further, sir.

1
2 MR. STAMETS: Any other questions of the
3 witness? He may be excused.

4 MR. VANDIVER: Mr. Examiner, the applicant
5 will call Mr. Jack Ahlen at this time.
6

7 JACK AHLEN

8 being called as a witness and being previously sworn upon his
9 oath, testified as follows, to-wit:
10

11 DIRECT EXAMINATION

12 BY MR. VANDIVER:

13 Q You are Mr. Jack Ahlen?

14 A That is correct.

15 Q How do you spell your last name, sir?

16 A I spell my last name A-H-L-E-N.

17 Q Where do you reside, Mr. Ahlen?

18 A I reside in Roswell, New Mexico.

19 Q What's your occupation?

20 A I am a consulting geologist.

21 Q And have you previously testified before
22 the Division and are your credentials a matter of record?

23 A Yes, sir.

24 MR. VANDIVER: I would tender Mr. Ahlen
25 as an expert in geology.

1
2 MR. STAMETS: The witness is considered
3 qualified.

4 Q What is your connection with the applicant,
5 Depco, in these cases?

6 A I am a consulting geologist for Depco,
7 Incorporated, and I have been working with Depco in this par-
8 ticular area for several years and they requested that I re-
9 present them at this particular hearing for this purpose.

10 Q Mr. Ahlen, have you made a study to ascer-
11 tain the facts upon which you will express an opinion regarding
12 the proposed risk penalty to be imposed on these force pooled
13 interests?

14 A Yes, sir.

15 Q Mr. Ahlen, I'd ask you to refer the Exa-
16 miner to what's been marked as Applicant's Exhibit Number Ten,
17 and ask you to describe what that shows.

18 A Exhibit Number Ten is a structure map on
19 the top of the Abo formation in the vicinity of the acreage
20 in Section 21 of Township 5 South, Range 25 East. It shows
21 regional structure contours on the top of the Abo. It shows
22 that the top of the Abo varies from a subsea datum of appro-
23 ximately 200 feet in the northwest to approximately 100 feet
24 in the southeast, relatively normal regional southeast dip.

25 Q What pertinent information is reflected

1
2 by this exhibit that bears on the risk involved in drilling
3 these two wells?

4 A. The -- no apparent -- there's no apparent
5 indication of the risk in this -- on this particular map, in
6 that structural configuration has very little influence as to
7 the location of gas in the Abo formation.

8 Q. And was that Exhibit Ten prepared by you
9 or under your supervision?

10 A. Yes, it was.

11 Q. I'll hand you what's been marked as Ap-
12 plicant's Exhibit Number Eleven in these cases and ask you
13 what that is.

14 A. In the same vicinity this is what I call
15 a net sand Isopach. It reflects the estimated thickness of
16 those sands within the Abo section that could be producible.
17 This is a summation of several sands taken from well log in-
18 formation on all of the surrounding wells. It considers both
19 the shaliness of the formation as well as permeability.

20 Q. And what pertinent information on this
21 exhibit bears on the risk involved in drilling these two
22 wells?

23 A. The information on this wells -- on this
24 map suggests that the sand is continuous over the prospect
25 area; however, just being continuous does not necessarily

mean that the wells will be productive.

In this particular area of Chaves County the success ratio of wells being completed as producers is approximately 95 percent; however, the probability of completion is not necessarily a reflection as to whether the well is a commercial well or not. The Abo Gas Field is so youthful, in an early stage of development, that it is still difficult to tell the payout life of a well, the final cumulative productive nature of a particular well, so there is some risk there as to the length of the well, the life of the well, as well as the productive rate. Some of the wells in this area produce at very low rates and are non-commercial. Some of the wells in this area are extremely good producers and pay out in just a very few months.

So this is a primary element of the risk involved with these wells and I have not yet found a good way of mapping and determining which wells to drill, those wells that will pay out in three months and those wells that will take three years, and I do not know of anyone in the industry who does know before a well is drilled.

Q And I take it from your testimony that there's a fairly good chance that a producing well will be drilled but it's unknown whether, when you speak of commercial, whether they will ever pay out?

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A. That is correct.

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Q. From your study of wells in the area, what percentage of wells drilled in this area will pay out? Or you will expect will pay out?

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A. Okay. One of the great unknowns in whether a well will pay out in this area is the price that the operator will get for the gas, and at this particular moment there is a great deal of concern throughout the country as to the price paid for natural gas, and there has been a very dramatic decrease in drilling of gas wells recently, especially in deep basins and in the tight gas area because the customers for natural gas object to paying very high prices for the product.

15

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17

Therefor, the tight gas designation that we have for the Abo Sand does not necessarily mean that you will get the tight gas price, the full tight gas price.

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So that is a variable as well.

Under the tight gas price system, pay out would occur much earlier in the life of a well and at that time I was -- I had the feeling that perhaps 50 to 75 percent of the wells would indeed pay out within three years.

23

24

25

If the price is diminished from the full tight gas price, it is -- it will extend the pay out period for most wells to beyond a three year limit, making some of

1
2 those wells noncommercial. I would say it would be close to
3 the 50 percent of the wells will -- will pay out within the
4 three year life now with the significant decrease in the price
5 of gas.

6 Q I'll refer you now to what's been marked
7 as Applicant's Exhibit Number Twelve and ask you to describe
8 what that is.

9 A This is a map I prepared which is an indi-
10 cation of the gross sand Isopach. It is perhaps a less dis-
11 tinctive map than the net sand map is. It shows that there
12 are -- it includes the total thickness of everything that I
13 thought was a sand on the electric log.

14 Discounting any shaliness or any perme-
15 ability, all sands were included, even those that were com-
16 pletely nonpermeable, and it has -- it's additional informa-
17 tion to help drill a well but very little indication as to
18 the quality of the well.

19 Q Mr. Ahlen, based on your study of this
20 area and your review of the applicant's exhibits, Ten through
21 Twelve, have you formed an opinion as to the risk that you
22 recommend the Division impose upon the interests to be pooled?

23 A Yes, I have formed an opinion and I think
24 the penalty should be allowed in this instance, the full
25 penalty of 200 percent.

1
2 Q In your professional opinion, Mr. Ahlen,
3 would the granting of these applications be in the interest
4 of conservation, the prevention of waste, and the protection
5 of correlative rights?

6 A Yes, sir, I do.

7 MR. VANDIVER: Mr. Examiner, I'd move
8 admission of the Applicant's Exhibits Ten through Twelve.

9 MR. STAMETS: These exhibits will be ad-
10 mitted.

11 MR. VANDIVER: I have no more questions
12 at this point.

13 MR. STAMETS: Are there any questions of
14 this witness? He may be excused.

15 Anything further in these cases?

16 They will be taken under advisement.

17 MR. VANDIVER: Thanks.

18
19 (Hearing concluded.)
20
21
22
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24
25

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.

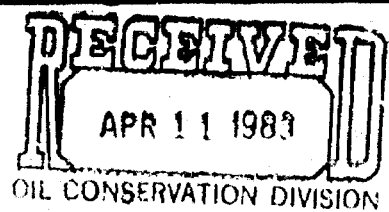
Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7694.8 7695 heard by me on 9-29 1982

Richard L. Stamm, Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.

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



DEPCO, Inc.

PRODUCTION & EXPLORATION

April 7, 1983

Handwritten initials: J. Buss
Handwritten initials: RLL

New Mexico Oil Conservation Division
PO Box 2088
Sante Fe, NM 87501

Dear Sirs:

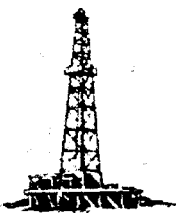
Please find enclosed the required schedule due you covering the well costs incurred on the Rose Federal Com. #12 lease and a letter advising us of this requirement.

Very truly yours,

Carolyn Buss

Carolyn Buss
Joint Interest Supervisor

CB/let
Enc.



RECEIVED OCT 14 1982

A. J. LOSEE
JOEL H. CARSON
CHAD DICKERSON
DAVID R. VANDIVER
ELIZABETH LOSEE

LAW OFFICES
LOSEE, CARSON & DICKERSON, P. A.
300 AMERICAN HOME BUILDING
P. O. DRAWER 239
ARTESIA, NEW MEXICO 88211-0239

AREA CODE 505
746-3508

13 October 1982

Mr. J. T. Hutchison
Depco, Inc.
Suite 875, Empire Plaza
Midland, Texas 79701

Dear J. T.:

Enclosed herewith are Orders No. R-7100 in Case No. 7694 and No. R-7101 in Case No. 7695, entered by the New Mexico Oil Conservation Division on October 7 and pooling all mineral interests from surface down through the Abo formation underlying the NW/4 and NE/4 of Section 21, Township 5 South, Range 25 East, N.M.P.M., Chaves County, New Mexico. Please note that the Orders require Depco to commence drilling operations on or before January 1, 1983, unless an extension of time is obtained. You are further required to furnish the Division, Mesa and Corona with an itemized schedule of estimated well costs, allowing the non-consenting owners the right to pay their respective shares of the estimated well costs.

Please read these Orders carefully and comply with their provisions. If you have any questions, please let me know.

Very truly yours,

LOSEE, CARSON & DICKERSON, P.A.


David R. Vandiver

DRV:bjm
Enclosures

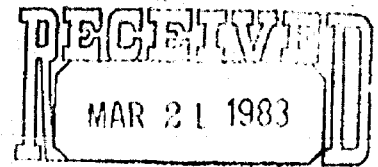
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HCTC
RAD
NIEC
12-8-82

82-111-22

82-111-39

1		2	3
Total Intangible & Tangible Costs			
Sup #			
1			1
2	- Tangible -		2
3			3
4	001. Casing head	1083.92	4
5			5
6	002. Other Wellhead Equipment	1421.78	6
7			7
8	003. Surface Casing	16196.77	8
9			9
10	050. Production Casing 4 1/2"	25774.93	10
11			11
12	100. Tubing Head	1938.00	12
13			13
14	150. Tubing 2 3/8"	10648.23	14
15			15
16	201. Non-Controllable Valves & Fittings	2512.96	16
17			17
18	225. Steel Line Pipe 2"	475.65	18
19			19
20	234. Steel Line Pipe 1"	44.88	20
21			21
22	235. Steel Line Pipe 2 3/8"	477.20	22
23			23
24	500. Roads & Location	1244.36	24
25			25
26	502. Heater Treater	7800.00	26
27			27
28	504. Controllable Valves	4084.08	28
29			29
30	552. Welded Tank	2990.00	30
31			31
32	561. Miscellaneous Tanks	1726.92	32
33			33
34	Total Tangible Costs	= 78419.68	34
35			35
36	- Intangible -		36
37			37
38	231. Surveying & Right of Way	108.64	38
39			39
40	232. Lease & Road Construction	9823.27	40

1	240	Drilling - Footage	56756.70	1
2				2
3	241	Drilling - Daywork	9181.89	3
4				4
5	242	Drilling - Other	838.76	5
6				6
7	243	Mud - Materials	9576.34	7
8				8
9	244	Equipment Rentals	6746.64	9
10				10
11	245	Logging	13827.34	11
12				12
13	247	Testing Services	2441.75	13
14				14
15	248	Mud - Water	3879.55	15
16				16
17	250	Cement & Cementing Services	11088.88	17
18				18
19	251	Perforating	3649.54	19
20				20
21	252	Stimulation	6248.60	21
22				22
23	253	Completion Day Work	6236.88	23
24				24
25	255	Completion - Miscellaneous	2666.29	25
26				26
27	266	Drilling Overhead	2506.35	27
28				28
29		Total Intangible Costs	= 201809.42	29
30				30
31		Grand Total	= 280229.10	31
32				32
33				33
34				34
35				35
36				36
37				37
38				38
39				39
40				40



DEPCO, Inc.

OIL CONSERVATION DIVISION

PRODUCTION & EXPLORATION

March 16, 1983

Stamets

*Code 7694
R/R*

New Mexico Oil Conservation Division
PO Box 2088
Sante Fe, NM 87501

Dear Sirs:

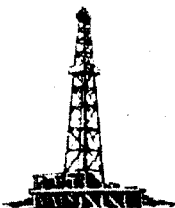
Please find enclosed the required schedule due you covering the well costs incurred on the Rose Federal Com. #11 lease and a letter advising us of this requirement.

Very truly yours,

Carolyn Buss

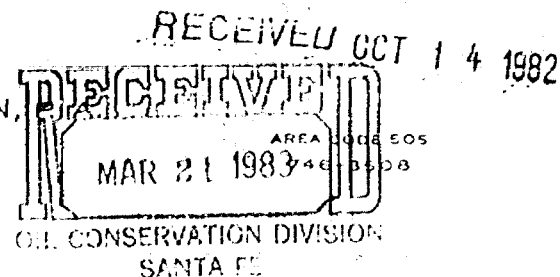
Carolyn Buss
Joint Interest Supervisor

CB/let
Enc.



A. J. LOSEE
JOEL M. CARSON
CHAD DICKERSON
DAVID R. VANDIVER
ELIZABETH LOSEE

LAW OFFICES
LOSEE, CARSON & DICKERSON,
300 AMERICAN HOME BUILDING
P. O. DRAWER 239
ARTESIA, NEW MEXICO 88211-0239



13 October 1982

Mr. J. T. Hutchison
Depco, Inc.
Suite 875, Empire Plaza
Midland, Texas 79701

Dear J. T.:

Enclosed herewith are Orders No. R-7100 in Case No. 7694 and No. R-7101 in Case No. 7695, entered by the New Mexico Oil Conservation Division on October 7 and pooling all mineral interests from surface down through the Abo formation underlying the NW/4 and NE/4 of Section 21, Township 5 South, Range 25 East, N.M.P.M., Chaves County, New Mexico. Please note that the Orders require Depco to commence drilling operations on or before January 1, 1983, unless an extension of time is obtained. You are further required to furnish the Division, Mesa and Corona with an itemized schedule of estimated well costs, allowing the non-consenting owners the right to pay their respective shares of the estimated well costs.

Please read these Orders carefully and comply with their provisions. If you have any questions, please let me know.

Very truly yours,

LOSEE, CARSON & DICKERSON, P.A.

David R. Vandiver
David R. Vandiver

DRV:bjm
Enclosures

COPY TO
HCCITL
PROD
NIGER
12-8-82

82-NM-27

82-NM-39

MAR 21 1983

CONSERVATION DIV 81173

BAM 715

	Sub-Descriptions	Unit	Price
1	202 - Intangible		0
2			
3	203 - Insurance and	237	10,014
4	Right of Way		
5			
6	204 - Lease and Road	237	10,014
7	Construction		
8			
9	205 - Drilling	237	10,014
10	Insurance		
11			
12	206 - Drilling	240	3,746.50
13	Portage		
14	207 - Drilling	241	10,014.48
15	Daywork		
16	208 - Drilling	242	3,001.86
17	Other		
18	209 - Mud - Materials	243	18,625.48
19			
20	210 - Equip. Rentals	244	6,086.61
21			
22	211 - Logging	245	13,953.44
23			
24	212 - Coring Equip. &	246	85.43
25	Service		
26			
27	213 - Testing Services	247	22,703.32
28			
29	214 - Mud - Water	248	7,000.45
30			
31	215 - Mud - Oil	249	3,546.40
32			
33	216 - Cement and	250	30,543.09
34	Grouting Services		
35			
36	217 - Perforating	251	4,165.42
37			
38	218 - Stimulation	252	16,106.37
39			
40	219 - Completion -	253	5,915.00

RECEIVED
MAR 21 1983

CONSERVATION DIVISION
SANTA FE

1			
2	Completion - Misc	255	915.29
3			
4	Dwg - Overhead	266	2625.70
5			
6			
7			
8			
9	Total 302	=	235860.22
10			
11			
12	303 - Tangible		
13			
14	Casing Head	001	1083.92
15			
16	Other Wellhead Equip.	002	1558.56
17			
18			
19	Surface Casing	003	16433.86
20			
21	Prod. Casing	050	28522.72
22			
23	Tubing Head	100	1812.14
24			
25	Tubing	150	7917.78
26			
27	w/c Valves, Fittings	201	1518.7
28			
29	Roads & Location	500	629.26
30			
31	Heater Treater	502	7280.00
32			
33	Valves - Controllable	504	4383.58
34			
35	Tank - Welded	552	3146.00
36			
37			
38	Total 303	=	74919.63
39			
40	Total Pcts to Date		310779.85

DEPCO, Inc.

PRODUCTION & EXPLORATION

October 15, 1982

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

Attn: Joe D. Ramey

Re: Order #R 7100
Case #7694

Dear Mr. Ramey:

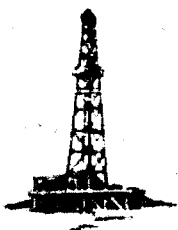
By order of the Division, on October 7, 1982, all mineral interest underlying the NW/4 of Section 21 of Township 5 South, Range 25 East, were force pooled. In compliance with the pooling order, DEPCO, Inc., as operator, is required to furnish the Division with an itemized schedule of estimated well cost. Therefore, enclosed, please find an AFE covering the cost of drilling the Rose Fed Com #12.

Sincerely yours,

Joe Tom Hutchison

Joe Tom Hutchison

JTH:clp
Enclosure



REVISED AUTHORITY FOR EXPENDITURE

Description	DRILL & COMPLETE	Date	SEPTEMBER 28, 1982
Casing and Well No.	ROSE FEDERAL CORP #12	Contractor	
Location	660' ENL & 1980 FWL SEC. 21, T-5-S, R-25-E	Spudded	
County and State	CHAVES COUNTY, NEW MEXICO	Released	
Casing No.		Total Depth	4280'
Field	PECOS SLOPE ABO		

CODE	DESCRIPTION	ESTIMATED COST		ACTUAL COST
		DRY HOLE	PRODUCER	
	INTANGIBLES			
231	Surveying and Right-of-Way	2,000	2,000	
232	Lease and Road Construction	4,000	4,000	
240	Drilling - Footage	58,490	58,490	
241	Daywork	6,850	6,850	
242	XXXX PIT LINER	2,000	2,000	
243	Mud - Materials	17,000	17,000	
248	Water	6,500	6,500	
249	Oil	1,750	1,750	
244	Equipment Rentals	2,000	4,000	
245	Logging	17,000	17,000	
246	Coring Equipment and Service			
247	XXXXXXX HAULING	2,000	3,580	
250	Cementing and Services	7,500	22,000	
251	Perforating		4,500	
252	Stimulation		47,500	
253	Completion Day Work		10,000	
254	XXXXXXXX CASING CREW	1,750	4,000	
255	Completion Miscellaneous		3,000	
258	Abandonment	8,000		
260	Supervision - Geological	4,000	4,000	
261	Engineering	4,000	4,000	
263	Communication			
265	Miscellaneous	3,000	5,000	
266	Overhead			
	TOTAL INTANGIBLES	147,840	227,170	
	TANGIBLES			
309	Surface Casing 1000' - 10 3/4"	20,000	20,000	
311	XXXXXXXX CONDUCTOR PIPE	2,500	2,500	
310	Production Casing 4280' - 4 1/2"		25,500	
320	Tubing 4200' - 2 3/8"		13,000	
321	Wellhead Equipment		9,650	
322	Flowlines		1,500	
324	Pumping Unit			
325	Motor			
326	Sucker Rods			
327	Other			
328	Equipment Installation			
330	Linepipe, Valves & Fittings		5,000	
333	Separators, Heaters, Treaters		7,500	
334	Tonks		3,600	
335	Meters			
336	Building			
337	Road and Locations			
338	Battery Installation		5,000	
339	Disposal Facilities			
350	Miscellaneous	2,000	4,000	
	TOTAL TANGIBLES	24,500	97,250	
	TOTAL WELL COST	172,340	324,420	

<u>Company</u>	<u>Working Int.</u>	<u>Dry Hole</u>	<u>Cost Producer</u>	<u>Approved By</u>	<u>Date</u>
Total					

AFL No.

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. 7694
Order No. R-7100

APPLICATION OF DEPCO, INC. FOR
COMPULSORY POOLING, CHAVES COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 29, 1982, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 7th day of October, 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, Depco, Inc., seeks an order pooling all mineral interests from the surface down through the Abo formation underlying the NW/4 of Section 21, Township 5 South, Range 25 East, NMPM, Chaves 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.

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Case No. 7694

Order No. R-7100

(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 \$3000.00 per month while drilling and \$300.00 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 January 1, 1983, the order pooling said unit should become null and void and of no effect whatsoever.

-3-

Case No. 7694
Order No. R-7100

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, from the surface down through the Abo formation underlying the NW/4 of Section 21, Township 5 South, Range 25 East, NMPM, Chaves County, New Mexico, are hereby pooled 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.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1983, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Abo formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of January, 1983, 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 Depco, 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

-4-

Case No. 7694

Order No. R-7100

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 \$3000.00 per month while drilling and \$300.00 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

-5-

Case No. 7694
Order No. R-7100

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 Chaves 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

S E

Memo

From

R. L. STAMETS
Technical
Support Chief

To

All Exhibits in

Case 7695

OIL CONSERVATION DIVISION SANTA FE

Dockets Nos. 12-82 and 13-82 are tentatively set for October 13 and October 20, 1982. Applications for hearing must be filed at least 11 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 13, 1982

9 A.M. - MORGAN HALL, STATE LAND OFFICE BUILDING,
SANTA FE, NEW MEXICO

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

- CASE 7686: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Energetics Corporation, United States Fidelity and Guaranty Company, and all other interested parties to appear and show cause why the Hanes Corporation Well No. 1, located in Unit F of Section 9, Township 24 South, Range 2 East, Don Ana County, should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 7687: Application of Amoco Production Company for salt water disposal, Union County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Glorieta formation in the perforated interval from 1718 feet to 1780 feet in its former State F1 Well No. 2 (2034 362P) located 660 feet from the South line and 1320 feet from the East line of Section 36, Township 20 North, Range 34 East.
- CASE 7688: Application of Mountain States Petroleum Corporation for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 990 feet from the North and East lines of Section 19, Township 15 South, Range 28 East, Buffalo Valley-Penn Gas Pool, the N/2 of said Section 19 to be dedicated to the well.
- CASE 7689: Application of Tesoro Petroleum Corporation for a tertiary oil recovery project, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks authority to convert its Hospah Sand Unit Waterflood Project to a polymer-augmented waterflood and, pursuant to Section 212.78 of the U. S. Department of Energy Regulations and Section 4993 of the Internal Revenue Code, seeks certification of said project as a qualified tertiary oil recovery project.
- CASE 7690: Application of C & K Petroleum, Inc. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formations underlying the E/2 SW/4 of Section 27, Township 16 South, Range 37 East, Casey-Strawn Pool, 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 7679: (Continued from September 15, 1982, Examiner Hearing)
- Application of C & K Petroleum, Inc. for the amendment of Order No. R-4857-A and for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Division Order No. R-4857-A to provide that the lands pooled by said order shall be the W/2 SE/4 of Section 27, Township 16 South, Range 37 East, dedicated to its Shipp 27 Well No. 2 located in Unit O in said Section 27. Applicant, further seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 SE/4 of the aforesaid Section 27, to be dedicated to a well to be drilled in Unit P of said Section 27. 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 7680: (Continued and Readvertised)
- Application of Unichem International, Inc. for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221 to permit the commercial disposal of produced brine into several unlined surface pits located in Section 2, Township 23 South, Range 29 East.
- CASE 7691: Application of Dugan Production Corporation for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Dakota Pool underlying the W/2 of Section 5, Township 24 North, Range 9 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 7692: Application of Forister & Sweatt for an unorthodox well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox location 490 feet from the North line and 1650 feet from the East line of Section 5, Township 13 South, Range 31 East, Southeast Chaves Queen Gas Area, the E/2 of said Section 5 to be dedicated to the well.

CASE 7693: Application of Forister & Sweatt for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Southeast Chaves Queen Gas Area underlying the E/2 of Section 5, Township 13 South, Range 31 East, to be dedicated to a well to be drilled at an unorthodox 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 7661: (Continued from September 15, 1982, Examiner Hearing)

Application of Cibola Energy Corporation for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of an Ordovician gas well to be drilled 330 feet from the North line and 990 feet from the East line of Section 13, Township 9 South, Range 27 East, the E/2 of said Section 13 to be dedicated to the well.

CASE 7682: (Continued from September 15, 1982, Examiner Hearing)

Application of Cibola Energy Corporation for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Mississippian gas well drilled 330 feet from the North line and 330 feet from the West line of Section 34, Township 11 South, Range 28 East, the W/2 of said Section 34 to be dedicated to the well.

CASES 7694 and 7695: Application of Depco, Inc. for compulsory pooling, Chaves County, New Mexico. Applicant, in each of the following two cases, seeks an order pooling all mineral interests from the surface 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 7694: NW/4 Section 21; and

CASE 7695: NE/4 Section 21

Both in Township 5 South, Range 25 East.

CASE 7696: Application of Arco Oil and Gas Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mississippian through Ellenburger formations underlying the E/2 of Section 31, Township 20 South, Range 36 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 and Readvertised)

Application of JJ-CC, Limited 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

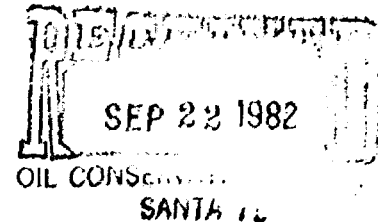
CASE 7697: Application of Oxoco Production Corp. for designation of a tight formation, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Mesaverde formation underlying Sections 7, 8, 17, 18, 19 and 20, Township 32 North, Range 8 West, containing 3160 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 18 CFR Section 271.701-705.

A. J. LOSEE
JOEL M. CARSON
CHAD DICKERSON
DAVID R. VANDIVER
ELIZABETH LOSEE

LAW OFFICES
LOSEE, CARSON & DICKERSON, P. A.
300 AMERICAN HOME BUILDING
P. O. DRAWER 239
ARTESIA, NEW MEXICO 88211-0239

AREA CODE 505
746-3508

September 20, 1982



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

Re: Case Nos. 7694 and 7695
DEPCO, Inc. Applications
for Compulsory Pooling
Chaves County, New Mexico

Dear Mr. Ramey:

Enclosed for filing in the captioned cases, please find Affidavits of Mailing reflecting the mailing of copies of the pertinent applications and the docket to MTS Limited Partnership and Corona Oil Company.

Thank you.

Very truly yours,

LOSEE, CARSON & DICKERSON, P.A.

David R. Vandiver
David R. Vandiver

DRV:pvm
Enclosures

SEP 22 1982
OIL CONSERVATION DIVISION
SANTA FE

BEFORE THE OIL CONSERVATION DIVISION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :
DEPCO, INC. FOR COMPULSORY POOLING, : CASE NO. 7694
CHAVES COUNTY, NEW MEXICO :
:

AFFIDAVIT OF MAILING

STATE OF NEW MEXICO)
: SS.
COUNTY OF EDDY)

The undersigned, being first duly sworn, upon oath, states that on the 20th day of September, 1982, the undersigned did mail in the United States Post Office at Artesia, New Mexico, true copies of the following instruments:

1. Application for Compulsory Pooling of mineral interests in the Rose Federal Com. No. 12 Well; located in NW/4 Section 21, Township 5 South, Range 25 East, N.M.P.M., Chaves County, New Mexico; and
2. Docket reflecting hearing on such Application at the Oil Conservation Division in Santa Fe, New Mexico, on the 29th day of September, 1982;

in securely sealed postage prepaid envelopes addressed to the following named parties:

<u>NAME</u>	<u>ADDRESS</u>
MTS Limited Partnership	c/o Mesa Petroleum Co. Vaughn Building, Suite 1000 Midland, Texas 79701
Corona Oil Company	4835 LBJ Freeway, Suite 635 Dallas, Texas 75234

Patti Menefee
Patti Menefee

SUBSCRIBED AND SWORN TO before me this 20th day of
September, 1982.

Patricia Ferguson
Notary Public

Notary commission expires:
11-3-84



NOV 27 1962
OIL CONSERVATION DIVISION
SANTA FE

BEFORE THE OIL CONSERVATION DIVISION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :
DEPCO, INC. FOR COMPULSORY POOLING, : CASE NO. 2694
CHAVES COUNTY, NEW MEXICO :
:

APPLICATION

COMES NOW DEPCO, Inc., by its attorneys, and in support hereof, respectfully states:

1. Applicant has the right to drill its Rose Federal Com. No. 12 Well as a gas well, to a depth sufficient to test the Abo formation, which is to be located at a lawful location in NW/4 Section 21, Township 5 South, Range 25 East, N.M.P.M., Chaves County, New Mexico.

2. The applicant intends to dedicate the NW/4 of said section to this well, and there are interest owners in the proration unit who have not agreed to pool their interests. The parties who have not agreed to pool their interests, and their addresses are as follows:

<u>NAME</u>	<u>ADDRESS</u>
MTS Limited Partnership	c/o Mesa Petroleum Co. Vaughn Building, Suite 1000 Midland, Texas 79701
Corona Oil Company	4835 LBJ Freeway, Suite 635 Dallas, Texas 75234

3. Applicant should be designated the operator of the well and the proration unit.

4. 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, its just and fair share of the gas in said unit, all mineral interests, whatever they may be, from the surface to the base of the Abo formation, underlying the NW/4 of said Section 21, should be pooled.

5. That any non-consenting working interest owner that does not pay its share of estimated well costs should

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SANTA FE

have withheld from production its share of the reasonable well costs, plus an additional 200% thereof as a reasonable charge for the risk involved in the drilling of the well.

6. Applicant should be authorized to withhold from production the proportionate share of a reasonable supervision charge for drilling and producing wells attributable to each non-consenting working interest owner.

WHEREFORE, applicant prays:

A. That this application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. That upon hearing the Division enter its order pooling all mineral interests, whatever they may be, from the surface to the base of the Abo formation, underlying the NW/4 of said Section 21, Township 5 South, Range 25 East, N.M.P.M., Chaves County, New Mexico, to form a 160-acre spacing unit dedicated to applicant's well.

C. And for such other and further relief as may be just in the premises.

DEPCO, INC.

By: 
David R. Vandiver

LOSEE, CARSON & DICKERSON, P.A.
P. O. Drawer 239
Artesia, New Mexico 88210

Attorneys for Applicant

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:

JJR

CASE NO. 7694

Order No. R-²¹⁰⁰~~7709~~

Ball

APPLICATION OF DEPCO, INC. FOR
COMPULSORY POOLING, CHAVES COUNTY,
NEW MEXICO.

[Signature]
11/15

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 29, 1982, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this _____ day of October, 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, Depco, Inc., seeks an order pooling all mineral interests from the surface down through the Abo formation underlying the NW/4 of Section 21, Township 5 South, Range 25 East, NMPM, Chaves 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 20.0 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 \$ 3000⁰⁰ per month while drilling and \$ 300⁰⁰ 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 January 1, 1983, 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, from the surface down through the Abo formation underlying the NW/4 of Section 21, Township 5 South, Range 25 East, NMPM, Chaves County, New Mexico, are hereby pooled 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.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of ~~October~~ January, 1983, 1982, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Abo formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of ~~October~~ January, 1983, 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 Depco, 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 \$ 3000 ⁰⁰ per month while drilling and \$ 300 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 Chaves 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

DOCKET MAILED

~~9/20/82~~ (Corona)