

CASE 5184, Application of JAKE L.
HANON FOR COMPULSORY POOLING AND
UNORTHODOX LOCATION, EDDY COUNTY.

CASE No.

5164

Application,
Transcripts,
Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 30, 1974

EXAMINER HEARING

IN THE MATTER OF:

Application of Cities Service Oil
Company for compulsory pooling,
Eddy County, New Mexico.

Case No. 5157

IN THE MATTER OF:

Application of Jake L. Hamon for
compulsory pooling and for an
unorthodox location, Eddy County,
New Mexico.

Case No. 5164

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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For the Applicant:
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For the Applicant:
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Marked Admitted

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Applicant's Exhibits 1 through 7 - 22

EXHIBITS (Continued)

CASE NO. 5164

Applicant's Exhibits 1 through 5
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MR. NUTTER: We will call Case 5157.

MR. CARR: Case 5157. Application of Cities Service Oil Company for compulsory pooling, Eddy County, New Mexico.

(Whereupon, a discussion was held off the rec rd.)

MR. NUTTER: We will also call at this time, Case 5164.

MR. CARR: Case 5164. Application of Jake L. Hamon for compulsory pooling and for an unorthodox location, Eddy County, New Mexico.

MR. KELLAHIN: Tom Kellahin of Kellahin and Fox, Santa Fe, New Mexico, appearing on behalf of the Applicant, Cities Service Oil Company and I have three witnesses to be sworn.

MR. HINKLE: Clarence Hinkle, Hinkle, Bondurant, Cox and Eaton, appearing on behalf of Jake Hamon. I have two witnesses.

(Witnesses sworn.)

MR. NUTTER: We will proceed first with the Direct Testimony in Case 5157. Mr. Kellahin you are for the Applicant.

FRANK RINEY

called as a witness, having been first duly sworn, was
examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Will you please state your name, by whom you are
employed and in what capacity?

A Frank Riney, Cities Service Oil Company as **Manager**.

Q Mr. Riney, have you previously testified before
this Commission?

A Yes.

Q Are you familiar with the facts surrounding this
particular Application?

A I am.

MR. KELLAHIN: If the Examiner please, are the
witness' qualifications acceptable?

MR. NUTTER: Yes, they are.

BY MR. KELLAHIN:

Q Mr. Riney, would you please refer to what has been
marked as Exhibit No. 1, identify it and explain briefly what
Cities Service Oil Company is seeking?

A This is an oil-gas lease ownership plat of Township
21 South, Range 27 East, Eddy County, New Mexico, and outlined

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as the proposed proration units for our proposed tests in the south half of Section 9.

Q What acreage do you propose to dedicate to this particular well?

A South half of Section 9.

Q And does Cities Service Oil Company propose to be operator of this unit?

A We do.

Q What interests have not voluntarily joined you at this point in regards to the south half of Section 9?

A One-half interest is owned by J. M. Huber Corporation.

Q What acreage does Huber own?

A One-half interest in the southeast quarter of Section 9.

Q Would you please refer to what has been marked as Exhibit No. 1 and explain what this is?

A A copy of a letter we wrote to J. M. Huber Corporation, dated November 12th, 1973, in which we asked them to participate in the drilling of 11,600 foot Morrow test in the south half of Section 9.

Q Would you please refer to what has been marked as Exhibit 3?

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A Exhibit 3 is a letter from J. M. Huber Corporation, dated November 15th, 1973, in which they asked that -- well, they proposed to wait for the results of the tests in Section 4 of 21 South, 27 East.

Q And would you refer to what has been marked as Exhibit 4?

A Exhibit 4 is a copy of our letter to J. M. Huber Corporation, dated January 19th, 1974, with a detail well estimate attached. We asked them to approve this and return it.

Q As of this date, Mr. Riney, has the Huber Corporation voluntarily joined you in the unit?

A No.

MR. KELLAHIN: That concludes my examination of this witness.

MR. NUTTER: Are there any questions of this witness?

MR. HINKLE: I might have one or two questions here.

CROSS EXAMINATION

BY MR. HINKLE:

Q These structural plats that you have referred to, they are based upon what, sub-surface interpretation?

MR. KELLAHIN: We have just come to those and I have another witness.

RINEY-CROSS

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CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Riney, when Huber referred to your letter he was waiting for the well in Section 4 to be completed, to your knowledge has the well been completed?

A To my knowledge, it has.

Q Do you know whether they got a producer or not?

A They did.

Q When was the well completed?

A I'm not sure. I don't know.

Q It has been completed as a producer, however?

MR. KELLAHIN: Yes, sir. Our geologist has that data.

BY MR. NUTTER:

Q You haven't heard anything further from Mr. Huber, or from the J. M. Huber Corporation since this letter of November 15, is this correct?

A Yes, we have, on January 4th.

MR. KELLAHIN: I don't have that one. What is the substance of that. Why don't you summarize for us what Mr. Huber's response was?

THE WITNESS: In this letter dated January 4th, 1974, from J. M. Huber Corporation, sets out that they would

RINEY-CROSS
TAYLOR-DIRECT

request that we wait for the results of the tests in Section 4 and they advise that it has been finished and subsequent to the completion of that well Jake L. Hamon contacted them and requested that they join in drilling of a test 1650 from the north line 660 from the line of Section 9, and they were proposing to communitize the east half of Section 9.

BY MR. NUTTER:

Q Now, did they indicate they had a preference to go that way rather than --

A (Interrupting) They indicated they had a preference to go with J. L. Hamon, correct.

Q J. M. Huber has declined to join in the unit then?

A That is correct.

MR. NUTTER: Are there any further questions of Mr. Riney? You may be excused.

(Witness excused.)

E. E. TAYLOR

called as a witness, having been previously sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you please state your name, with whom you are employed and in what capacity?

TAYLOR-DIRECT

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A My name is E. E. Taylor. I work for Cities Service as a geologist.

Q Mr. Taylor, have you previously testified before the Commission?

A I have, yes.

Q Are you familiar with the background in this particular Application of Cities Service Oil Company?

A I am.

MR. KELLAHIN: If the Examiner please, are the witness' qualifications as an expert geologist acceptable?

MR. NUTTER: Yes, they are.

BY MR. KELLAHIN:

Q Mr. Taylor, would you please refer to what has been marked as Applicant's Exhibit No. 5 and identify it and explain what information it contains concerning Morrow? I was referring to his Morrow structure map which is Exhibit No. 5.

A This is a Morrow structure map, contour interval is 50 feet and in the Section 9 we have a red arrow which indicates the proposed location for Cities Service State CP-1 and the red outline covering the south half of Section 9 is the designated or proposed proration unit for this well.

Q Would you please describe for us what factors you

TAYLOR-DIRECT

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used in deriving your particular pick as this -- at this location?

A Well, we -- the information you see on the map, on this Morrow map, naturally is the sub-sea datum of the top of the Morrow, depicted electrical logs, and we also indicate the calculated open flow of the Morrow Wells below minus datum.

Now, although it's not shown on the map, from log analysis there are four wells which, I think, are primarily -- should be primarily concerned with the drilling of this State CP-1.

Q Would you please identify those four wells?

A One is the Coquina No. 1, the Yates State in Section 10. This well has 16 -- excuse me -- 26 feet of net pay by log analysis in the Morrow and the north offsets it at Gulf No. 1 Cerf Federal at 33 feet of net pay. The Monsanto No. 3 Burton Flats, 67 feet. By the way the Burton Flats is 3 in Section 3 and in Section 8, Mobil's No. 1 QQ has 37 feet of net pay in the Morrow.

Now, for proration purposes, we give -- we divided Morrow into four major divisions and we zone them from the Basal Morrow Zone, Zone 4, up through Zone 7, and each one of these zones will have anywhere from one for four sand members.

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We'll show you on this map might produce from single Cerf zone such as the Coquina Yates State. It produces from the Basal Zone, we call it Zone 4, or it could be four zones such as in the Mobil No. 1 Federal QQ. It produces from Zones 4, 5, 6 and 7 and based on the net pay of the wells, which I previously mentioned, I estimate the Morrow at the proposed location approximately 32 feet of net pay.

Q Please refer to what is marked as Exhibit No. 6 and identify it.

A Exhibit No. 6 is a structure map, contoured on top of the Strawn, contoured 50 feet and, again, the red arrow indicating the proposed location. There are three Strawn producers in the nearby vicinity of our well. The Coquina No. 1 Yates State produces, -- had calculated open flow, as you can see 3095 mcf and Gulf No. 1 Cerf Federal is the second well. They're in Section 10. Immediately north of it is Monsanto's No. 3 Burton Flats. The net pay in these three wells varies from three feet in the Gulf Cerf Federal to 18 feet in Coquina's No. 1 Yates State.

The Strawn -- or in the Morrow. I meant to say the Morrow is fairly hard to predict as far as net pay, what you might expect is the Strawn in my opinion, is the most unpredictable. I would estimate in about 10 feet would be the

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CROSS

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best estimate I could come up with at our location here for the Strawn.

Q Is this a standard location for the south half of this particular section?

A Yes, sir.

Q Why have you chosen this particular location?

A Well, we couldn't drill, say, 1980 from the south line and 660 from the east line and have a full 75 percent interest in the well, for one thing, and, in my opinion, all of Section 9 will be productive in the Morrow and at least part of it in the Strawn. Those are the two good reasons why I selected this location.

Q This, then, from -- in your opinion, is your best pick of a location for production, hydrocarbons, in the south half of this particular section?

A Yes, sir, I would prefer it to being moved over into the southwest quarter of Section 9.

Q Okay.

MR. KELLAHIN: I have no further questions of this witness.

MR. NUTTER: Any questions of him?

CROSS EXAMINATION

BY MR. HINKLE:

Q Mr. Taylor, did you say that all of Section 9, in

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you opinion, would prove productive in both Morrow and the Strawn?

A In the Morrow, I don't know about the Strawn. It's more unpredictable than the Morrow. I have seen cases of a good well in Burton Flats surrounded by a good Strawn well, surrounded by four wells that probably wouldn't be commercial producers.

Q Is it your opinion, that the south half of Section 9 would be productive in both the Strawn and Morrow?

A Yes, sir.

MR. HINKLE: That's all.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Taylor, isn't there another well in the northwest quarter of Section 9 that is not shown on this Exhibit here? Wasn't there a dry hole drilled up in the northwest quarter?

A Possibly a shallow hole. On Exxon's acreage in the northwest quarter?

Q Yes, right, it would be that Exxon acreage.

A It would have to be a shallow well.

Q There's no deep dry hole?

A No.

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Q Now, you mentioned the feet of pay in the Gulf Well and in the Coquina Well for the Strawn. You didn't mention the feet of pay in Burton Flats No. 3, what was it, do you know?

A In the Strawn?

Q Yes, sir.

A 13 feet.

Q 13 feet of pay. You figure the best you give your location was 10 feet possibly?

A Yes, sir.

Q Now, you mentioned that the -- back to the Morrow portion on your Exhibit No. 5, you said the Mobil QQ produces from Zones 4, 5, 6 and 7 and that the Coquina produces from Zone 4. How about the Gulf Well? What zone is that?

A From five and six, intermediate, six would be sort of Upper Strawn -- I mean Upper Morrow.

Q How about the Burton Flats No. 3?

A I think probably Zones 4 and 5, the two lower zones.

Q - Do you have any idea as to what zones to expect anything from in your well?

A I would think probably Zones 4 and 5, the lower zones.

MR. NUTTER: Are there any other questions of Mr.

Taylor? You may be excused.

(Witness excused.)

E. F. MOTTER

called as a witness, having been previously sworn, was
examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Will you please state your name, by whom you are
employed and in what capacity?

A E. F. Motter, Cities Service Oil Company, engineer-
ing manager of M&P Division, Midland, Texas.

Q Mr. Motter, have you previously testified before
this Commission?

A Yes, I have.

Q You are familiar with the facts surrounding this
particular Application?

A Yes, I am.

MR. KELLAHIN: If the Examiner please, are the
witness' qualifications as an expert acceptable?

MR. MOTTER: Yes, they are.

BY MR. KELLAHIN:

Q Mr. Motter, I would like to direct your attention
to what has been marked as Exhibit No. 7, would you identify

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(Reporter's note: Pages 16 and 17 inadvertently skipped
in transcription; text of deposition is intact.)

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this and explain what information it contains?

A Yes, this is a detailed-well statement of what we would call our State CP No. 1. I would like to make one comment here about the location right now. It shows 1980 from the south and 1980 from the east and Mr. Taylor testified this is an orthodox location. We have physically staked that well and the location falls 13 feet from the east-west electrical transmission line and for safety reasons we will move it, propose to move it south 150 feet, which will give an actual location of 1980 from the east, 1830 from the south.

Our estimate of this well as a producer is \$321,600. If I may, I might divert back to our previous case for a minute. I commented that those wells in that particular area were running a little higher, in fact, 350. One of the problems that we encounter in drilling in this area, is use complete circulation down until we get to about 3,000 feet in Delaware and as long as we can keep an adequate supply of water on hand and cuttings are transferred into the caverns, we normally can proceed. This is one of the things that we have to watch out for. In the area of the previous case, we have developed our own water well and this has cut the cost tremendously. I think our cost is around \$19,000 for hauling water alone.

MOTTER-DIRECT

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In this particular area, from the experience of some other wells, we do not feel we will encounter this problem. However, we do still have casing proposed. The nine and five-eighths casing will be 2970 or medium string.

Q 1970 or 2970?

A 2970.

Q Mr. Motter, what has been Cities Service experience in this particular area?

A Well, Cities Service has had quite a bit of experience in Eddy County in the last couple of years. As of right now, we have 11 wells producing and one is completed the tests followed. We're waiting on a connection. Two wells that are currently being completed. We currently have three rigs running. We have an interest in 38 outside operating wells and in 1974, we have budgeted 27 wells of which two will be wildcats and 25 will be direct or diagonal offsets to producers.

Q Based on this experience, Mr. Motter, and your present examination of the facts surrounding this particular Application, do you have any proposal for a risk factor to be applied in this case?

A Yes, we don't feel there is a drilling problem in this area or that they are quite as severe as in some of the

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others. Mr. Taylor has testified that we feel that chances of obtaining production here are quite good and we are recommending 25 percent risk factor in this particular well.

Q With regards to recommendations for cost of supervising this particular well, what, if any, recommendations do you have to make?

A Well, without taking up a lot of the Commission's time and other people's, I'm going to ask that if they will bear in mind my previous testimony. It would be \$205 a month for overhead, which does not include the cost -- excuse me -- it does cost -- it does include the cost of the production foreman.

MR. NUTTER: If we're going to take it to mind, you better incorporate by reference, Mr. Kellahin.

MR. KELLAHIN: Okay.

MR. NUTTER: Relating to the copus charge for combined fixed rate, that portion of the testimony? And the cost-of-living escalation?

MR. KELLAHIN: Mr. Examiner please, we would like to incorporate that part of the testimony from the previous case, which was Case No. 5158, into the testimony of this particular case with regards to the charges for supervision.

MR. NUTTER: That portion of the record of 5158 will

MOTTER-DIRECT

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be incorporated.

THE WITNESS: I might also comment, if I may, since we do have something of a proposal here that Cities Service is the same rate for drilling wells since November 19, 1973, is \$1,460 a month. This includes everything.

MR. NUTTER: That's what you seek while the well is drilling then for a blind fixed rate?

THE WITNESS: That includes all supervision, geological engineering, et cetera.

MR. NUTTER: You want this portion of this record incorporated in the record of that other case?

There is nothing in the record for drilling for the other one.

THE WITNESS: We'll not make reference to both.

BY MR. KELLAHIN:

Q Was Exhibit No. 7 prepared by you, Mr. Motter?

A It was prepared under my supervision, yes.

Q In your opinion, Mr. Motter, will the granting of this Application prevent waste, be in the best interest of conservation and not impair the correlative rights of others?

A No.

MR. KELLAHIN: If the Examiner please, we move the introduction of Applicant's Exhibits 1 through 7.

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CROSS

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MR. NUTTER: Applicant's Exhibits 1 through 7 will be admitted into evidence.

(Whereupon, Applicant's Exhibits Nos. 1 through 7 for identification were admitted into evidence.)

MR. NUTTER: Are there any questions of Mr. Motter?

MR. HINKLE: No questions.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Motter, the difference on the cost on this well and the one in the previous cases is because you do have a water supply?

A Yes, since that time we have developed our own water-supply well.

Q Well, now this well is closer to this water supply than the one you had proposed, your Simpson Well in Case 5158?

A We don't -- from the experience, Mr. Examiner, we don't think we'll have any problems in drilling down to 3,000 feet like we do have over here. The Cawley area as you are well aware is a discovery well.

Q So, you did have the same problem on the Simpson Well as you did on the Cawley?

A Yes. Although, we think we're better prepared to take care of them. As an example, the Cawley mud hole is about \$25,000 and I think here we have about 15 estimated for mud cost.

Q That wouldn't revise your cost as far as mud was concerned on the Simpson?

A No.

Q I see.

MR. NUTTER: The witness may be excused.

MR. KELLAHIN: That concludes our Direct Examination.

MR. NUTTER: Mr. Hinkle, would you call your witnesses?

MR. HINKLE: Yes.

ROBERT L. SPEARS

called as a witness, having been previously sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. HINKLE:

Q State your name and your residence and by whom you are employed?

A I'm Robert L. Spears, Midland, Texas. I'm District Geologist for Jake L. Hamon.

SPEARS-DIRECT

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Q Have you previously testified before the Commission?

A Yes, I have.

Q Your qualifications as a petroleum geologist are a matter of record with the Commission?

A Yes, sir.

Q Have you made a study of the area in which this well was involved in this Application to be drilled?

A Yes.

MR. HINKLE: Are the qualifications acceptable?

MR. NUTTER: Yes, they are.

BY MR. HINKLE:

Q Have you prepared or has there been prepared under your direction certain Exhibits for introduction in this case?

A Yes.

Q They have been marked as Exhibits 1 through 5?

A Right.

Q Would you give Mr. Kellahin a copy of our Exhibits?

(Witness complies.)

Q Referring to Exhibit No. 1 and explain what this is, what it shows?

A Exhibit No. 1 is a sub-surface geological map of the Burton Flats Field as contoured on the Lower Morrow sand.

SPEARS-DIRECT

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It shows the structural future of the Lower Morrow sand in the Burton Flats Field, a southwest dipping nose and shows the producing wells in the field which are colored as to their producing zone.

Q Does it also show ownership of the various leases in the area?

A It shows the partial ownership, Jake L. Hamon owns a four-fifths interest in the northeast quarter of Section 9. Coquina owns a one-fifth interest in the northeast quarter of Section nine. Cities Service owns a half interest in the southeast quarter of Section 9, and J. M. Huber Corporation owns a half interest in southeast quarter of Section 9.

Q Have you approached these owners or has Hamon approached these owners with respect to getting into communitization agreements?

A Yes.

Q What is the present status of entering into communitization covering the east half of Section 9?

A The present status of communitization agreement and operating agreement have been signed by Jake L. Hamon, J. M. Huber Corporation and Coquina Oil Corporation. It has not been signed by Cities Service.

Q Did Mr. Hamon or anyone for him approach Cities

SPEARS-DIRECT

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Service with respect to joining in this well?

A Yes.

Q Did Cities Service refuse or --

A They have not signed to this date.

Q I believe you stated that a communitization agreement actually be entered into with Coquina and with Huber Corporation?

A Right.

Q Have these forms of communitization agreement been approved by the U.S.G.S. and by the Commissioner of Public Lands as to the form?

A Yes, sir.

Q Now, refer to Exhibit No. 2 and explain that.

A Exhibit No. 2 is a sub-surface geological map of the Burton Flats Field. It is an isopachous map of the Lower Morrow sand. It shows the thicker sands on the curve to the north along in the discovery well, the Monsanto No. 1 Burton Flats Unit and thins to the southwest in Section 9.

Q Now, have you indicated on these Exhibits 1 and 2 the locations of Cities Service's proposed well?

A No, I haven't, but it's 980 from the east and 1830 from the south, Section 9.

Q Referring to both Exhibits No. 1 and No. 2, what

SPEARS-DIRECT

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is the situation in respect to the structure and the sand thickness with respect to these two proposed locations?

A Well, Mr. Hamon's location in Section 9 estimated top of the Lower Morrow which is nine minus 9,085 feet, with an estimated sand thickness of between 50 to 60 feet. Cities Service location in the southeast quarter would have an estimated Morrow sand top at minus 8,160 with estimated sand thickness of 30 to 40 feet.

Q What conclusion would you draw from these Exhibits?

A Well, structurally, both structurally and sand deposition wise, the Hamon location would be a better location.

Q Now, refer to Exhibit 3 and explain what this shows?

A Exhibit 3 is a sub-surface geological map of the Burton Flats Field as contoured on top of the Strawn limestone, Strawn limestone, being the top of the pay as exhibited in these three, four wells in the field. Actually, they are five wells, but --

Q Now, refer to Exhibit No. 4 and explain that?

A Exhibit No. 4 is a sub-surface geological map of the Burton Flats Field. It's an isopachous map on the massive Strawn limestone which is productive in the Burton Flats Field.

Q What do these two Exhibits, referring to Exhibits 3

SPEARS-DIRECT

and 4, what do these show with respect to the respective locations of Mr. Hamon's well and the proposed well of Cities Service?

A The structure map on top of the Strawn limestone would indicate that Mr. Hamon's location is better located structurally as compared to Cities Service location. On the isopachous map it also shows that additional massive limestone would be present in the Strawn in the Hamon location as compared to the Cities Service location.

Regionally the Strawn section changes in lithology to the west in the Mobil No. 1 QQ and interbedded limestone and shale sequence and also in the Humble Well in Section 5 to the north. Therefore, as you go west in directions in the immediate vicinity the Strawn section would become less prospective.

Q Well, do you conclude from Exhibits 3 and 4 that Mr. Hamon's location would be better located structurally as far as sand thickness is concerned in the Strawn?

A Yes, sir in limestone thickness.

Q Now, all of these Exhibits 1 through 4 show a red line. What is that?

A That's a cross section which includes three wells --

Q (Interrupting) On Exhibit 5?

A On all of the Exhibits, cross section A Prime, it shows the Strawn limestone pay deposition in the area, plus it shows the Morrow sand deposition in the immediate area as can be seen on the cross section of massive limestone of this Strawn deteriorates to the west, it becomes less prospective. Also, the sands within the Lower Morrow Section becomes thinner as you go to the west.

Q Exhibit 5 also indicates the relative position of Mr. Hamon's proposed well?

A I have the projected position of Mr. Hamon's well into the cross section. As can be seen as you go west, structurally you go down dip.

Q Which shows that the well as he's located would be structurally high?

A Right.

Q Do you have any further comments with respect to any of these Exhibits?

A My only comment is as you go west, you get a lot less prospective.

MR. HINKLE: I would like to offer 1 through 5.

MR. NUTTER: Applicant's Exhibits 1 through 5 will be admitted into evidence.

SPEARS-DIRECT
CROSS

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(Whereupon, Applicant's Exhibits,

Case 5164, Nos. 1 through 5

were admitted into evidence.)

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Spears, when you were talking about Exhibit No. 1, you mentioned the ownership of the various tracts there in Section 9?

A Yes.

Q Now, the northeast quarter, you said, Jake Hamon has what percentage of that?

A Four-fifths.

Q And Coquina has one-fifth?

A One-fifth, yes.

Q In the southeast quarter, you said Cities Service has a half and Huber has a half?

A J. M. Huber Corporation has a half.

Q All right. Now, do you know what the ownership of the northwest quarter is?

A Humble, Exxon, H.B.P.

Q They still own that, as far as you know?

A Yes.

Q And as far as you know, Cities Service has four-

SPEARS-CROSS

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fourths of the southwest quarter?

A Yes.

MR. NUTTER: Are there any questions of the witness?

CROSS EXAMINATION

BY MR. KELLAHIN:

Q Mr. Spears, the last question of the Examiner would indicate, would it not, that regardless of whether this unit is composed of the east half of the section or whether it is composed of the north half of the section, Hamon's interests remains the same?

A Hamon's interest would remain the same.

Q And in addition to that, if the south half of the section is the final unit that's approved, then, from your testimony Cities Service would have a three-fourths interest, while if we force pool the east half, their interest is divided up?

A The way I calculated, they would have a fourth interest in the east half.

Q I'm interested in Exhibit No. 4 now, Mr. Spears. You indicated, did you not, Mr. Spears, that as you moved to the east in the east half here that the quality of pay increased as you went up structure, is it, am I right in that assumption?

SPEARS-CROSS

A I said, "As we go west, the limestone becomes less prospective."

Q Conversely as you go east, it becomes more prospective?

A Well, you have three Strawn producers there, so, as you can see from the production in the maps up here to the north, you have one Strawn producer by being encircled by Morrow and Atoka producer, so, --

Q (Interrupting) You are talking about way up in Section --

A (Interrupting) 34.

Q 34. How about the Monsanto Burton Flats No. 1 here in Section 3?

A That can be seen on the isopachous map. It has a thin limestone section in it with no porosity, tested mud.

Q This 57 feet, is it, is that net pay?

A That's gross pay, 57. 27 feet of net pay.

Q Now, in Section 10, if you will look in the north half of this section there, there is a Monsanto and Gulf Well. How about the quality of this well?

A 65 feet I pick on the log as gross, massive limestone with 24 feet of net pay.

Q How about the Coquina-Yates Well in the South half

SPEARS-CROSS

Page.....33.....

of Section --

A It's 85 feet and 32 feet of net pay.

Q Now, how would you compare that to the producing capabilities of all three of those wells with quality of pay?

A Well, the Strawn is comparable in this area to the permeability and porosity, so it's quality of how you pick the net pay in the wells. I don't have any production figures on this Gulf Well and due to the fact that they might not have had a connection in that area on the Gulf Well. As far as the Oil and Gas Commission Reports, the last one, it shows no production on the Gulf Well, so I assume that the well has not be connected.

MR. NUTTER: Just a matter of interest: It has been connected for some time, but it only started producing for some reason.

THE WITNESS: Well, maybe that's it.

MR. NUTTER: It had a connection, but only recently started producing.

THE WITNESS: According to the Gas and Oil Report that we get, it hadn't any production on it, to speak of.

BY MR. KELLAHIN:

Q I want to show you what has been marked as Exhibit

SPEARS-CROSS

Page.....34.....

6 for Cities Service Oil Company, that is Strawn structure, and ask if you agree with the calculated open flow pressures in the data contained on the three wells, the Monsanto, the Gulf and the Coquina?

A Well, I have nothing to compare this with. I'm assuming these C.A.O.F.s are correct. I don't know the C.A.O.F.s were, so, I have no way to compare this.

Q My point, Mr. Spears, is the fact that you picked certain amounts of net pay on your Exhibit No. 4 is rather meaningless when you compare it to the quality of production to the wells?

A Well, I don't know what the wells are doing now, with the exception of the Coquina Well. It's producing two to three million barrels a day out of the Strawn. Like I said before, I can't get a comparison on the Gulf Well, because it hasn't been in any published reports yet.

(Whereupon, a discussion was
held off the record.)

Q On your Exhibit No. 1, Mr. Spears, the Morrow structure map, it was your testimony, was it not, that as you progressed to the south and west you increasingly became lower on the structure, is that not correct?

A Based on the Exhibit No. 1, yes.

SPEARS-CROSS

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Q Now, does that have any bearing upon the quality of the well?

A I think so, due to the fact that it also thins up, the sand, direction wise to the southwest, so you have a loss of structure, plus a loss of sand which would somewhat effect the productivity of the well.

Q Well, then, as you get lower on the structure, that would mean, if I understand you correctly, the quality of the well would decrease?

A Well, it depends on sand deposition, plus the sand in the Burton Flats Field. Some of the wells have produced water, structurally low.

Q I see.

A Which I cite the Mobil No. 1-4 Federal to the north in Section 4, **has** penetrated the same sand as Monsanto No. 1 discovery well, and log calculations on that same sand, calculated water.

Q How about the Mobil Well in Section 8?

A Well, as you can see on the isopach, this sand present in the Mobil Well, 1-4 Federal, is probably not present in the Mobil 1-QQ Federal. If you look at the cross section, you can see that their perforations **are** scattered up and down the Morrow Section and wasn't included in one

SPEARS-CROSS

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massive scan, but as the Monsanto No. 1, Burton Flats Unit.

Q I want to show you Exhibit No. 5 now, which is the Morrow structure map of Cities Service, and if you will refer to the Mobil Well in Section No. 8, do you have any other information other than what is contained on that Exhibit to indicate that the calculated open flow pressures -- that the calculated open flow data information contained on that Exhibit is anything other than as stated there?

A No, I don't have any other information as to that.

Q That would indicate that that was a pretty good well, wouldn't it?

A Which well?

Q The Mobil Well in Section 8?

A Section 8?

Q Yes, sir.

A I just go by the C.A.O.F., 7.339. I can look at the log though and see that the well has been perforated in several small stringers in the Morrow and I wouldn't indicate that that well is half as good as the Monsanto No. 1 Burton Flats Unit in Section 3.

Q Would you refer to the Gulf Well in Section 10?

A The Gulf Well in Section 10?

Q Yes, sir.

SPEARS-CROSS
SHAW-DIRECT

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A What do you want me to do?

Q What is the capacity on that well as indicated by that Exhibit?

A Well, Exhibit 5 of Cities Service indicates 1.442 million.

Q And do you agree with that?

A I think published reports show something in that order, but the Gulf also indicated that they possibly have block formation there in that well, which would inhibit the productivity of the well.

MR. KELLAHIN: I have no further questions.

MR. NUTTER: Are there any further questions of Mr. Spears?

MR. HINKLE: No.

MR. NUTTER: You may be excused.

(Witness is excused.)

HOWARD W. SHAW

called as a witness, having been previously sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. HINKLE:

Q State your name, your residence, and by whom you are employed?

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A I'm Howard W. Shaw, reside in Midland, Texas. I'm employed by Jake L. Hamon, production superintendent.

Q You are a petroleum engineer?

A Yes, sir.

Q Have you previously testified before the Commission?

A I have.

Q Have you made a study of the area which is under consideration here?

A I have.

MR. HINKLE: Qualifications sufficient?

MR. NUTTER: Yes, they are.

Q Refer to what has been marked as Hamon's Exhibit No. 6 and explain this? But first, Mr. Hamon's Application called for an unorthodox location, does it not?

A It does.

Q All right. Go ahead and explain No. 6 with respect to this?

A The location as staked originally 1,980 from the north line, 660 from the east line of Section 9 and by John West Engineering out of Hobbs, and this location fell in the middle of large caliche pit and due to the difficulty of drilling in such location, it was moved 330 feet north to be outside this caliche pit to a location 1,650 feet from the

SHAW-DIRECT

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north line, 660 from the east line, which therefore makes it an unorthodox location.

Q Did you give notice to all of the offset owners of the proposed unorthodox location?

A I did.

Q Did you request waiver from them?

A I requested waivers from the six offset operators and received waivers from all except Cities Service approving our unorthodox location.

Q Now, are you familiar with well costs for drilling wells in this area to test the Strawn and Morrow formations?

A I am.

Q What, in your opinion, with the well that Mr. Hamon proposes to drill, cost, completed in one formation, either the Strawn or the Morrow, or dually completed or a dry hole?

A Well, as stated earlier by Mr. Motter of Cities Service, costs of pipe are changing from day to day and we put out an A.F.E. for this well with a cost of a dry hole at \$241,866 and a completed Morrow Well at \$385,437. However, these were what we considered to be the very maximum costs, which we try to include in our A.F.E. so that partners will not come back later and ask why we exceeded our well cost.

SHAW-DIRECT

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By recalculating at what we actually think that we can drill this well for, come up with cost of \$208,666 for a dry hole; \$311,287 for a completed Morrow well.

Q Now, your testimony shows that Hamon has entered into communitization with agreement with Coquina and with Huber. Have they agreed to the drilling of these wells, of the well and to these approximate costs?

A We have approved A.F.E. back from Coquina. Huber has stated to us that they were withholding approval only awaiting the outcome of the Hearing.

Q Now testimony also shows that you have entered into operating agreement with both Coquina and Huber. These operating agreements provide a continuing procedure for the operating costs?

A They do.

Q Supervision?

A Yes, sir, they do.

Q What do they provide?

A They provide for a combined fix rate on drilling wells for all depths, would be \$1,275 per month. For producing wells, the first five wells are each at \$199 per month.

Q What would you -- do these operating agreements that

SHAW-DIRECT

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you mentioned also provide risk factor for parties with non-consent?

A They do.

Q What provisions are there with respect to that?

A Our operating agreement calls for 200 percent risk factor for the well and the wellhead equipment, all down hole equipment and 100 percent factor on surface equipment.

Q Do you think that that is fair and reasonable?

A I do.

Q Are you requesting the Commission if they approve this Application to grant a risk factor of 200 percent?

A Yes, sir.

Q If those are forced to pool and do not agree to participate in the actual cost?

A I do so ask.

Q Do you have anything else you would like to submit to the Commission?

A No, sir.

MR. HINKLE: I would like to offer Exhibit No. 6.

MR. NUTTER: Applicant's Exhibit No. 6 will be admitted in evidence.

(Whereupon, Applicant's Exhibit

No. 6, Case 5164, will be admitted into evidence.)

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CROSS

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CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Shaw, you mentioned that Coquina had returned your A.F.E., but now that was A.F.E. at \$241,866 dry and \$385,437 completed?

A Yes, sir.

Q You haven't gotten it back from Huber yet?

A No, sir.

Q This well was the subject of a Hearing a couple or three weeks ago, wasn't it, at an unorthodox location, at a proposed location?

A No, sir.

Q Oh, it wasn't?

A No, it wasn't.

MR. HINKLE: That's another case.

(Whereupon, a discussion was
held off the record.)

MR. NUTTER: Are there any other questions?

CROSS EXAMINATION

BY MR. KELLAHIN:

Q You referred to a plat that you had, I don't remember what Exhibit No. it was?

A 6.

SHAW-CROSS

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Q Did you prepare Exhibit No. 6?

A It was prepared under my supervision, yes, sir.

Q Would you identify what has been marked as that Southern Union Gas Plant, what is that?

A I have not been on this location, personally, but I had one of my field foreman and also one of my engineers out there and this plat was prepared from information that they gave me. It is not as designated a schematic diagram. It is not a scale diagram, but this was where my men showed the Southern Union Gas Plant to be with this black top road ending there at the gas plant.

Q Isn't that Southern Union Gas Plant really the Transwestern Gas Plant and the Southern Union Plant is over in the 40 acres to the west, just south of the black top road?

A I cannot say. This was just as it was given to me.

Q What information was given to you with regard to the low washout area? Could you describe for me what that is?

A That was nothing except a small topographical feature.

Q Would it prohibit you from drilling a well in that area?

A I would not think so.

SHAW-CROSS

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Q If you drilled a well on that area, that would be an orthodox location, would it not?

A According to exactly where it was put, it could be within that area.

Q I'd like to refer to your A.F.E. for a moment, if you please. Does -- your testimony indicated a combined fixed rate of, was it \$175 a month well drilling?

A Yes.

Q And after drilling it was \$199 per month?

A Yes, sir.

Q Did those include the salary and expenses of production foreman?

A They include the salary and expenses of production foreman, yes. That is not on the A.F.E., however, that is in the operating agreement in the accounting section.

MR. NUTTER: Now, you are talking about something we didn't have in the record, I think. We didn't get an A.F.E.

MR. HINKLE: That wasn't in the record.

MR. KELLAHIN: I'm sorry. You referred to it.

MR. NUTTER: He gave some figures, but he didn't submit an A.F.E..

MR. HINKLE: We have no objection if he wants to --

SHAW-CROSS

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MR. KELLAHIN: (Interrupting) I'm sorry. I was ahead of you. I was looking at one and I heard his testimony and I thought it was an Exhibit.

THE WITNESS: Well, Mr. Nutter, the information he just asked about, however, was not in the A.F.E. anyway. It was in the accounting figure of the operating procedure agreement which we stated, but also which was not put in as an Exhibit.

BY MR. KELLAHIN:

Q In calculating your totals for your A.F.E., you included, did you not, an item for miscellaneous materials and supplies -- I'm sorry -- for geological items?

A That is correct.

Q What did you indicate as the charge for geological studies?

A \$3,000.

Q And then, in Item 20, you indicate overhead, supervision, et cetera, what was the charge for that?

A Well, that is, includes your combined fixed rate which we previously testified was \$1,275 per month, plus time which we expect an engineer will be assigned to the well during the drilling and completion.

Q Am I correct then in understanding that your geology

SHAW-CROSS

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in your combined fixed rate, over and above the salaries,
these other salaries and expenses we just talked about?

A Your question wasn't clear.

Q Salaries for the geologist and engineers are not
included in your combined fixed rate?

A That's correct.

Q You are including in the combined fixed rate,
salaries and expenses for production foreman only?

A Production foreman and overhead, district expenses.

Q I understand.

You testified that the A.F.E. that you submitted
had a total cost for a producer of \$385,000 plus, but you
then indicated that you believed the actual cost would be
something in the neighborhood of \$311,000?

A That is correct.

Q That's a difference of some \$74,000.

A Yes, sir.

Q What will go into making up that difference or that
savings to you?

A What I estimate to be \$2 per foot less footage
drilling costs.

Q \$2 per foot --

(Whereupon, a discussion was
held off the record.)

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MR. NUTTER: A.F.E. has been identified as
Applicant's Exhibit No. 7.

(Whereupon, Applicant's Exhibit
No. 7, Case 5164, was marked
for identification.)

MR. NUTTER: It is admitted in evidence.

(Whereupon, Applicant's Exhibit
No. 7, Case 5164, was admitted
into evidence.)

A I'm not exactly sure where you got on that, but
there is one item was a reduction of \$2 per foot in the
drilling cost, 11,700 feet. Additional items are what we
think we can get pipe for, which would be \$2 less per foot
on 600 feet of 13 and three-eighths casing; \$2 per foot less
on 3,000 feet of nine and five-eighths inch casing; \$1.50 per
foot less on 11,700 feet of five-and-a-half inch casing and
\$1 per foot less on 11,700 feet of two and three-eighths inch
tubing.

With these changes, or hopefully these changes, we come
up with a cost figure which I gave for a completed well of
\$311,287.

Q What is your anticipated cost for separation?

A For gas production, \$6,500.

SHAW-CROSS

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Q I have one last question. What experience has Jake L. Hamon had in Eddy County, New Mexico in drilling Morrow wells?

A We have drilled within the last year, two wells in Eddy County, New Mexico, one of which is a dry hole and one of which produced for a short period of time and then was plugged and abandoned.

MR. KELLAHIN: I have no further questions.

REDIRECT EXAMINATION

BY MR. HINKLE:

Q Mr. Shaw, your testimony then in regard to the revision of the A.F.E. account of pipe costs, isn't it true that on account of the shortage of pipe, you have to pay exorbitant prices for pipe in the last few months?

A Yes, sir, it is. We have had a fairly good supply, but there are times when we certainly have to pay over and above the -- what is quoted in current domestic price.

Q That sometimes runs into several dollars?

A Several dollars per foot.

Q That is the reason why then you have the original figure so high?

A That, in addition to the fact that it is difficult now to say for what price you can get a well drilled as the

SHAW-CROSS

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drilling contractors also are changing their prices from day to day.

MR. HINKLE: That's all.

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

MR. HINKLE: If you would like, we could introduce this copy of the operating agreement, if you would like to have it?

MR. NUTTER: I don't think it is really necessary. There was no question I don't think except maybe an explanation about the kind of fixed rates there and he stated what they were. We had Cities Service combined fixed rates, what they were without a copy of the operating agreement.

(Witness excused.)

MR. NUTTER: I do note that Mr. Motter incorporated that portion of the record in a previous case that related to the cost of living index in the operating agreement to combined fixed rates, and that this operating agreement also contains the same clause.

MR. HINKLE: I might say this, that the communitization agreement, there is a separate one for the Strawn and separate one for Morrow.

MR. NUTTER: You mean the voluntary communitization?

MR. HINKLE: Yes, this is due to the fact that the U.S.G.S. requires that, so if you only get production in one zone, you don't have to go back and modify it.

MR. NUTTER: I think in these two cases that we are hearing right now, Cities Service Application's pooling all mineral interests in the Pennsylvanian and Jake L. Hamon's Application is for the Strawn and the Morrow.

Does anyone else have anything they wish to offer in either case?

State your name, please?

MR. CROMWELL: J. S. Cromwell.

MR. NUTTER: For J. M. Huber Corporation?

MR. CROMWELL: Yes. Just to note that we have at no time refused to consider at the appropriate time participation in the Morrow test to be located within the east half of Section 9, 21 South, 27 East. That's irrespective of any specific gas proration unit that might be involved. I believe that the specific language of our file of a letter will so indicate, but I don't introduce it as testimony or evidence.

I do however, favor the east half of Section 9 for gas prorationing because of the following considerations: Hamon affords the east half proration unit, in our opinion,

MOTTER-REDIRECT

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more favorably located for commercial production. More importantly, the well development pattern would probably occur for the east half of the west half of the proration unit in Section 9, would be more prudent, in our opinion, from the conservation standpoint.

MR. NUTTER: Thank you, Mr. Cromwell.

MR. KELLAHIN: I would like to call one witness.

MR. NUTTER: All right.

MR. KELLAHIN: I would like to recall Mr. Gene Motter.

(Whereupon, a discussion was held off the record.)

REDIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Motter, you heard the testimony with regard to Hamon's proposal for an unorthodox location, does Cities Service Oil Company have any objection to the proposed unorthodox location?

A We don't object to the unorthodox location, we object to the prorationing that has to go along with it.

Q Let's discuss the prorationing unit, Mr. Motter, what would be Cities Service's interest in a south-half prorationing unit?

A Well, this would be three-fourths of the south half; quite frankly I intended to incorporate it and it is my testimony before basically that one of our main interests here is to keep our rights to one well rather than splitting what might be 4 or wells.

Q Conversely if the east half of the section is the prorationing unit, what would Cities Service's interest be?

A We would have a fourth interest in, I guess, the wells still on the east half and half on the well to the west.

Q Are you familiar with the configurations of prorationing units in the Burton Flats area?

A Yes, I am.

Q Normally what is the pattern for those units?

A No particular pattern; it more or less goes along to favor geology and perhaps in an orthodox location they are either north-south or east-west, there is no standard prorationing unit in the area.

MR. KELLAHIN: Thank you. That's all the questions I have.

MR. NUTTER: Are there any questions of Mr. Motter?

MR. HINKLE: No questions.

MR. NUTTER: Any closing statements? You are both applicants, you can both go first, or last.

MR. KELLAHIN: I defer to Mr. Hinkle.

MR. HINKLE: I don't have anything.

MR. NUTTER: Do you have anything further?

MR. KELLAHIN: I have nothing.

MR. NUTTER: Does anyone have anything to offer in Case 5157 and 5164? If not we will take it under advisement and the Hearing is recessed.


(Whereupon, the Hearing was recessed at 3:20 P.M.)

STATE OF NEW MEXICO)
COUNTY OF SANTA FE) SS.

I, RICHARD L. NYE, Court Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.


RICHARD L. NYE, Court Reporter

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5157-5764 heard by me on 1/30, 1974.


Examiner
New Mexico Oil Conservation Commission

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386



CITIES SERVICE OIL COMPANY

Box 1919
Midland, Texas 79701
Telephone: 915 684-7131
October 14, 1974

New Mexico Oil Conservation Commission
P. O. Box 2038
Santa Fe, New Mexico 87501

Attention: Mr. A. L. Porter, Jr.

Gentlemen:

Re: NMOC Order R-4742 *Can 5114 & 5164*

New Mexico Oil Conservation Commission Order R-4742 requires the operator of the compulsory pooled production unit composed of the S/2 Section 9, T21S, R27E, N4E4M, Burton Flats Field, Eddy County, New Mexico to furnish the Commission and each Working Interest Owner an itemized schedule of the actual well costs within 90 days following completion of the well. Cities Service's State CP No. 1 was completed on August 24, 1974 with a CAOF of 13,674 MCFPD.

Attached is a schedule of the actual well costs. The overrun of the original estimate was caused by high pressure zone encountered in the Strawn formation at 10,541', which to control would require high mud weights that would cause loss circulation in other parts of the well bore. To remedy the problem, the high pressure zone was cemented, 7" casing set at 10,155', well drilled to 11,750' and a 5" liner was set from 9945-11,749'. This situation created an overrun in the following items: additional casing, rotary day work, cement and cementing service, rental equipment, water and fuel.

Following issuance of Order R-4742, all Working Interest Owners joined voluntarily in the drilling of the Cities' State CP No. 1.

Very truly yours,

E. F. Motter
E. F. Motter
Engineering Manager
Southwest Region
E & P Division

EFM/lr

Attachment

OP 69

DETAILED WELL ESTIMATE

WELL NUMBER 1 LEASE State 'CP'
 CONTRACTOR _____ LOCATION 1830' FSL & 1980' FEL
 DATE Revised 1-9-74 SECTION 9, T21S, R27E
 J. O. NO. _____ DEPTH 11650 COUNTY Eddy STATE New Mexico

DESCRIPTION	Size	GRADE	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	REVISED ESTIMATE	ACTUAL COST
TANGIBLES								
Casing								
Set @ 610' H-40 ST&C	13-3/8	A	615	48	6000	6000		5,505
H-40 ST&C	9-5/8	A	2500	32	13000	13000		17,552
Set @ 2970' N-80 LT&C	9-5/8	A	563	40	7000	7000		6,800
CYN-80 LT&C	7"	A	3339	29	41000	-----		28,865
P-110 Hydril	7"	A	2314	26	8000	-----		27,299
N-80 LT&C	7"	B	4576	23	-----	-----		27,817
N-80 Hydril	5"	A	1800	18	-----	-----		14,627
Well head connections		A			10000	1500		14,177
Tubing N-80 W/AB Cplgs	2-7/8	B	9943	6.5	21000	-----		22,215
Sucker rods N-80 W/AB Cplgs	2-3/8	B	1355	4.7	-----	-----		4,016
Bottom hole pump								
Packer		A	1		1100	-----		1,812
Engine or motor								
Pumping unit								
Electrical equip. inc. Labor & Trans.								
Line pipe, fittings inc. Labor & Trans.								
TANK BATTERY								
Stock tanks Coated	210	A	2		3000	-----		11,769
G. B., settler, free water K. O. tank								
Separator, heater treater, etc. HSU-10F		A	1		10000	-----		16,788
Cost to install T. B.					1500	-----		1,886
INTANGIBLES								
Contract Drlg. labor (footage) \$11.50/Ft.					116500	116500		127,233
Rotary day work 23 Days @ \$2000/Day					10000	10000		48,830
Contract work Unit Time 17 Days					3000	-----		10,825
Subsurface casing equipment					3000	2000		5,791
D. S. T., electric logs, etc.					11000	11000		14,058
Acidizing, fracing					4000	-----		2,220
Perforating					2500	-----		3,799
Misc. company and contract labor					3000	2000		11,167
Road building, location					5500	5500		5,652
Cement & cementing service					11000	10000		25,896
Cement squeeze jobs					-----	-----		
Drilling mud, chemicals					12000	12000		48,149
Drilling bits, coreheads, reamers					-----	-----		4,236
Mud logging unit					2500	2500		5,168
Rental of miscellaneous equip.					2000	2000		34,788
Company, contract hauling					3000	2000		6,161
Water, fuel					6000	6000		21,798
Miscellaneous incidentals					5000	5000		6,285
Total estimated cost - 100%					321600	214000		583,184
Total estimate C. S. 75 %					241200	160500		437,388

DOCKET: EXAMINER HEARING - WEDNESDAY - JANUARY 30, 1974

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

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

CASE 5153: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the amendment of Commission Form C-113, Refiner's Monthly Report.

CASE 5154: In the matter of the hearing called by the Oil Conservation Commission on its own motion, at the recommendation of the Commission's "Pictured Cliffs Gas Proration Committee," to consider the amendment of Commission Order No. R-1670 for the purpose of elimination of gas prorationing in the Aztec-Pictured Cliffs, Ballard-Pictured Cliffs, Fulcher Kutz-Pictured Cliffs, and West Kutz-Pictured Cliffs Gas Pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 5128: (Continued from the January 3, 1974, Examiner Hearing)

Application of Gulf Oil Corporation for a non-standard gas proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 160-acre non-standard gas proration unit comprising the NE/4 SW/4 and W/2 SE/4 of Section 28 and the NW/4 NE/4 of Section 33, both in Township 21 South, Range 37 East, Blinbry Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its J. N. Carson Wells Nos. 4 and 9 located in Units O and K, respectively, of Section 28.

CASE 5132: (Continued from the January 3, 1974, Examiner Hearing)

Application of American Quasar Petroleum Company of New Mexico for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the White City Unit Area comprising 5,120 acres, more or less, of Federal, State and fee lands in Township 25 South, Ranges 25 and 26 East, Eddy County, New Mexico.

CASE 5155: Application of Harding Oil Company for directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to re-enter an existing well, the surface location of which is 2310 feet from the South line and 1650 feet from the West line of Section 34, Township 13 South, Range 32 East, adjacent to the old Gross-Devonian Pool, Lea County, New Mexico, and to directionally drill said well in such a manner as to bottom the well in the Devonian formation within 100 feet of a point 430 feet South 60 degrees West of the surface location.

- CASE 5156: Application of Franklin, Aston & Fair for pool creation and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new gas pool for Morrow production for its McIntyre Well No. 6-A located in Unit 0 of Section 20, Township 17 South, Range 30 East, Eddy County, New Mexico, and for the promulgation of special pool rules therefor including a provision for 640-acre spacing.
- CASE 5159: Application of Petroleum Reserve Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Wood Canyon Unit Area comprising 2,560 acres, more or less, of Federal and fee lands in Township 24 South, Range 25 East, Eddy County, New Mexico.
- CASE 5160: Application of Randolph M. Richardson for a unit agreement, Eddy and Chaves Counties, New Mexico. Applicant, in the above-styled cause, seeks approval for the West Hope Unit Area comprising 13,448 acres, more or less, of Federal, State and Fee lands in Townships 17 and 18 South, Ranges 20 and 21 East, Eddy and Chaves Counties, New Mexico.
- CASE 5161: Application of Depco, Inc. for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for its Northwest Artesia Unit Area comprising 640 acres, more or less of State lands in Sections 31 and 32, Township 17 South, Range 28 East, and Section 6, Township 18 South, Range 28 East, Eddy County, New Mexico.
- CASE 5144: (Continued and Readvertised)
- Application of Depco, Inc. for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Grayburg-San Andres formation through six wells located in its Northwest Artesia Unit Area, Artesia Pool, Eddy County, New Mexico.
- CASE 5162: Application of Western Oil Producers, Inc. for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill an undesignated Morrow gas well at an unorthodox location 1980 feet from the South line and 660 feet from the East line of Section 34, Township 17 South, Range 26 East, Eddy County, New Mexico, the S/2 of said Section 34 to be dedicated to the well.
- CASE 5163: Application of Western Oil Producers, Inc. for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill an undesignated Morrow gas well at an unorthodox location 660 feet from the South and East lines of Section 27, Township 17 South, Range 26 East, Eddy County, New Mexico, the S/2 of said Section 27 to be dedicated to the well. As an alternative, applicant seeks approval for a location 1980 feet from the South line and 660 feet from the East line of said Section 27.

CASE 5158: Application of Cities Service Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 29, Township 21 South, Range 27 East, Eddy County, New Mexico, to be dedicated to its Simpson Well No. 1 to be drilled at an orthodox location for said unit. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

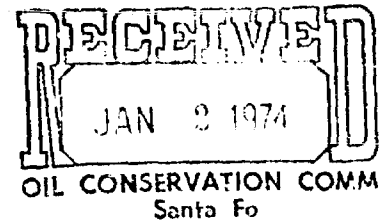
CASE 5157: Application of Cities Service Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the S/2 of Section 9, Township 21 South, Range 27 East, Burton Flats Field, Eddy County, New Mexico, to be dedicated to its State C-P Well No. 1 to be drilled at an orthodox location for said unit. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5164: Application of Jake L. Hamon for compulsory pooling and for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order force pooling all mineral interests in the Strawn and Morrow formations underlying the E/2 of Section 9, Township 21 South, Range 27 East, Burton Flats Field, Eddy County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 1650 feet from the North line and 660 feet from the East line of said Section 9. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

32 NOV
10 54r

JAKE L. HAMON
OIL PRODUCER
808 VAUGHN BUILDING
MIDLAND, TEXAS 79701

December 31, 1973



New Mexico Oil Conservation Commission
Box 871
Santa Fe, New Mexico 87501

Attn: Mr. J.E. Kapteina

RE: Jake L. Hamon's
Federal 9 COM No. 1,
Eddy County, New Mexico

Gentlemen:

A letter with Diagramatic Sketch, USGS Form 9-331 C and Form C-102(copies attached) were sent to you December 21, 1973 concerning the above well. As of this date we are sending by certified mail waiver letters to all offset operators requesting that they waive objection to this unorthodox location. A list of the offset operators and a copy of the waiver letter are attached.

I hope this meets with your approval and that this unorthodox location can be approved as soon as possible.

Very truly yours,

Jake L. Hamon

By:

H.W. Shaw

Production Superintendent

HWS/jwp

encls

cc: Mr. Bill Gressett - OCC - Artesia
Mr. Jim Knauf - USGS - Artesia
Mr. Chester Phillips
Mr. W. Taylor LaGrone
Mr. Robert L. Spears

Can 5764

JAKE L. HAMON
OIL PRODUCER
908 VAUGHN BUILDING
MIDLAND, TEXAS 79701

December 31, 1973

JAN 2 1974
OIL CONSERVATION COMM.
Santa Fe

WAIVER

Offset Operators
List Attached

Gentlemen:

Jake L. Hamon has staked an unorthodox location 1650' FNL & 660' FEL of Section 9, T-21-S, R-27-E, Eddy County, New Mexico, to be known as his Federal 9 COM No. 1. The reason for the unorthodox location is on account of the terrain as shown on the enclosed Schematic Diagram.

We therefore request that you waive any objection to this location. If you have no objection please sign in the space indicated below and return two (2) copies to the sender.

Your early consideration will be appreciated.

Very truly yours,

Jake L. Hamon

By:

H.W. Shaw

Production Superintendent

HWS/jwp

encls

cc: Mr. Chester Phillips

_____ hereby waives any
objection to the above indicated location of Jake L. Hamon.

By: _____

Date: _____

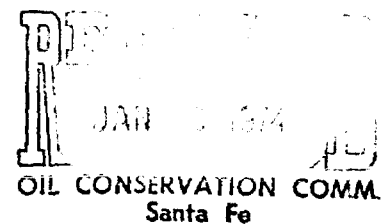
cc: USGS - Artesia
OCC - Santa Fe

Case 5164

December 31, 1973

Federal 9 COM No. 1
Section 9, T-21-S,
R-27-E, Eddy County,
New Mexico

OFFSET OPERATORS



Monsanto Company
101 North Marienfeld
Midland, Texas 79701

Gulf Oil Corporation
Box 1150
Midland, Texas 79701

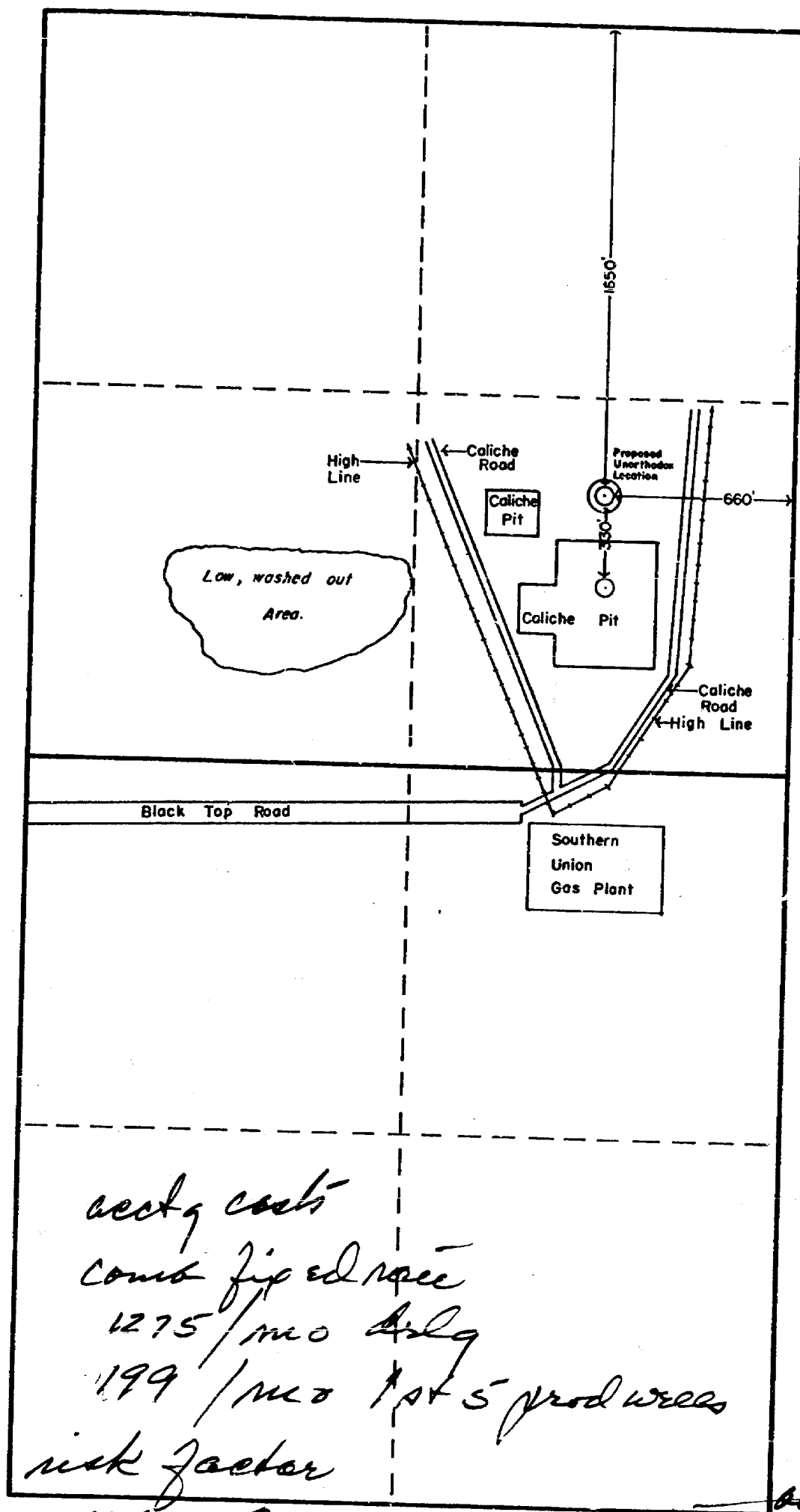
Cities Service Oil Company
700 Vaughn Building
Midland, Texas 79701

Huber Corporation
Wilco Building
Midland, Texas 79701

Exxon Company - USA
Box 1600
Midland, Texas 79701

Coquina Oil Corporation
Bank of the Southwest Building
Midland, Texas 79701

Waiver requests sent to the above by Registered Mail on
December 31, 1973.



acctg costs
 comb fixed rate
 1275/mo Aug
 199/mo 1st 5 prod wres
 risk factor

mon - consent
 200% risk factor
 for wres & downhole
 and 100% on surf

BEFORE EXAMINER NUTTER
 OIL & GAS COMMISSION
 CASE NO. 5164

SCHEMATIC DIAGRAM

Jake L. Ramon
 Proposed Unorthodox Location
 E/2 Section 9, T-21-S, R-27-E,
 Eddy County, New Mexico

Est high:
 AFE: Dry 241,866

Compl Maxine
 single: 385,437
 actual estimate
 208666 Dry hse
 311287 Compl prod.

No. 3-74

Date 1-9-74

Reason for Request To drill & complete as Morrow Gas Well.

Estimated

Dry Hole		Producer	
140	000.00	140	000.00
6	600.00	6	600.00
4	100.00	8	200.00
		2	520.00
10	000.00	10	000.00
22	000.00	22	000.00
3	900.00	3	900.00
6	536.00	10	594.00
7	230.00	7	230.00
		4	200.00
		2	918.00
		2	000.00
			175.00
		1	000.00
		1	000.00
3	000.00	3	000.00
		3	000.00
4	000.00	4	500.00

Total

10	Logging, Open Hole Dual Ind. Lat. 9, 2000' Comp. Neut. Form. Den	
11	Stimulation Treatment	w/GR-Cal.
12	Perforating & Correlation Log	
13	Rental Equipment	
14	Bits 1 - 4-1/2"	
15	Labor	
16	Trucking	
17	Mud Logger	
18	Geological	
19	Miscellaneous Materials & Supplies	
20	Overhead, Supervision and etc.	
21	Other	

TOTAL INTANGIBLES

207 | 766.00 233 | 237.00

1 Casing:

less
2.00 / ft
3.00 / ft
1.50 / ft
1.00 / ft

2	Tubing:	<u>11700</u>	' of	<u>2-3/8</u>	@	<u>3.00</u>	/ft.
3	Bods:		' of		@		/ft

2 Tubing: 11700 ' of 2-3/8 @ 3.00 /ft.
3 Rods: ' of @ /ft.
4 Wellhead & Wellhead Connections
5 Float Equip. , Stage Tools, Liner Tools & Packers
6 Pumping Unit, Motor & Sub-Surface Equipment
7 Stock Tanks 2 - 500 bbl. @ 3000 /tank
8 Separator
9 Heater-Treater
10 Line Pipe
11 Labor
12 Trucking
13 Miscellaneous Materials & Supplies
14 Other

BEFORE EX
OIL COM
C/M
CASH

TOTAL TANGIBLES

34 | 100.00 152 | 200.00

\$241,866.00	\$385,437.00
--------------	--------------

It is recognized that the amounts provided for herein are estimates only, and approval of this authorization shall extend to the actual costs incurred in conducting the operation specified, whether more or less than herein set out.

Approved: _____ Date January 9, 1974

JAKE L. HAMON

By _____

1604 1/2/74
JAKE L. HAMON
OIL PRODUCER
808 VAUGHN BUILDING
MIDLAND, TEXAS 79701

December 21, 1973

Can
5-164

NSL-639
104 F

New Mexico Oil Conservation Commission
Box 871
Santa Fe, New Mexico 87501

Attn: Mr. J.E. Kapteina

Gentlemen:

Jake L. Hamon proposes to drill his Federal 9 COM No. 1 1650' FNL & 660' FEL of Section 9, T-21-S, R-27-E, Eddy County, New Mexico. The dedicated acreage would consist of the NE/4, Federal Lease # NM - 11994 and the SE/4, New Mexico State Lease # L-1648, of this section. This location would be within the limits of the Burton Flat Field.

This well was originally staked 1980' FNL & 660' FEL at a legal location according to Statewide Rule 104-C.-II-(a). According to our geological information this is the best location. As shown on the attached Schematic Diagram, this fell in a caliche pit. A road and high-line prevent movement to the west. Two roads and high-lines and a gas plant prevent movement to the south.

Jake L. Hamon therefore requests Administrative Approval for the proposed unorthodox location on account of the terrain.

Your earliest consideration of this proposal will be appreciated.

Very truly yours,

Jake L. Hamon

By: *H.W. Shaw*

H.W. Shaw

Production Superintendent

HWS/jwp

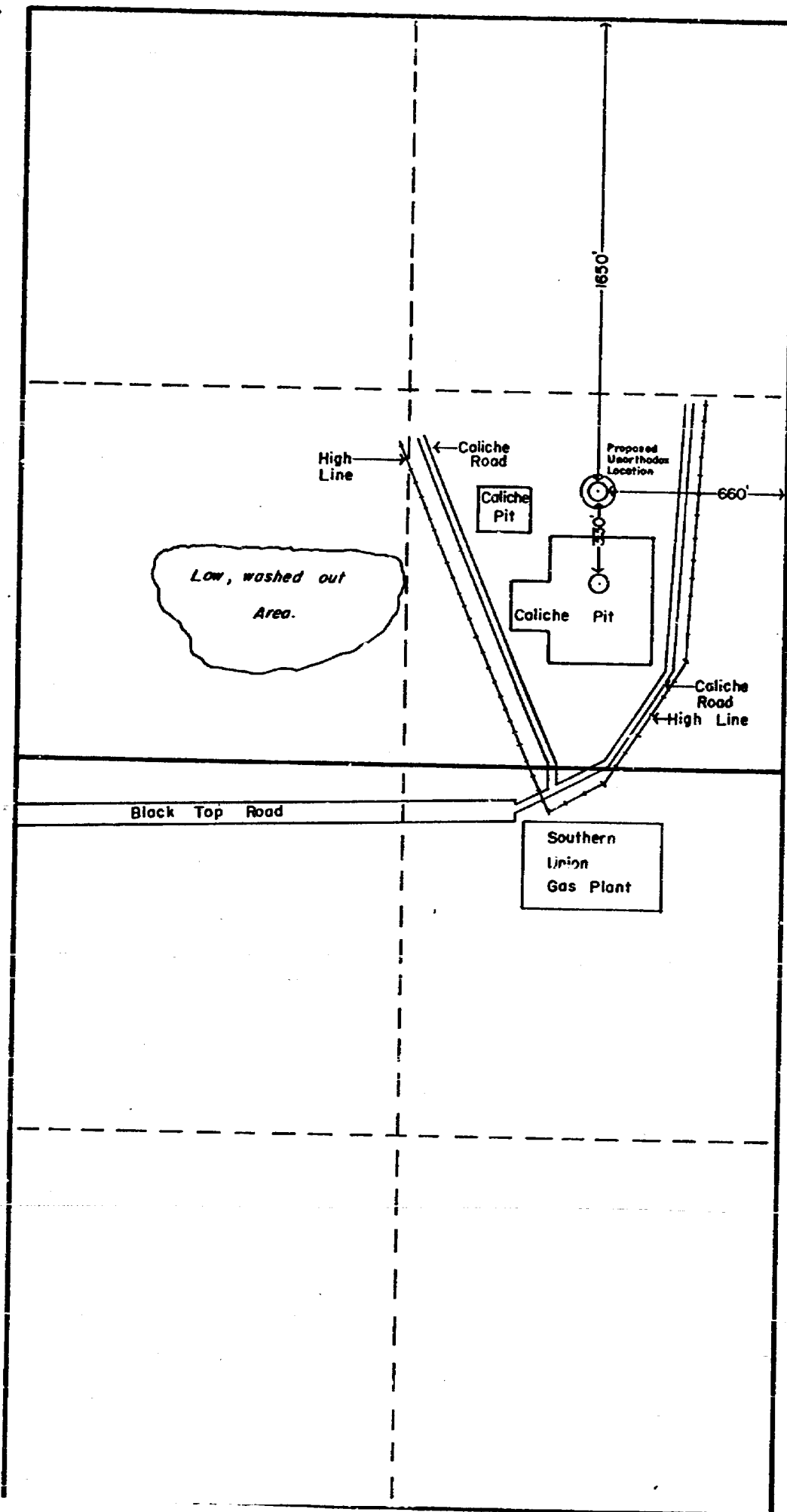
encls

cc: Mr. Bill Gressett - OCC - Artesia
Mr. Jim Knauf - USGS - Artesia
Mr. Chester Phillips
Mr. W. Taylor LaGrone
Mr. Robert L. Spears

DOCKET MAILED

Date _____

One 5164



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input type="checkbox"/>		5. LEASE DESIGNATION AND SERIAL NO. NM 11334 and New Mexico State 1-1648	
b. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/>		6. IF INDIAN, ALLOTTEE OR TRIBE NAME	
2. NAME OF OPERATOR Jake L. Hamon		7. UNIT AGREEMENT NAME	
3. ADDRESS OF OPERATOR 908 Vaughn Building, Midland, Texas 79701		8. FARM OR LEASE NAME Federal 9 COM	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.) At surface 1650' FNL & 660' FEL of Section 9, T-21-S, R-27-E, At proposed prod. zone Eddy County, New Mexico		9. WELL NO. 1	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* 5 miles NE from Carlsbad		10. FIELD AND POOL, OR WILDCAT Burton Flat	
15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. line, if any) 660		11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA Sec. 9, T-21-S, R-27-E	
16. NO. OF ACRES IN LEASE 160 + 160 = 320		12. COUNTY OR PARISH Eddy	
17. NO. OF ACRES ASSIGNED TO THIS WELL 320		13. STATE New Mexico	
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. None		20. ROTARY OR CABLE TOOLS Rotary	
19. PROPOSED DEPTH 11,700'		22. APPROX. DATE WORK WILL START* March 1, 1974	
21. ELEVATIONS (Show whether DF, RT, GR, etc.) 3209.6' GR			

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2"	13-3/8"	48	600	600 or circulate to surface
12-1/4"	9-5/8"	36 & 40#	3000	1200
8-3/4"	5-1/2" or 7"	17 & 20#	11700	500

Operator proposes to drill to the Morrow formation anticipated at or above 11,700'. Any significant shows of oil or gas will be drill stem tested. If oil or gas production is indicated in any zone penetrated, 5-1/2" casing will be set and cemented and the productive zone perforated. If necessary, the productive zone will be acidized or hydraulically fractured.

Fresh water gel mud will be used from the surface to total depth.

Two hydraulic blowout preventers of at least 3000 psi working pressure will be set on the surface casing and used throught the drilling program. BOP's to be tested when installed and operated daily.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED [Signature] TITLE Production Superintendent DATE 12-21-73
(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

APPROVED BY _____ TITLE _____ DATE _____
CONDITIONS OF APPROVAL, IF ANY:

*See Instructions On Reverse Side

Case 5164

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form 101
Supersedes 6-128
Effective 12-1-73

All distances must be from the outer boundaries of the Section

Owner JAKE L. HAMON			Lease Federal 9 Com		Map No. 1
Section H	Section 9	Township 21 South	Range 27 East	County Eddy	
Actual Surface Location of Well: 1650 feet from the north line and 660 feet from the east line					
Ground Level Elev. 3209.6	Producing Formation Morrow	Pool Burton Flat	Section Area 320		

- 1 Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- 2 If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- 3 If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☒ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.

		Federal NM 11334		1650'
		Jake L. Hamon		
		State L-1648		660'
		Cities Service & Huber		

CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name
H.W. Shaw
Position
Superintendent

Name
Jake L. Hamon

Date
December 26, 1973

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my knowledge and belief.

Date
Dec. 13, 1973

John W. West

575

Case 5164

CLARENCE E. HINKLE
W. E. BONDURANT, JR.
LEWIS C. COX, JR.
PAUL W. EATON, JR.
CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.
STUART D. SHANOR
C. D. MARTIN
PAUL J. KELLY, JR.

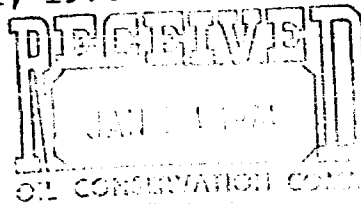
LAW OFFICES
HINKLE, BONDURANT, COX & EATON

600 HINKLE BUILDING
POST OFFICE BOX 10
ROSWELL, NEW MEXICO 88201

TELEPHONE (505) 622-6510

MIDLAND, TEXAS OFFICE
521 MIDLAND TOWER
(915) 683-4691

January 11, 1974



Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

We enclose in triplicate application of Jake L. Hamon for unorthodox well location and for force pooling of the E $\frac{1}{2}$ Section 9, Township 21 South, Range 27 East. This is the case I discussed with Dan Nutter and which I understand has been advertised to appear on the docket for the January 30 examiner's hearing.

Yours very truly,

HINKLE, BONDURANT, COX & EATON

By Clarence E. Hinkle

CEH:cs

Enc.

cc: Jake L. Hamon
Midland and Dallas offices

DOCKET MAILED
Date 1-18-74

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

APPLICATION OF JAKE L. HAMON FOR
COMPULSORY POOLING AND AN UNORTHODOX
WELL LOCATION, LEA COUNTY, NEW MEXICO.
APPLICANT SEEKS AN ORDER POOLING ALL
MINERAL INTERESTS IN THE STRAWN AND
MORROW FORMATIONS OF PENNSYLVANIAN
AGE UNDERLYING THE E $\frac{1}{2}$ SECTION 9,
TOWNSHIP 21 SOUTH, RANGE 27 EAST,
N.M.P.M. TO BE DEDICATED TO A WELL
TO BE DRILLED BY APPLICANT 1650
FEET FROM THE NORTH LINE AND 660
FEET FROM THE EAST LINE OF SAID
SECTION 9. ALSO TO BE CONSIDERED WILL
BE THE COST OF DRILLING AND COMPLETING
SAID WELL, THE ALLOCATION OF SUCH COSTS
AS WELL AS OPERATING COSTS, CHARGES
FOR SUPERVISION, TOGETHER WITH A CHARGE
FOR THE RISK INVOLVED IN DRILLING SAID
WELL AND THE DESIGNATION OF APPLICANT
AS OPERATOR.

Case 516 Y

Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

Comes Jake L. Hamon, acting by and through the undersigned attorneys, and hereby makes application for compulsory pooling and an unorthodox well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in the Strawn and Morrow formations of Pennsylvanian age underlying the E $\frac{1}{2}$ Section 9, Township 21 South, Range 27 East, N.M.P.M. to be dedicated to a well to be drilled by applicant 1650 feet from the north line and 660 feet from the east line of said Section 9. Also to be considered will be the cost of drilling and completing said well, the allocation of such costs, as well as operating costs, charges for supervision, together with a charge for the risk involved in drilling said well and the designation of applicant as operator, and in support thereof respectfully shows:

1. There is attached hereto, made a part hereof, and for purposes of identification marked Exhibit "A", a plat showing the proposed spacing and drilling unit and the location of the proposed well. Said plat also shows the ownership of all leasehold interests

within an area of more than two miles from the proposed drilling unit, together with all wells which have been drilled in the area. The test well will be projected to test the Morrow formation of Pennsylvanian age; it will also penetrate the Strawn formation in which gas production has been obtained in some of the wells shown on Exhibit "A". It is proposed to pool all mineral interests in the event of production in both the Strawn and Morrow formations and to dedicate the E $\frac{1}{2}$ Section 9, Township 21 South, Range 27 East to said well.

2. The NE $\frac{1}{4}$ said Section 9 is embraced in a federal lease owned an undivided 1/5 by Coquina Oil Corporation and an undivided 4/5 interest by Jake L. Hamon. The SE $\frac{1}{4}$ said Section 9 is embraced in a state oil and gas lease which is owned an undivided 1/2 interest by J. M. Huber Corporation and an undivided 1/2 interest by Cities Service Oil Company. A Communitization Agreement has been entered into by and between Jake L. Hamon and Coquina Oil Corporation and is in the process of being executed by J. M. Huber Corporation. So far, Cities Service Oil Company has indicated that it does not desire to enter into a Communitization Agreement dedicating the E $\frac{1}{2}$ Section 9 to the proposed well.

3. The unorthodox well location is made necessary because of topography. There is attached hereto, made a part hereof, and for purposes of identification marked Exhibit "B", a plat of the E $\frac{1}{2}$ said Section 9 showing the location of a large caliche pit, high lines and caliche road which makes it necessary to move the location of the well 330 feet north from a normal location of 1980 feet from the north line.


4. Applicant believes that the entire E $\frac{1}{2}$ of said Section 9 will prove productive of gas in paying quantities from both the Strawn and Morrow zones and that the pooling of the leasehold interests covering the E $\frac{1}{2}$ of said section will avoid the drilling of unnecessary wells, prevent waste and protect correlative rights. Applicants seeks the compulsory pooling to form a standard spacing and proration unit as provided by Section 65-3-14 N.M.S.A. 1953 Comp. and in connection therewith to consider the cost of drilling and completing said well, the proper allocation of the cost thereof, as well as the cost of operating said well and charges for supervision. Also to be considered is a charge for the risk involved in drilling the well and the approval of applicant as operator.

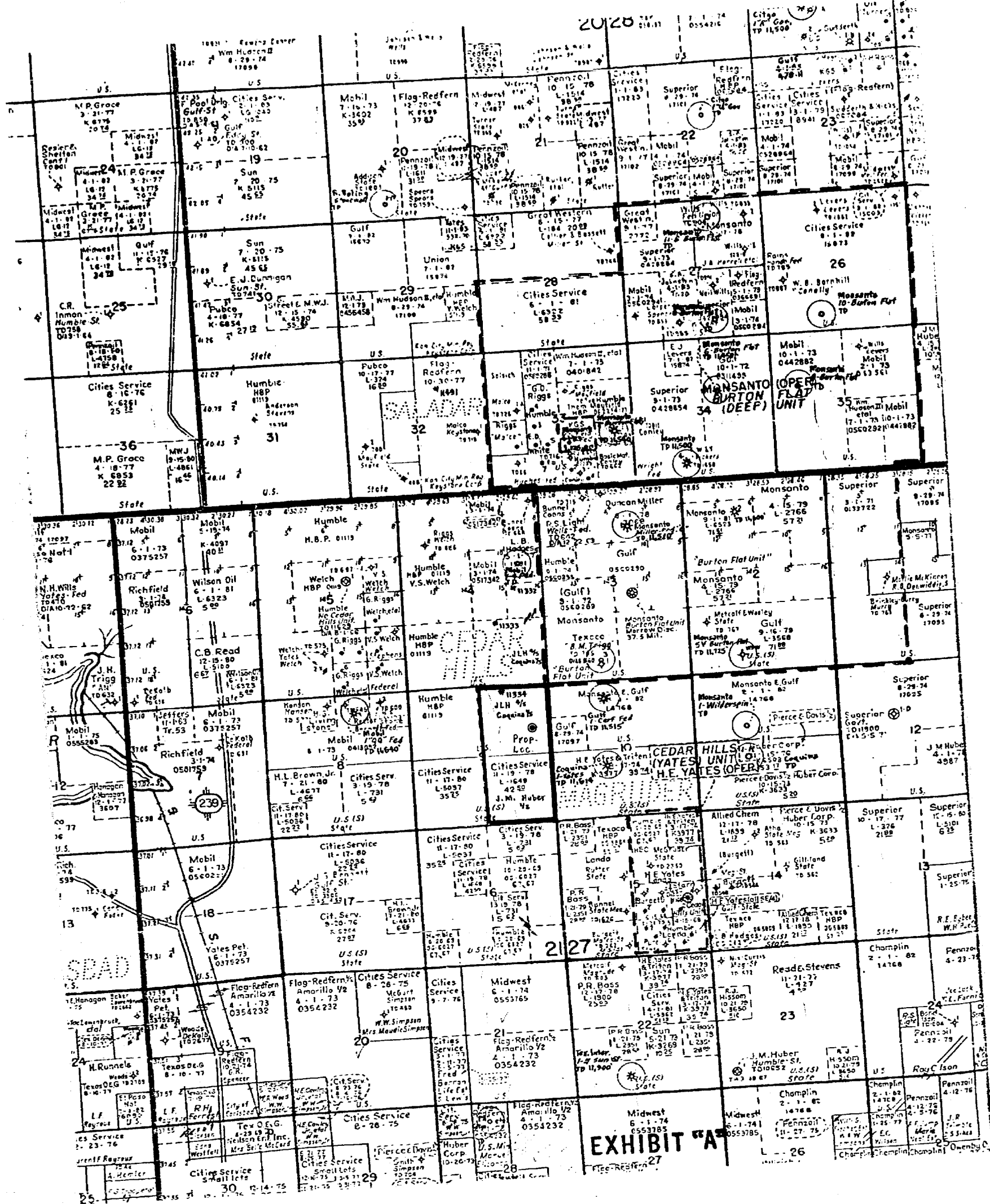
5. Applicant requests that this matter be set down for hearing on the examiner's docket for January 30, 1974.

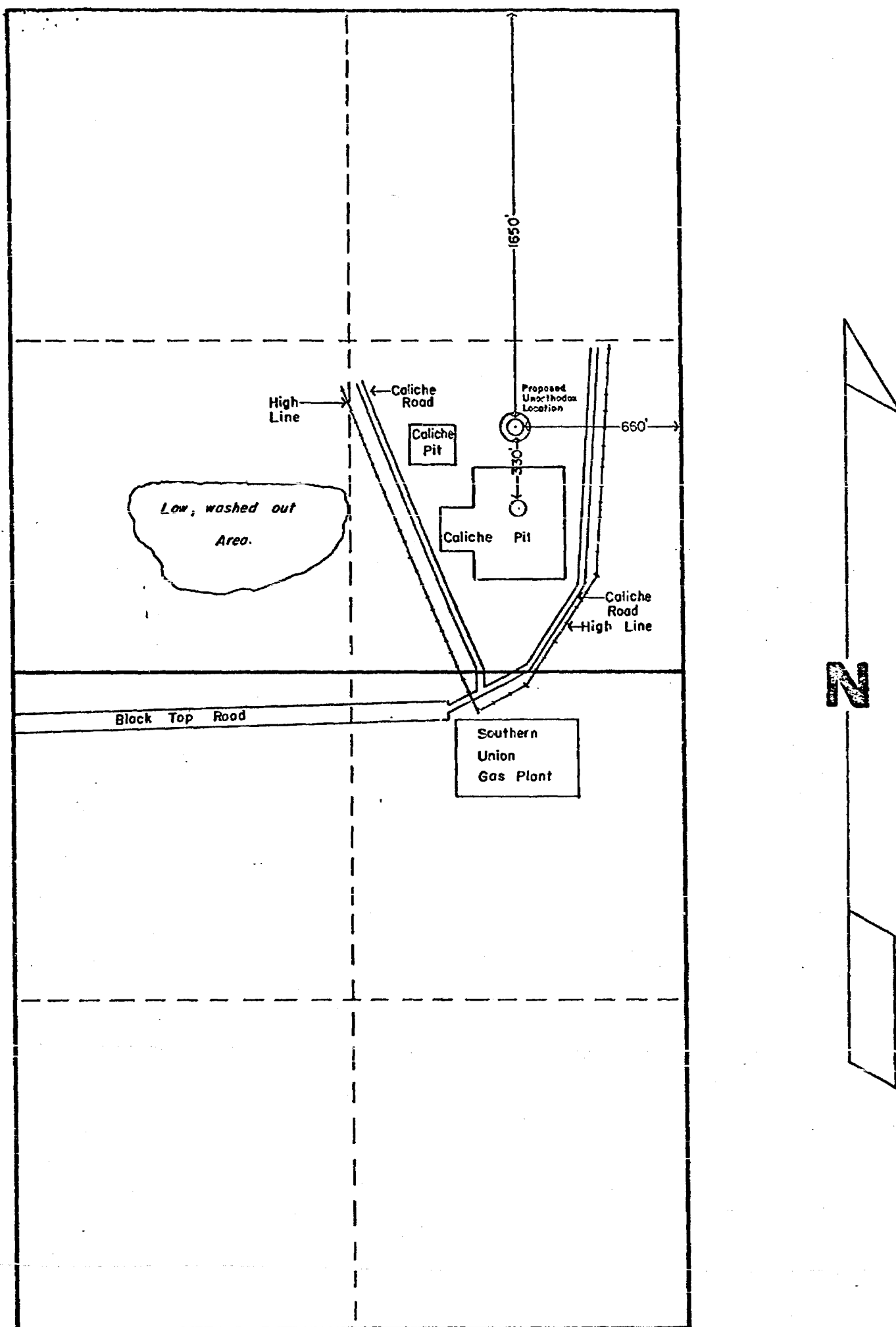
Respectfully submitted,

JAKE L. HAMON

By


HINKLE, BONDURANT, COX & EATON
Attorneys for Applicant





SCHEMATIC DIAGRAM

Jake L. Hamon
 Proposed Unorthodox Location
 E/2 Section 9, T-21-S, R-27-E,
 Eddy County, New Mexico

Hinkle.

Appl of Jake Hanson

as minl S(George
Mason)

E/2 9-21-27

drld NE/4 quarter

cost of delg camp

accoc of costs

app as aplr

chg for pick