

CASE 5167: Application of FLUID  
POWER PUMP & PETRO-LEWIS CORP.  
FOR COMPULSORY POOLING.

Other Cases  $\frac{1}{2}$  Green  
Dwornick is this case.

CASE No.

5167

Application,

Transcripts,

Small Exhibits

ETC.

LAW OFFICES OF  
HUNKER, FEDRIC & HIGGINBOTHAM, P. A.

210 HINKLE BUILDING  
POST OFFICE BOX 1837

ROSWELL, NEW MEXICO 88201

GEORGE H. HUNKER, JR.  
DON M. FEDRIC  
RONALD M. HIGGINBOTHAM

TELEPHONE 622-2700  
AREA CODE 505

June 7, 1974

Mr. A. L. Porter, Jr.  
Secretary-Director  
Oil Conservation Commission  
State of New Mexico  
P. O. Box 2088  
Santa Fe, New Mexico 87501

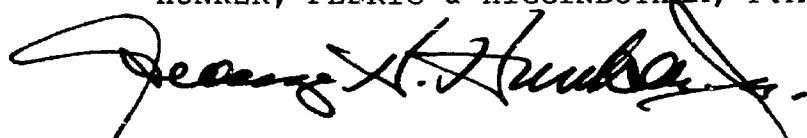
Re: Case No. 5167 - De Novo  
Case No. 5218

Dear Mr. Porter:

In connection with the two cases above described, we hand you herewith two separate Applications for Rehearing, each in triplicate, covering your Orders of May 21, 1974.

Very truly yours,

HUNKER, FEDRIC & HIGGINBOTHAM, P.A.

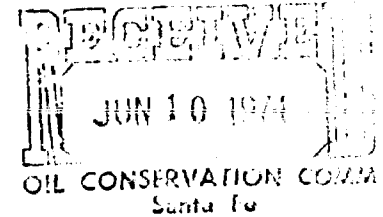


George H. Hunker, Jr.

GHH:dd  
Encls.

cc: Mr. John K. Reimer, w/enc.  
cc: Mr. R. E. McKenzie, Jr., w/enc.  
cc: Mr. William J. Cooley, w/enc.  
cc: Mr. Jason W. Kellahin, w/enc.

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO



IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 5167 - DE NOVO  
Order No. R-4730-A

APPLICATION OF FLUID POWER PUMP  
COMPANY AND PETRO-LEWIS CORPORA-  
TION FOR COMPULSORY POOLING,  
SANDOVAL COUNTY, NEW MEXICO.

APPLICATION FOR REHEARING

COME NOW John K. Reimer and R. E. McKenzie, Jr.,  
Respondents in the above entitled matter and with reference  
to Commission Order R-4730-B dated May 21, 1974, apply to  
the Oil Conservation Commission (pursuant to Section 65-3-22 NMSA  
1953) for a rehearing in respect to the following matters  
determined by its Orders and Decisions which they believe to be  
erroneous in the following respects:

1. The Commission refused to hear testimony tendered  
which would have shown that Applicants' method of operation  
of the wells in the pool was causing damage to the Media Entrada  
formation or reservoir.

2. That the Commission refused to hear testimony tendered  
which would have shown that Applicants' method of operation of  
the wells in the pool was resulting in the impairment of  
Respondents' correlative rights.

3. That finding No. 2 is improper in that it was based  
on an Order of the Commission, No. R-4287, the basis for which  
was an improperly filed Application which failed to give notice  
to the Respondents of the objects of the action, contrary to  
the Commission's own Rule 1203.



4. That the previous Order of the Commission, if permitted to stand, constitutes an impairment of the property rights of the Respondents (without just compensation) and a deprivation of property rights held by them without due process of law. Attention was called to the fact by the Respondents that the Application in the case wherein Order No. 4287 was entered, was improper in the respects noted.

5. That the entry of an Order granting Fluid Power Pump Company and Petro-Lewis Corporation's Application and compulsorily pooling the mineral interests of the Respondents in the Media-Entrada formation underlying the subject units, constitutes a deprivation of property without due process of law.

6. The Order pooling the interests of Respondents is erroneous in that no showing was made by Applicant as required by Section 65-3-14 NMSA 1953, that each owner of an interest in the pool would be afforded an opportunity to recover and produce his just and fair share of the oil in the pool.

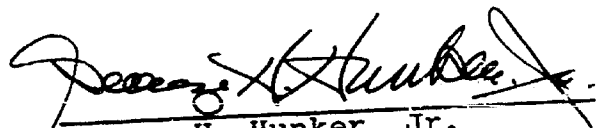
It is respectfully requested that a rehearing be granted to Respondents before the full Commission at an early date. Fluid Power Pump Company, 1420 Carlisle Boulevard, N.E., Albuquerque, New Mexico 87110, and Partnership Properties Co., a Colorado general partnership, 1400 Colorado State Bank Building, Denver, Colorado 80202, and Petro-Lewis Corporation, 1400 Colorado State Bank Building, Denver, Colorado 80202, are interested parties, and a copy of this Rehearing Application is being forwarded to their attorneys of record.

DATED at Roswell, New Mexico, this 7th day of June, 1974.

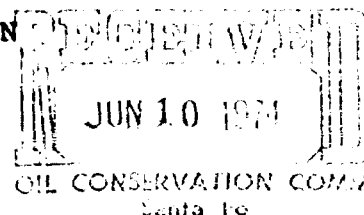


George H. Hunker, Jr.  
Attorney for John K. Reimer and  
R. E. McKenzie, Jr., Respondents  
HUNKER, FEDRIC & HIGGINBOTHAM, P.A.  
P. O. Box 1837  
Roswell, New Mexico 88201

This is to certify that a true and correct copy of the foregoing Application for Rehearing was mailed to William J. Cooley, Attorney for Fluid Power Pump Company, and to Jason W. Kellahin, Attorney for Petro-Lewis Corporation and Partnership Properties Co., this 7th day of June, 1974, said Attorneys representing the Applicants.

  
George H. Hunker, Jr.

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO



IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 5167 - DE NOVO  
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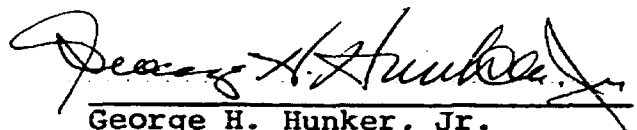
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It is respectfully requested that a rehearing be granted to Respondents before the full Commission at an early date. Fluid Power Pump Company, 1420 Carlisle Boulevard, N.E., Albuquerque, New Mexico 87110, and Partnership Properties Co., a Colorado general partnership, 1400 Colorado State Bank Building, Denver, Colorado 80202, and Petro-Lewis Corporation, 1400 Colorado State Bank Building, Denver, Colorado 80202, are interested parties, and a copy of this Rehearing Application is being forwarded to their attorneys of record.

DATED at Roswell, New Mexico, this 7th day of June, 1974.



George H. Hunker, Jr.  
Attorney for John K. Reimer and  
R. E. McKenzie, Jr., Respondents  
HUNKER, FEDRIC & HIGGINBOTHAM, P.A.  
P. O. Box 1837  
Roswell, New Mexico 88201

This is to certify that a true and correct copy of the foregoing Application for Rehearing was mailed to William J. Cooley, Attorney for Fluid Power Pump Company, and to Jason W. Kellahin, Attorney for Petro-Lewis Corporation and Partnership Properties Co., this 7th day of June, 1974, said Attorneys representing the Applicants.

  
George H. Hunker, Jr.

*June 18, 1974  
Rehearing denied*

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

JUN 10 1974  
OIL CONSERVATION COMMISSION  
SANTA FE

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 5167 - DE NOVO  
Order No. R-4730-A

APPLICATION OF FLUID POWER PUMP  
COMPANY AND PETRO-LEWIS CORPORA-  
TION FOR COMPULSORY POOLING,  
SANDOVAL COUNTY, NEW MEXICO.

APPLICATION FOR REHEARING

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to the Respondents of the objects of the action, contrary to  
the Commission's own Rule 1203.

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6. The Order pooling the interests of Respondents is erroneous in that no showing was made by Applicant as required by Section 65-3-14 NMSA 1953, that each owner of an interest in the pool would be afforded an opportunity to recover and produce his just and fair share of the oil in the pool.

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DATED at Roswell, New Mexico, this 7th day of June, 1974.



George H. Hunker, Jr.  
Attorney for John K. Reimer and  
R. E. McKenzie, Jr., Respondents  
HUNKER, FEDRIC & HIGGINBOTHAM, P.A.  
P. O. Box 1837  
Roswell, New Mexico 88201

This is to certify that a true and correct copy of the foregoing Application for Rehearing was mailed to William J. Cooley, Attorney for Fluid Power Pump Company, and to Jason W. Kellahin, Attorney for Petro-Lewis Corporation and Partnership Properties Co., this 7th day of June, 1974, said Attorneys representing the Applicants.

  
George H. Hunker, Jr.



BURR & COOLEY  
ATTORNEYS AND COUNSELORS AT LAW  
SUITE 152 PETROLEUM CENTER BUILDING  
FARMINGTON, NEW MEXICO  
87401

JOEL B. BURR, JR.  
WM. J. COOLEY

February 21, 1974

TELEPHONE 225-1702  
AREA CODE 505

Mr. William F. Carr, General Counsel  
New Mexico Oil Conservation Commission  
P.O. Box 2088  
Santa Fe, New Mexico 87501

Re: Case No. 5167  
Petro-Lewis and Fluid Power Pump Company vs.  
Reimer and McKenzie

Dear Mr. Carr:

We are submitting the following in response to the letter or "position paper" of Mr. Hunker dated February 18, 1974, regarding the above-referred matter:

1. We do not consider that Messrs. Reimer and McKenzie were "interested parties" in the sense that that term is used in Rule 1203 of the Commission's Rules and Regulations with respect to the matters that were at issue in Case Nos. 4642, 4673, and 4685. It is our position that the matters considered in those cases were those which were of primary concern to working interest owners and operators and particularly operators of the leases in question. We do not believe that it was contemplated by this Rule that an exhaustive title search be undertaken to determine the names and addresses of any and all persons who might own an interest in the leases in question as a prerequisite to establishing pool rules or establishing non-standard proration units within any such pool. This in our opinion would be an undue burden on any applicant for the establishment of pool rules and if Mr. Hunker is correct, would subject the establishment of any such pool rules by the Commission to collateral attacks at any later date in the event one single overriding royalty owner in the entire pool should not be listed as an "interested party" in the application.

Furthermore, we submit that all of the Commission's Rules and Regulations must be read in conjunction with each other and

William F. Carr  
February 21, 1974  
Page 2

that Rule 1204 specifically provides the method of giving legal notice for hearings before the Oil Conservation Commission, i.e.,

personal service on the person affected or by publication once in a newspaper of general circulation published in Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county or each of the counties, if there be more than one, in which any land, oil, gas, or other property which may be affected shall be situated.

I am sure that if you will search the records of the Commission over the past twenty years you will not find a single case where the Commission or an applicant has undertaken to make personal service of Notice of Hearing Before the Oil Conservation Commission. On the contrary, the Commission has relied consistently upon the alternative method of service by publication as provided in the above-quoted portion of Commission Rule 1204.

The Commission's records reflect that proper publication as required by Rule 1204 and applicable statutes of the State of New Mexico was made in Case Nos. 4642, 4673, and 4685. If Mr. Hunker wishes to contest these orders on the grounds of due process, we submit that the proper place to do so is not before the Oil Conservation Commission but in the Courts.

2. In paragraph 2 of Mr. Hunker's letter he would initially seem to attack the application in Case No. 5152 on similar grounds discussed in paragraph 1 above; however, at the same time he would appear to abandon this position by admitting that his clients had actual notice of the case in question which, of course, is obvious from the fact that he appeared and participated in Case No. 5152 on behalf of Reimer and McKenzie.

3. For whatever purpose it may serve, we freely agree with Mr. Hunker that the issue of forced pooling was not within the call of Case Nos. 4642, 4673, or 4685, nor did the Commission purport to deal with the issue of forced pooling in any of those cases.

William F. Call  
February 21, 1974  
Page 2

4. With respect to the contention set forth in paragraph 4 of Mr. Hunker's letter, we want to go on record as disagreeing with his interpretation of Section 65-3-14.5 B in that we contend that after the effective date of any pooling order, production from the pooled unit is to be shared by the various interest owners therein in proportion to their respective interests in the entire pooled unit. At this point we would also like to call to your attention that throughout the history of the Oil Conservation Commission the undersigned is unaware of any forced pooling order which provided for participation in production from a forced pooled unit on any basis other than straight acreage participation. We submit that this method of participation is implicit in the Commission's Rules and Regulations in that every acre in each producing proration unit or duly established producing non-standard proration unit is presumed to be equally productive of the forced pooled substances.

In any event we would respectfully submit that the interpretation of Section 16-3-14.5 B is not within the province or jurisdiction of the New Mexico Oil Conservation Commission. The sole question to be decided by the Commission in this case is whether good cause has been shown by the applicants to justify the forced pooling of all interests in the two non-standard proration units in question. Any controversy that may arise between our clients and Messrs. Reimer and McKenzie with respect to the interpretation of Section 16-3-14.5 B must of necessity be resolved by the Courts of this State and not by the Oil Conservation Commission.

5. In response to paragraph 5 of Mr. Hunker's letter, we would point out to the Commission that Messrs. Reimer and McKenzie will be paid any and all moneys due them directly by the purchaser of the oil in question, i.e., The Permian Corporation, and that Reimer and McKenzie's just share of the proceeds from production will never come into the hands of the applicants or any of them.

6. We do not feel that any response is required to paragraph 6 of Mr. Hunker's letter.

7. Although as Mr. Hunker suggested it might be more convenient for division order purposes to make the Commission's forced pooling order effective as of the first day of the month next following

William F. Call  
February 21, 1974  
Page 4

the date upon which it is entered, we must object to this proposal by reason of the fact that the applicants are required by the provisions of Section 65-3-14.5 B to pay Reimer and McKenzie on the basis of 40 acre spacing rather than 160 acre spacing until such time as forced pooling has been accomplished. Accordingly, our clients are thus prejudiced by every days delay that occurs prior to effective forced pooling.

The only other point that we would like to make in connection with this matter is that Mr. Hunker from his remarks at the hearing of this case appears to be under the impression that the applicants are trying to "steal" his clients' overriding royalties or a portion thereof by these proceedings. This is simply not the case. It so happens that Messrs. Reimer and McKenzie own overriding royalties only under the two 40 acre tracts on which the two wells in question are situated and under 40 acre spacing they would be entitled to their overriding royalties of 100% of production from the wells; however, under the 160 acre spacing it has been established by the Commission in the Media Entrada Pool that they are only entitled to their overriding royalties on one-fourth of the production and the royalty and overriding royalty owners in the other 120 acres in the 160 acre proration unit are entitled likewise to share in the production from the 160 acres in the proration unit even though the well is not physically located on the lease in which they own an interest. The applicants own the working interest in all of the leases included in the two non-standard proration units in question and accordingly, it is of no concern to them whether the production is attributable to one lease or the other insofar as the working interest is concerned. However, and until such time as a forced pooling order is entered the applicants are required to pay double overriding royalties by the provisions of Section 65-3-14.5 B. This occurs by reason of the fact that under the terms of this Section the applicants are required to pay Reimer and McKenzie as if the pool were being operated under 40 acre spacing and at the same time they are required to pay the overriding royalty owners in the other 120 acres of each of the two non-standard proration units on the basis of 160 acre spacing. Admittedly the applicants have been tardy in making their application for forced pooling in this case. However, it is only they who have

William F. Call  
February 21, 1974  
Page 5

suffered from this fact and no one else.

In view of the foregoing, we would respectfully request that the Commission enter its forced pooling order in the captioned case at the earliest possible date in order that further prejudice and loss to our clients may be prevented.

Very truly yours,

BURR & COOLEY

By

  
William J. Cooley

WJC:msh

cc: George H. Hunker, Jr.  
Fluid Power Pump Company

LAW OFFICES OF  
HUNKER, FEDRIC & HIGGINBOTHAM, P.A.

210 HINKLE BUILDING  
POST OFFICE BOX 1837

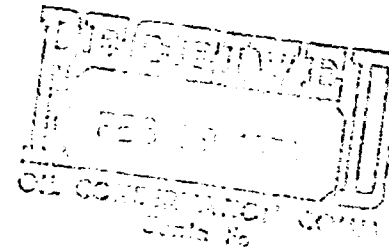
ROSWELL, NEW MEXICO 88201

TELEPHONE 622-2700  
AREA CODE 505

GEORGE H. HUNKER, JR.  
DON M. FEDRIC  
RONALD M. HIGGINBOTHAM

February 18, 1974

William F. Carr, General Counsel  
New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501



Re: Case No. 5167  
Petro-Lewis & Fluid Power  
Pump Company vs.  
Reimer & McKenzie

Dear Mr. Carr:

In order that the Commission may be fully aware of our position as Attorneys for Respondents John K. Reimer and R. E. McKenzie, Jr., we would like for your office and the Commission to be advised as follows:

*notice problem*  
OK 1. That the prior applications filed by Fluid Power Pump Company in Cases 4642, 4673 and 4685 may not have been in compliance with the Commission Rule No. 1203, and should the respondents have been regarded (in those cases) as "interested parties", they were not named nor did they have any actual notice of the proceedings. As a consequence of this, they would not have had due process.

*since actual notice problem*  
2. That the Petro-Lewis Application in Case No. 5152 was similarly defective; however, actual notice was received by respondents of the hearing in that case. The notice was sent to Reimer and McKenzie anonymously from Santa Fe.

OK 3. That respondents' appearances in any of the first three cases would have been irrelevant for the reason that the force pooling of their interests was not within the call of any of the hearings.

4. Should the Commission elect to enter an order purporting to pool the interests of the overriding royalty owners (a 6% interest) under United States Oil & Gas Lease NM 058122 (embracing the SW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 24 and the SE $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 15 in Township 19 North, Range 3 West, N.M.P.M.), it appears to us that the statutory provision of Section 65-13-14.5B should be controlling in the present circumstances, and that from and after the effective date of any pooling order respondents should

Mr. William F. Carr  
February 18, 1974  
Page 2

be entitled to either the amount to which each interest would be entitled if pooling had occurred or the amount to which each interest is entitled in the absence of pooling. From and after the effective date of the pooling order, respondents presently elect to receive the basic 40-acre allowable (now 107 barrels/per well per day for the 5,000-6,000 foot depth bracket) from both of the two wells located on this single federal lease. It would appear to us that this is the only way respondents can receive their just and equitable share of the oil in the pool. As to production of oil in excess of the 40-acre allowable, that amount may be attributed to the 160-acre spacing units created under the previous Commission orders.

5. To protect correlative rights, any order should provide that the Operator should pay or cause to be paid the amounts to which respondents are entitled, at the same time and in the same manner as royalties payable to the United States under the terms of the lease are computed and paid. In the light of the testimony of Mr. Gray, care must be taken so as to avoid the premature abandonment of the wells on the Reimer and McKenzie lease. Attention should be given to this item in any order entered by the Commission.

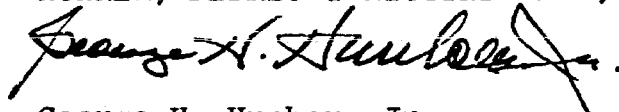
6. Attention is also called to our letter to the Commission dated October 5, 1973, and to the attorney's reply of November 7, 1973. This matter, you will recall, related to our request for an Attorney General's opinion.

7. For Division Order purposes, may we suggest that any pooling order be made effective as of the first of the month next following the date upon which it is filed.

We are sending a copy of this letter to Mr. William J. Cooley, so that his clients, Petro-Lewis and Fluid Power Pump Company, can file a similar position paper.

Respectfully submitted,

HUNKER, FEDRIC & HIGGINBOTHAM, P.A.



George H. Hunker, Jr.

GHH:dd

cc: Mr. John K. Reimer  
cc: Mr. R. E. McKenzie, Jr.  
xc: Mr. William J. Cooley

Santa Fe, New Mexico

COMMISSION HEARING

IN THE MATTER OF:

Application of Fluid Power Pump  
Company and Petro-Lewis Corporation  
for compulsory pooling, Sandoval  
County, New Mexico.

Case No.  
5167

BEFORE: A. L. Porter, Jr., Secretary-Director

I. R. Trujillo, Chairman

For New Mexico Oil Conservation  
Commission:

Thomas Derryberry, Esq.  
Legal Counsel for the  
Commission  
State Land Office Bldg.  
Santa Fe, New Mexico

For the Applicant:  
(Fluid Power Pump)

William J. Cooley, Esq.  
BURR & COOLEY  
152 Petroleum Center Bldg.  
Farmington, New Mexico



CASE 5167

Page.....1-A.....

APPEARANCES (Continued)

For the Applicant:  
(Petro-Lewis Corp.)

Thomas Kellahin, Esq.  
KELLAHIN & FOX  
500 Don Gaspar  
Santa Fe, New Mexico

For the Protestants:  
(Reimer & McKenzie)

George H. Hunker, Jr., Esq.  
HUNKER, FEDRICK & HIGGINBOTHAM  
210 Hinkle Building  
Roswell, New Mexico

CASE 5167

Page.....2.....

I N D E X

GEORGE T. SLAUGHTER

PAGE  
7

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

MR. PORTER: Case 5167.

MR. DERRYBERRY: Case No. 5167. Application of Fluid Power Pump Company and Petro-Lewis Corporation for compulsory pooling, Sandoval County, New Mexico.

MR. COOLEY: William J. Cooley, appearing on behalf of the Applicant.

MR. HUNKER: George H. Hunker, Jr., HUNKER, FEDRICK, and HIGGINBOTHAM, appearing on behalf of John K. Reimer and R. E. McKenzie, Jr., and I would like at this time to introduce to the Commission my partner, Mr. Ron Higginbotham.

MR. TOM KELLAHIN: Tom Kellahin, KELLAHIN and FOX, Santa Fe, New Mexico, appearing on behalf of Petro-Lewis.

MR. COOLEY: May it please the Commission, the Case 5167 came on regularly to be heard before Commission Examiner, Mr. Stamets, in February of this year, the Commission having duly considered the matter and issued its order for forced pooling of 260 non-standard proration units as described in the Notice of Application.

I would at this time move that the record presented before Examiner Stamets be incorporated in

the records of this case to the extent, and only to the extent of that evidence which was not objected to and ultimately excluded by the Examiner. There was extraneous and immaterial evidence tendered by the Protestant which we respectfully ask not to be incorporated in this record.

Does the Commission fully understand me?

MR. PORTER: Would you go over your limitations again, your exclusions.

MR. COOLEY: If I understand the ruling of the Examiner Stamets at the conclusion of Case 5167, that evidence which had to do and dealt with allegations of waste in the pool and the allegations that the entire area be included in the non-standard proration unit previously established by the Commission was not productive contrary to the filings of the Commission in those cases. That evidence was ultimately excluded as I understood the Examiner's ruling.

MR. PORTER: It was admitted into the record but later excluded by the ruling of the Examiner at the close of the hearing. Is that your understanding?

MR. COOLEY: That is my understanding.

MR. PORTER: Is that your understanding, Mr. Hunker?

MR. HUNKER: That is my understanding.

MR. COOLEY: In plain words, Mr. Chairman, there is no need for us to place a witness on the stand here today to testify that we made numerous efforts toward the voluntary pooling of the two non-standard proration units in question, and I am sure Mr. Hunker will stipulate to that.

MR. HUNKER: I will stipulate to that.

MR. COOLEY: And that those efforts were rejected by Mr. Reimer and Mr. McKenzie, and as I view the statute in question having to do with forced pooling, that is the sole issue in this particular case. It is stipulated between counsel that numerous efforts were made on behalf of the Applicant toward voluntary pooling. Those efforts were rejected and we have come here in February and again today in an effort to achieve compulsory pooling, and in an effort to shorten this long day, we would not put on any testimony at all if Mr. Hunker will stipulate.

MR. PORTER: Is that agreeable, Mr. Hunker?

MR. HUNKER: It is agreeable insofar as this case-in-chief. His witness also testified to the approval of two non-standard proration units in which the Commission or the Examiner made a finding to the effect that those units

would drain 160 acres. We will stipulate as to his case-in-chief and I have an opening statement to make, and we will be happy to proceed to present our case if the Commission will consider hearing both cases, this case and the companion case which follows on the docket, at the same time.

MR. COOLEY: Mr. Chairman, we do object to consolidation of these cases because we have either made our case or we haven't made our case in 5167. Now, if the Applicants, Mr. Reimer and Mr. McKenzie, make their case in 5218, it will obviously have an overall effect with respect to the non-standard proration unit and with respect to the pool rules and with respect to the allowables provided for in some five different cases, but I think it is stipulated that we have made our case in 5167, and I think --

MR. HUNKER: (Interrupting) I haven't stipulated that they made their case in 5167 and I never have agreed to that. I am willing to accept this testimony in his case-in-chief without him having to put on his witness again.

MR. COOLEY: I think we have come to the point where we must have a legal ruling on this. My understanding

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of 65-3-14-C is that if voluntary pooling has been attempted and been declined on the part of any party owning a mineral interest, that that is all you need to prove. We have stipulated to that, is that correct?

MR. HUNKER: No, we have not stipulated to that.

MR. COOLEY: Then I will put on a witness to testify that we did attempt to voluntary the pool.

MR. HUNKER: I have two witnesses that I am going to call that could be sworn at the same time.

MR. PORTER: I think it is wise to start from the beginning in view of all the issues that have been raised here.

Mr. Cooley, you asked to have your witnesses sworn. How many witnesses do you have?

MR. COOLEY: We have one witness, Mr. Slaughter.

GEORGE T. SLAUGHTER

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

DIRECT EXAMINATION

BY MR. COOLEY:

Q Would you state your full name for the record, please?

A George T. Slaughter.

Q Where do you reside, Mr. Slaughter?

A Blytheville, Arkansas.

Q Are you the President of Fluid Power Pump Company?

A Yes, sir.

Q Do you know of your own knowledge whether efforts were made to achieve a voluntary pooling of the two non-standard proration units which are the subject of Case 5167 with Messers Reimer and McKenzie?

A Yes, they were made by me.

Q What were the results?

A I couldn't get anywhere.

Q Did they refuse your overtures?

A Yes.

Q Was there more than one attempt made?

A Yes.

Q Were each of these overtures rejected?

A Yes.

COOLEY: I have no further questions.

MR. PORTER: Any questions of Mr. Slaughter?

MR. HUNKER: I have no questions.

MR. PORTER: Mr. Kellahin?

MR. KELLAHIN: No questions, Mr. Porter.



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MR. PORTER: Mr. Cooley, is this the only witness you have?

MR. COOLEY: Yes.

MR. PORTER: Are you asking for a risk factor?

MR. COOLEY: No, we are not. The wells are drilled and producing.

MR. PORTER: The witness may be excused.

(Witness dismissed.)

MR. COOLEY: I might add for the record, the only two non-consenting parties with respect to this are Messrs. Reimer and McKenzie, and they are overriding royalty owners and would not in any event be called upon to participate in the cost of the well, just for purposes of clarification.

MR. HUNKER: If the Commission please, I had an opening statement which I would like to present to the Commission at this time.

We have a very difficult matter to present to the Commission. It is difficult because of the use of similar names being applied to the oil wells involved, and we have the matter of attempting to explain to the Commission in summary form what precisely has transpired in five cases previously heard by the Commission Examiners

involving some facet of the problems relating to the matter of the De Novo Hearing 5167 and Case No. 5218. In connection with the hearing held before Mr. Stamets, Case No. 5167, extensive objections were made to the type of testimony that the Protestant desired to introduce, one of which was that we were attempting to collaterally attack all of the previous orders of the Oil Conservation Commission with respect to the Media-Entrada Pool. As a consequence of that objection so that we could not be accused of attacking something indirectly or collaterally attacking the Commission's order, we filed in the name of Reimer and McKenzie an Application which is on the docket and which is styled Case No. 5218.

Our law firm represents John K. Reimer of Albuquerque, New Mexico and R. E. McKenzie, Jr. of Roswell. Together, Reimer and McKenzie own a 6 percent overriding royalty interest under a United States Oil and Gas Lease which covers the southwest quarter of the southwest quarter of Section 14, and the southeast quarter of the southeast quarter of Section 15 in Township 19 North, Range 3 West.

The Reimer and McKenzie acreage is, as I said, located in the southwest quarter of the southwest quarter of Section 14 and the southeast quarter of the southeast quarter of Section 15, 19 North, 3 West, Sandoval County.

MR. PORTER: This is a 6 percent interest?

MR. HUNKER: They have a 6 percent interest under the 80-acre tract.

These overriding royalty interests which are free of operating costs to the owners thereof, when they were created, no provision for pooling was included in the assignment document. The basic question we hope we have raised in our request for a De Novo Hearing and in the Application in Case 5218 is whether or not the interest of Reimer and McKenzie should be forced pooled so as to dilute the overriding royalty interest from 6 percent to 1.5 percent. It is our desire that this public hearing be held in as orderly a fashion as reasonably possible under the circumstances. As a consequence of which we requested that De Novo Case 5167 and Case 5218 for relief from the previously entered orders of the Commission be consolidated for the purpose of this Hearing in order that the matter may be decided on its merits. We would point out that the case for relief filed by the Applicants Reimer and McKenzie, No. 5218 is based on the premise that the previously entered orders, more particularly the 160-acre spacing rule, the rule establishing unorthodox spacing units including the finding that one well would

drain 160 acres were made at a time when complete information was not available to the Commission. With the Commission's approval, we would like to present our case in a short orderly procedure without objections which the attorneys representing Fluid Power Pump Company or Petro-Lewis Corporation might wish to interject. The Commission will save time and patience by hearing our grievances in an orderly fashion, at the end of which time the Commission may strike or ignore the testimony which does not qualify for its consideration.

There are two matters of a legal nature which I would like to call to your attention before proceeding to outline to you briefly what has previously transpired in earlier Hearings:

The Legislature in 1969, prior to any of the present proceedings, enacted legislation which specifically enables operators to bring proceedings before the Commission to force pool interests of overriding royalty interest owners. See Section 65-3-14.5, New Mexico Statutes Annotated.

Furthermore by rule, the Commission requires written application for hearings to be filed with the Commission, which, among other things, shall state the

names and addresses of all of the interested parties and briefly the general nature of the order, rule or regulation sought.

In this connection, I refer you to Commission Rule 1203.

We will show that the first three cases filed in this matter that the rule was not observed, that the published notice is inadequate for the purpose of giving notice to our clients, as to the general nature of the proceeding, and that the present cases are the only ones in which forced pooling has become a real issue.

For the Commission's information -- and I would like to get the Commission's case file, if I may.

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

MR. HUNKER: If the Commission please, Case No. 4642, Order R-4277 was heard on January 19th and was decided on March 15, 1972. In this case, Fluid Power Pump Company sought and obtained special field rules for the Media-Entrada Oil Pool, Sandoval County, New Mexico, including a provision for 160-acre spacing and proration units. The New Mexico Oil Conservation Commission found, among other things, that the Applicant established that

one well in the Media-Entrada Oil Pool can efficiently and economically drain and develop 160 acres.

Furthermore, the Commission permitted a pressure maintenance project to be instituted so as to assure a greater ultimate recovery of oil. Jurisdiction was retained in that case for such further orders as the Commission may deem necessary.

There is an Application for a Hearing in this file. It does not name Mr. Reimer and McKenzie. The proof of publication indicates that the general nature of the proceeding is for special rules including a provision for 160-acre spacing and proration units.

Case No. 4673, Order 4274 was heard on March 1st, 1972 and decided March 15th, 1972, and in this case Fluid Power Pump Company sought and obtained approval of the establishment of two non-standard oil proration units in the Media-Entrada Oil Pool consisting of the north half of the southwest and the south half of the northwest of Section 14, Township 14 North, Range 3 West, 160 acres, and secondly, a unit consisting of the north half of the southeast and the south half of the northeast of Section 15, dedicated to the Fluid Power Well No. 3. The Commission found that each of these non-standard units can be

efficiently and economically drained and developed by these wells. Again, jurisdiction was retained in the usual manner.

I have marked those first units on the blackboard as Units Nos. 1 and 2.

In Case No. 4685 -- well, let me interrupt myself -- in that particular case, 4673, there is no Application in the file, hence, Reimer and McKenzie were not named as interested parties. The proof of publication indicates that the general nature of the case is to establish two 160 non-standard oil proration units.

In Case No. 4685, the third case, Order No. 4287, heard April 5th, 1972, decided April 17th, 1972, Fluid Power Pump Company sought and obtained approval of the establishment of two additional non-standard oil proration units in the Media-Entrada Pool consisting of the south half of the southwest of Section 14 and the north half of the northwest of Section 23, along with the south half of the southeast of Section 15 and the north half of the northeast quarter of Section 22, which additional units I have marked on the blackboard as Units 3 and 4.

There is an Application in the file in connection with this particular case, but Reimer and McKenzie were

not named as parties. Again, the proof of publication shows that the matter to come before the hearing was the matter of the approval of two non-standard units.

In 4685 the Commission found that each of the proposed non-standard units can reasonably be presumed to be productive of oil and can be efficiently and economically drained and developed by the wells to which the units are to be dedicated.

The fourth case is Case No. 5152 involving an Application filed by Petro-Lewis Corporation of Denver, the present operator of the property for an unrestricted allowable, and the Commission in that particular instance approved an allowable of 750 barrels per day for each of the four non-standard units.

In Case No. 5167, Order 4730, Mr. Richard Stamets heard the matter on the 13th of February and it was decided on February 21st, 1974. Fluid Power Pump Company and Petro-Lewis Corporation sought and obtained, on the basis of the two non-standard units approved by the Commission in Order 4286, Case No. 4686 ordered pooling of all mineral interests in the Entrada formation underlying the two units described as Units 3 and 4 as shown on the blackboard. We have filed an Application for a



de novo hearing with regard to Case No. 5167, and it will be our contention in the de novo hearing that the reservoir has been damaged, it is being damaged daily, that this damage started occurring in October and November of 1973 and is continuing, and in the interest of conservation and the prevention of waste and our desire that the Commission not impair the correlative rights of these overriding royalty owners, we would like to proceed with the presentation of our case.

At this time, if the Commission please, I would like for you to take administrative notice of Rule No. 1203 and noting the requirements that the names and addresses of the interested parties be shown, and that the general nature of the proceeding must be stated. I would also like the Commission to find that this rule was in effect in 1972 when the first three cases, 4642, 4673 and 4685 were docketed. Furthermore, I would like for the Commission to take administrative notice of the statutes of the State of New Mexico pertaining to the powers and duties of the Commission, and particularly 65-3-5 and 65-3-11, Part 4 and 65-3-14 and 65-3-14.5 pertaining to pooling and the requirement that the Commission must afford each owner of each property in a pool the opportunity

to produce his equitable share of the oil or gas in that pool. Furthermore, I would like for the Commission to take administrative notice of the Affidavit of Publication in connection with the first three cases in order that the Commission may determine from those proofs of publication that the issue pertaining to forced pooling was never reached by the Commission for a decision until Mr. Cooley filed Case No. 5167 and we are here today in connection with that case on a De Novo matter for Mr. Reimer and Mr. McKenzie.

At this point, I am ready to call my witnesses.

MR. PORTER: Just a moment. Are you making a formal Motion to consolidate the two cases?

MR. HUNKER: For purposes of the Hearing, yes, sir.

MR. COOLEY: May it please the Commission, we definitely do restate our objection to consolidation. We feel they have no connection whatsoever, one with the other. We have presented our case. We have closed our case and we would ask the Commission, if the Protestants have anything they wish to present in 5167 that is material and germane to that case, naturally, they should be permitted to put it on. If they are going to, have them

proceed. If not, then let's close 5167 and proceed to 5218.

MR. PORTER: Mr. Kellahan, do you have anything you wish to add?

MR. TOM KELLAHAN: We support Mr. Cooley's position and oppose consolidation of the cases.

MR. PORTER: The objection will be sustained, and we ask you to go forward now with Case 5167 if you have pertinent information for that case.

MR. HUNKER: I would like to call Mr. Ralph Gray. (Whereupon, a discussion was held off the record.)

MR. HUNKER: For the record, I would like to make a clarifying statement. We will refer to the Reimer and McKenzie Exhibits as the Protestant's Exhibits, Mr. Reporter and Mr. Gray.

MR. COOLEY: Mr. Commissioner, Mr. Hunker has indicated to me that the proof that he proposes to introduce through the witness who is now on the stand is basically directed toward the same thing as was his testimony in the original case before Examiner, Mr. Stamets, and if this is his tender of proof, in order to avoid making the 178 objections that I made at the Examiner Hearing, I would like to make just one now and say that we

object to any type of testimony that deviates from whether they did or didn't agree to pool. Now, evidence having to do with whether there is or isn't waste occurring in that pool and so forth all can come forth in Case 5218 if it is new evidence, but to try to shorten 5167 to the five questions that we have propounded so far to our witness, Mr. Slaughter, I want to make a general objection at the introduction of this case of any type of evidence having to do with the way the pool is being operated, the way it is spaced, the way it is -- anything else that has taken place except the one issue, did they or didn't they, Messers Reimer and McKenzie, agree to pool.

MR. PORTER: The Commission will clarify its position here. I don't think any objection is necessary because the Commission is going to limit testimony in this case to the pertinent issues of forced pooling. Whether they agreed or did not agree, information concerning drainage or any of that other stuff can be presented in the next case if you did not have an opportunity to present it in prior cases. But on this particular case right here, 5167, please confine your testimony to the forced pooling issue.

MR. HUNKER: I hope I understand the Commission

correctly. I would like to call your attention to the fact that the order in Case 5167, Section 2, said that the Applicant, Fluid Power Pump Company and Petro-Lewis Corporation seek an order pooling all mineral interests in the Entrada formation underlying two non-standard proration units approved by Commission Order R-4287 in Township 19 North, Range 3 West. Of necessity, the terms and conditions of that order were an issue in the forced pooling case in that the Commission in that case found that the single wells would drain both 160-acre tracts. If necessary -- I hardly think it is -- I would like to call your attention to the fact that Mr. Tom Derryberry, the attorney for the Commission, has written and said in a letter opinion to me that the establishment of non-standard proration units does not force pool the interest of the overriding interest owners.

MR. COOLEY: Had it been so, I would not have filed the Application 5167.

MR. PORTER: I think, Mr. Hunker --

MR. HUNKER: (Interrupting) And you think that is all that has to be shown is that we have refused to sign?

MR. PORTER: That you could not agree on forced pooling. It was necessary to come before the Commission to

get a pooling order because it could not be accomplished voluntarily. I think that is all that is at issue in this particular case. The Commission will hear testimony on that and nothing else.

MR. HUNKER: We ask, then, that the record that we made in 5167, such as it was with all the objections that Mr. Cooley made, be considered by the Commission in this De Novo Hearing and we will proceed to call the next witness.

MR. COOLEY: I object to the incorporation of any portion of that testimony of Mr. Gray which was ultimately stricken by Mr. Stamets.

MR. PORTER: I thought we had previously ruled on that. If we didn't, we will do it at this time to that effect. The testimony in this case will be on forced pooling only.

MR. HUNKER: I would like to make one comment, if I may.

MR. PORTER: You may make a comment.

MR. HUNKER: I think the Commission is ignoring its obligations to hold a public hearing on a matter concerning its merits. If I proceed to the next case, Mr. Kellahin is going to get up and object that I am trying

to talk about forced pooling in connection with the case involving 40-acre spacing units. Here I am before a Commission that tries to hear this matter out on its merits, and procedurally, I am in effect stymied by some of these objections and rulings, and I think it is unfair to these people. I would like to -- well, it isn't material -- but I think it is unfair to these people who have gone to a great deal of trouble and expense to develop a lot of information and bring an engineer up here and find that they can't put on their case in a de novo hearing.

As I said, we want to establish that the correlative rights have been impaired for our clients. I leave it to you all to decide how best I am going to be able to present my case on its merits to you. We claim that the Commission has done them wrong.

MR. PORTER: The Commission's ruling will stand.

MR. HUNKER: We will close in 5167 and will tender our objections respectfully.

MR. PORTER: Except to the rulings and so forth?

MR. HUNKER: Yes, sir.

MR. PORTER: That is what I understood.

Now, is there anything else to come before the

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Commission in Case 5167?

MR. COOLEY: Nothing from the Applicants.

MR. PORTER: If not, then the Commission will  
take that case under advisement.

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COUNTY OF SANTA FE )

I, RICHARD L. NYE, Court Reporter, do hereby certify  
that the foregoing and attached Transcript of Hearing  
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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.

  
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COURT REPORTER

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
February 13, 1974

EXAMINER HEARING

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IN THE MATTER OF: )  
 )  
 )

Application of Fluid Power )  
Pump Company and Petro-Lewis )  
Corporation for compulsory )  
pooling, Sandoval County, )  
New Mexico. )  
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Case No. 5167

BEFORE: Richard L. Stamets, Examiner.

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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vation Commission:

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MR. STAMETS: Call the next case, Case 5167.

MR. CARR: Case 5167. Application of Fluid Power Pump Company and Petro-Lewis Corporation for compulsory pooling, Sandoval County, New Mexico.

MR. STAMETS: Call for appearances in this case. We will take a break at this point and then call for appearances.

(Whereupon, a recess was taken.)

MR. STAMETS: The Hearing will come to order, please. We call for appearances in Case No. 5167.

MR. COOLEY: William J. Cooley, Burr and Cooley, Farmington, New Mexico, appearing on behalf of the Applicant-operator, Petro-Lewis Corporation and the Applicant, Fluid Power Pump Company, which company owns a portion of the working interest in the wells and land in question, as well as partnership properties company, which also I am authorized to represent and join in this Application as a joint Applicant as a partial working interest owner in the properties.

MR. STAMETS: Are there any other appearances in this case?

MR. HUNKER: George H. Hunker, Junior, Hunker, Fedric and Higginbotham, Roswell, New Mexico, representing John Reimer and R. E. McKenzie.

MR. STAMETS: Any other appearances?

I would like to have all the witnesses stand at this time and be sworn.

(Witnesses sworn.)

GEORGE G. SLAUGHTER

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

DIRECT EXAMINATION

BY MR. COOLEY:

Q Will you state your full name for the record?

A George G. Slaughter.

Q Where do you reside, Mr. Slaughter?

A Blytheville, Arkansas.

Q What connection, and as many, do you have with the Fluid Power Pump Company?

A I'm president of Fluid Power Pump Company.

Q How long have you occupied that position?

A A little over two years.

Q Are you familiar with the Fluid Power Pump Media No. 1 and Media No. 2 Wells, as well as the proration units that are assigned respectively to those wells?

A Yes, sir.

Q Are those standard or non-standard proration units?

A Non-standard.

Q How were those non-standard units established so far as the Oil Conservation Commission in New Mexico is concerned?

A Well, it was a little before my time, but Mr. Val Reece submitted it to the Oil Commission and they approved it.

Q Did the Oil Conservation Commission enter an Order approving those non-standard proration units?

A Yes.

Q What was the date of the approval of the Oil Conservation Commission of the two non-standard proration units in question?

A That would be the 17th day of April, 1972.

Q Have the working interest owners in the oil and gas leases, which comprise the two non-standard units described and created by the Oil Conservation Commission Order No. R-4287 voluntarily pooled their interest in those two respective units?

A Yes, sir.

Q And have the base royalties been voluntarily pooled?

A You mean the royalty interests?

Q The base royalties, the land-owner royalty?

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A You will have to explain that a little.

Q There is a landowner royalty on the leases in question, is there not?

A Yes.

Q Has the landowner approved?

A All but two.

Q I'm talking about the landowner, not overriding royalty owners.

A The landowner, yes.

Q Now, are the overriding royalty interest in the oil and gas leases in question?

A Yes.

Q Have all of the overriding royalty interests agreed; have all the overriding royalty interests been approached to evaluate the pool, their interest, with respect to these units?

A Yes, they all have agreed but two.

Q And what are those two?

A Mr. Reimer and Mr. McKenzie.

Q Have you and other representatives of Fluid Power Pump Company made efforts to obtain a voluntary consent of Mr. Reimer and Mr. McKenzie to the pooling agreements in question?

SLAUGHTER-DIRECT

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A Many times.

Q And what has been the result?

A No results.

Q Have they declined to answer or have they firmly refused?

A Most of the time, declined to answer.

Q Have you ever been notified they refused to voluntarily pool by Mr. Reimer and Mr. McKenzie or a representative?

A Yes.

Q Was that by Mr. Hunker?

A No, by Mr. Reimer and Mr. McKenzie.

MR. COOLEY: Does Counsel for Mr. Reimer and Mr. McKenzie stipulate that they have refused to voluntarily pool?

MR. HUNKER: We stipulate that they have declined to voluntarily pool.

BY MR. COOLEY:

Q If compulsory pooling of the two non-standard prorationing units in question is not granted by the Oil Conservation Commission, will Fluid Power Pump Company and the other working units or interest owners in the units in question be required to pay duplicate or additional royalties, more than they are obligated to pay under their particular



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CROSS

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leases?

A Yes.

MR. COOLEY: No further questions.

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

MR. HUNKER: Yes, I have some questions.

CROSS EXAMINATION

BY MR. HUNKER:

Q Mr. Slaughter, has your company been represented  
from time to time by Attorney Charles Wellborn in Albuquerque?

A Yes.

Q Has your firm been represented by Mr. Val Reece?

A Yes.

Q Are you familiar with the correspondence that those  
two individuals may have had with attorneys representing  
Mr. Reimer and Mr. McKenzie?

A Maybe not so much with Val, but I have copies of  
everything that Mr. Wellborn --

Q (Interrupting) Would you care to correct your  
testimony to the effect, that you had never heard that Reimer  
and McKenzie had refused to voluntarily pool?

MR. COOLEY: I think that's correct.

A They told me themselves --

MR. COOLEY: (Interrupting) That was not the testimony of the witness. I think Mr. Hunker simply misunderstood him. If you would like to restate that question.

BY MR. HUNKER:

Q I got the impression that during the initial invitation to join the pooling arrangement, that you said that Reimer and McKenzie had not communicated with your company, is that correct?

A I did not say that.

Q I misunderstood your testimony. You may withdraw the question.

MR. HUNKER: At this time, Mr. Examiner, I move that the Application of the Applicants be dismissed for failure to show that the parties herein involved will not be adversely effected, that their correlative rights will not be affected by an Order of forced pooling with respective interests. I trust that's all the evidence you have to put on, Mr. Cooley, is that correct?

MR. COOLEY: That is correct.

MR. HUNKER: I move that the case be dismissed. They have failed to make a proper showing.

MR. COOLEY: I submit, Counselor and Mr. Examiner,

that there is no requirement in the Statutes for any such showing.

MR. HUNKER: We're ready to put on our case, if you care to rule against me, but we want the record to show that we have moved that the Application be dismissed for failure on the Applicant's part to make sufficient showing under the law to obtain the forced pooling Application.

MR. STAMETS: Mr. Hunker, we will deny your request in this case. It appears to be a collateral attack on the previous Order issued in this case or relative to this case.

Do you have anything further, any additional questions of this witness?

MR. HUNKER: No.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Slaughter, I believe you said you have been president for the last couple of years. Were you president of this company when -- let's see now -- April 5th, 1972?

A That was just about the time I was drafted as president, somewhere in the spring of the year of '72.

Q This Order has been in effect since the 17th day of April, 1972. That's nearly two years. Why has Fluid Power taken so long to resolve this matter?

A Well, until this last month, Fluid Power Pump Company had no income. I kept wells operating personally.

Q So, you weren't in a financial position to hire an attorney and present the case and so on?

A Well, it was just a matter of what I could do and what I could not do. I raised about a million dollars to keep the thing going during those two years, but there is a point of what you could or could not do and there is always a tremendous strain.

Q Mr. Slaughter, have these wells been produced with the indication that there was 160 acres dedicated to each of them?

A Yes.

Q And do the records of the Commission indicate that there is any problem involved?

A No.

Q Do the records indicate that the acreage has been communitized?

A Yes.

Q So, what we have on file is incorrect?

MR. COOLEY: I cease to intervene now. I think that is a legal conclusion. The working interest owners are the persons who can dedicate the property, the working interest

owners, have voluntarily pooled their interest. In other words, 100 percent of the working interests has from day one, April 17th, 1972, voluntarily agreed to pool their interests in these lands and it is they who have the right to dedicate. Royalty interest owners have no authority or right to dedicate. As a specific provision in the Act, which protects royalty and overriding royalty owners in cases precisely such as this, which Mr. Hunker has called to our client's attention and I really concurred in it, that upon failure of a working interest owners or operators to either accomplish voluntary pooling or apply for forced pooling, that the non-consenting royalty or overriding royalty interest owners are to be compensated under the law which ever is most favorable to them. If it is more favorable not pooled or assumed it to be not pooled, then they are paid on that basis or if it is more favorable for the non-consenting operator to be paid on the basis of the assumption that it has been pooled, then they should be paid on that basis, but this is a matter that we have conceded in our Application, that until such time as forced pooling is accomplished in this case, that the working interest owners, the Applicants in this case, are obligated to pay Mr. Reimer and Mr. McKenzie on a basis as though no pooling was ever accomplished and

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that we freely acknowledge this in our Application and the monies are held in suspense right now to cover that the the Corporation and we will immediately instruct them to release those monies.

MR. STAMETS: Are there any other questions of the witness? You may be excused.

(Witness excused.)

MR. STAMETS: Do you have anything further in this case, Mr. Cooley?

MR. COOLEY: None other than, Mr. Examiner, other than to -- not at this time. I might have a Motion to make depending upon the nature of Protestant's case. I'd like to reserve that opportunity.

MR. STAMETS: Fine. Mr. Hunker?

MR. HUNKER: Mr. Ralph Gray?

RALPH GRAY

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

DIRECT EXAMINATION

BY MR. HUNKER:

Q Will you state your name, address and occupation for the record, please, Mr. Gray?

A My name is Ralph Gray. I live in Artesia, New

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Mexico, occupation is consulting petroleum engineer.

Q By whom have you been employed in connection with this particular Hearing?

A By Mr. McKenzie.

Q And are you familiar, Mr. Gray -- have you testified before the Oil Conservation Commission before; have your qualifications as a petroleum engineer been accepted?

MR. HUNKER: We offer Mr. Gray as an expert in the field of regulations and in the field of petroleum engineering and geology.

MR. COOLEY: I would object to his qualifications as to regulations. I think it calls for a conclusion of law. Aside from that I have no objection.

MR. STAMETS: The Examiner recognizes Mr. Gray's qualifications as a petroleum engineer. As an expert in regulations, I think we would take that up on an individual case and make that decision at the time it would occur.

MR. HUNKER: I will not ask him to qualify himself as to regulations.

BY MR. HUNKER:

Q Mr. Gray, in connection with the New Mexico Oil Conservation Commission Order No. 4713, Case No. 5152, a provision is made to the effect that jurisdiction is retained

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by the Commission for the entry of further orders as the Commission may deem necessary.

Are you aware of that provision in that particular Order?

A Yes, sir.

Q In connection with the previous cases that have been presented to the Commission by Fluid Power Pump Company, have you read the Transcripts and examined the Exhibits on file in connection with those cases?

A Yes, sir.

Q In connection with Case No. 5152, have you examined the tabulation of production of oil and water from the four producing wells in the Media Entrada Pool?

A Yes, I have.

MR. COOLEY: I object to the question. It is immaterial to the issues before the Examiner in this case.

MR. HUNKER: Mr. Examiner, we are attempting to show that the correlative rights of two overriding royalty owners have been violated and we'll use the testimony that has been adduced at previous Hearings to show that their correlative rights have been violated. That is the purpose in this examination.

MR. COOLEY: Mr. Commission Examiner, I might submit



to you that this constitutes a collateral attack upon the Commission's Order No. R-4287 established in the two non-standard proration units in question wherein the Commission found after due notice and Hearing that each of the proposed non-standard proration units can reasonably be presumed to be productive of oil.

MR. STAMETS: Referring to the Statutes 65-3-14, Section "C", second paragraph referring to compulsory pooling orders, it states: (Reading) "All orders affecting such poolings shall be made after notice and Hearing, shall be upon such terms and conditions as are just and reasonable and will afford to the owner or owners of each tract, or interest in the unit, the opportunity to recover or receive without unnecessary expense its just and fair share of the oil or gas or both." (End of Reading.)

MR. HUNKER: We will attempt to show, Mr. Stamets, that we are entitled to a share of the production from this pool, which Fluid Power Pump and Petro-Lewis intend to deprive us.

MR. STAMETS: The Examiner would entertain all evidence which would allow his recommending a pooling Order which would be fair and reasonable to all parties concerned. — Your objection, Mr. Cooley, will be overruled.

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BY MR. HUNKER:

Q Did you prepare an Exhibit, Mr. Gray, in connection with the tabulation that you made? I'm referring to Exhibit No. 1. I beg your pardon. Referring first to Exhibit No. 1, which you have prepared, will you explain to the Examiner what that Exhibit shows?

A Exhibit No. 1 was prepared basically from maps which were previously presented by the operators in this field, with a few exceptions. No. 1, I have shown the designation of non-commercial wells or dry holes in their conventional symbol, which is a circle not filled in, indicating this well is non-commercial.

Also, in regard to the southwest quarter of Section 22, it has seemed more reasonable to me to show a local structural high in this area, rather than a continuation of the other contours and in this little area separated from the original part of the field by these dry holes.

Q Do you show an oil-water contact line on that?

A Yes, I have reviewed all of the data that has been previously presented and to me it's evident that the original oil-water contact was in the neighborhood of plus 15, 80 to 85, somewhere in that vicinity and wells that have been drilled lower and attempts have been made to complete at

lower depths have resulted in uneconomical producers and have been shut in.

Q In your opinion, what is the areal extent of this oil pool?

A Well, the areal extent of this pool is represented in Figure 1 by the red line and, in fact, this takes in roughly the --

MR. COOLEY: Objection, Counselor. Mr. Examiner, I still contend that this particular testimony now as elicited here is calculated to disprove finding No. 3, Case No. 4685, Order No. R-4287 and thus constitutes a collateral attack on that Order.

MR. HUNKER: Mr. Stamets, what we are attempting to show is that there is an inequality of value between the tracts in the several spacing units and in order to protect the correlative rights of our parties, we must object to this forced pooling action. We must show that the limits of the pool are confined as they are confined to this Exhibit.

MR. STAMETS: I will allow this line of questioning to continue. I may entertain Mr. Cooley's Motion at the conclusion of the testimony and the testimony will be accepted for what it's worth in reaching a decision in this case.

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BY MR. HUNKER:

Q Mr. Gray, in reviewing the testimony from the previous hearings, what is the conclusion that you have reached with regard to that testimony?

A I very carefully reviewed all of the previous testimony presented in Hearings related to this Hearing and it is my conclusion that some of the testimony and some of the information which is previously presented is misleading and, in fact, inaccurate in a lot of respects.

MR. COOLEY: I again renew my objection at this time, Mr. Examiner, to continuation of this line of questioning, which is simply an appeal of Order R-4287.

MR. STAMETS: I will overrule you again, Mr. Cooley.

BY MR. HUNKER:

Q I would like at this time, Mr. Gray, to ask you to describe the nature of the Media-Entrada reservoir?

A Well the Media-Entrada reservoir is a sandstone. It has very good porosity in the neighborhood of 23-and-a-half percent, excellent permeability in a range averaging perhaps 75 millidarcies. This information has previously been presented, but this is the type of a reservoir that has excellent communications and it's been proven that it's a

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drive type of pool.

Q You've also prepared Exhibits 2, 3 and 4 and 5 and I'd like for you to explain to Mr. Stamets what these various Exhibits show?

A Yes, may I complete one other thought on Exhibit 1?

Q Yes. Go ahead.

A As you will see from Exhibit 1, the area which we consider to be proven productive, essentially encompasses 40-acre units on which the four present producing wells are located. Now, if my client is forced to pool his interest in a 160-acre proration unit, it means that there are non-productive area which are included within the proration unit and which will receive royalty payments.

MR. COOLEY: I must again renew my objection, Mr. Examiner. This testimony is direct now that there are non-productive areas within the proration units again contrary to the findings of this Commission, R-4287.

MR. HUNKER: If the Commissioner, please, the matter of forced pooling has never been an issue until this Hearing and under 65-3-14(a), each owner of a property in a pool shall be given the opportunity to produce his just and equitable share of the oil in the pool and our testimony today

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will show that all we are trying to do is to compel them to permit us to take our prorata part of the oil that's in the pool.

MR. COOLEY: Mr. Examiner, Mr. McKenzie and Mr. Reimer were fully aware of the action that the Commission was requested to take in forming the two non-standard proration units in question and offered no examination at the time that it was appropriate to bring it to this Commission.

If, in fact, they even felt that there was any portion of those two non-standard prorationing units that were non-productive, the time to have come forward and present that evidence was on April 5th, 1972, because the Commission was required by regulations to make finding No. 3 that the entire unit was productive as a prerequisite of entry of that Order.

MR. STAMETS: Mr. Cooley, I'll entertain your Motion at the conclusion of Mr. Gray's testimony. Mr. Hunker, I again restate that the testimony here will only be toward allowing the Commission to enter a proper pooling order and we cannot entertain anything in order of collateral attack on our original Order. The conclusions in those cases will stand unless they are attacked by a separate Application by interest owners in this case. You may continue your examination.

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BY MR. HUNKER:

Q Mr. Gray, you made some statements with regard to the productive limits of this particular pool. What is the basis upon which you reached this conclusion, referring again to Exhibit No. 1?

A Well, this is based on drilling data and completion data that was previously presented. Also, to the performance since that time.

Q Have dry holes been drilled surrounding this particular 160-acre tract upon which there is production?

A Yes, sir.

Q Do those dry holes, in your opinion, effectively limit the producing area to the area that you have shown?

A Yes, sir.

Q Would you believe that the southeast quarter of the southwest quarter of Section 14 is productive of any oil or gas?

A No, sir, I don't think so.

MR. COOLEY: I assume, Mr. Examiner, I have a continuing objection to all this testimony?

MR. STAMETS: You certainly do.

BY MR. HUNKER:

Q Would you state, in your opinion, there is no

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production of oil from the north half of the northwest quarter of Section 23?

A Yes, I think the information indicates that this is non-productive.

Q How about the north half of the northeast quarter of Section 22?

A This also has been proven non-productive.

Q What about the southwest quarter of the southeast quarter of Section 15?

A That has been proven non-productive.

Q Referring to the tabulation that was introduced in Case 5152, have you prepared Exhibits 2, 3 and 4?

A Yes, sir, and five.

Q Will you explain to Mr. Stamets what these Exhibits show?

A These Exhibits show a plot of monthly oil and water production as taken from data previously presented. It will be noted that on Figure 2, for example, or Exhibit No. 2, the water-oil ratio during the period of 1969 and early 1970 was one. For every barrel of water produced there was one barrel of oil produced. This Exhibit also shows that about the middle of 1971, the withdrawal rate from this well was substantially increased and immediately the water-oil ratio



increased from one to three, which indicates that water coning is being developed and that the reservoir is not being produced as efficiently as it was before.

Q This Exhibit refers to the Federal Media No. 1 Well, is that correct?

A That's correct.

This means that some oil is being bypassed and ultimately there will be less oil recovered due to the water-coning effect.

Exhibit No. 2 also shows that about the middle of 1973, the withdrawal rate of Federal Media No. 1 was again substantially increased and during this period, for example, during the month of October, the water-oil ratio had increased to 11 and, again, this means that the water-coning effect is being accelerated. The well is not being produced as efficiently as it should be and this -- the ultimate recovery of oil will suffer as a result.

Exhibit No. 3 shows essentially the same information. Exactly the same effects can be noted. The water-oil ratio increases from one in the early period to three during latter 1971 and the first part of 1972 and, again, in the latter part of 1973, due to increasing the production from the well, it increased to nine.

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Exhibit No. 4 shows the same information for Fluid Power Pump No. 1 during the early part of 1972 water oil ratio was 3 and the latter part of 1973, it was increased due to producing rates, the water-oil ratio increased to 9.

Exhibit No. 5 shows the same information for Fluid Power Pump No. 3. During the early period of 1972, the water-oil ratio was three. The capacity of the well, the fluid production, was increased during the latter part of 1972 water-oil ratio increased to nine. The latter part of 1973, due to increased withdrawal rates, the water-oil ratio increased dramatically to 24. Again, I point out that this represents inefficient producing method of producing the reservoir. It means that oil is being bypassed and it means that the ultimate recovery of oil will be less.

MR. COOLEY: I want to introduce an objection to this testimony and ask that it be stricken on completely different grounds. That it is outside the scope of this Hearing. It is immaterial. If the wells should be curtailed as indicated by this witness, it would have no bearing upon how what oil is produced is to be shared. Now, whether it should or should not be pooled, does Counsel understand my objection that if the pool has been inefficiently produced as submitted by this witness, that is still immaterial to this

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case. It would be the subject of another Application.

MR. STAMETS: I will overrule your objection, Mr. Cooley and allow the Applicant to complete his line of questioning in this case so that we will have an overall view of their opinion and their feelings.

BY MR. HUNKER:

Q How many wells in this pool are capable of producing the top allowable, Mr. Gray?

A There is only one well that is capable of producing in excess of a regular top allowable for a 40-acre unit, this being Fluid Power Pump No. 1 Well.

Q What is happening in this field at the present time, in your opinion?

A I think it's obvious from Exhibits 2 through 5 that every time the operator has made an attempt to increase withdrawals, he suffered some reservoir efficiency. Water-oil ratio keeps increasing and coning effects are accelerated.

Q Have you any authority for that position?

A Well, this is based on the actual performance data that we have available at the present time and we should show by further evidence this is what is to be expected from this type of reservoir.

Q Have you done any reservoir engineering work in the

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time you've practiced in New Mexico, Mr. Gray?

A Yes, for approximately 35 years.

Q Have you read the testimony with regard to the extent of this particular reservoir?

A Yes, sir.

Q What was the representations that were made to the Commission at previous Hearings with regard to the size of the reservoir?

A Well, I think that the evidence or the material presented was misleading in some respects, for example, statements were made that tests were continuing on some of these wells and, in fact, Commission forms were actually filed on two of the wells and allowables established on Federal Media No. 4, for example, and Fluid Power No. 4, yet these wells are non-commercial. They do not produce and, also, the operator made statements that they were preparing to install a pressure maintenance project. In fact, one Order was related to that. The impression was made that this is a field with sizeable oil reserves and sizeable areal extents and they were going to do all of this work to insure that proper recovery be made from the reservoir, yet none of this has been done.

Q In what stage would you regard this particular field

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at this time in light of the Exhibits that you have just prepared, 2, 3, 4 and 5?

A I have some additional Exhibits, which will show that this is in the -- well, let's say it is passed the middle stage of depletion.

Q In other words you think that half of the recoverable oil has been already produced from this field, is that correct?

A At least half.

Q Has any damage occurred to the Federal Media properties by reason of the extensive production that has been taken by Fluid Power Pump from the Media No. 1 Well?

A Yes.

MR. COOLEY: Do I have a continuing objection or do you want me to make another one?

MR. STAMETS: Mr. Hunker, do you intend to show how this could relate to a forced pooling issue?

MR. HUNKER: Yes, I can.

MR. STAMETS: You may continue.

MR. COOLEY: I assume my objection is overruled.

MR. STAMETS: Yes.

BY MR. HUNKER:

Q Do you want me to repeat my question?

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A Yes, sir.

Q Has any damage occurred or has there been any flow of the fluid underlying the Federal Media Wells in the direction of the Fluid Power Pump Well by virtue of the extensive production at that well location?

A Yes, I think we can definitely say that there has been some correlative rights violated in this instance. For example, I'd like to illustrate this pool with -- and normally, we might assume that we have this bowl of punch that we refer to very often in petroleum engineering. We have a known quantity or there exists a certain quantity of oil in this reservoir and there are so many wells which are withdrawing fluid from it. Now, it's shown that the sand has very excellent communication properties and moving the fluid through the reservoir is done with ease, so we can relate this to, for example, a bowl of punch. We can put one straw in this bowl and in time we can probably withdraw all of the punch out of the bowl with one straw. We can take two straws, straw number one, and we pull twice as much punch through that straw as we will through straw number two, for example, and when all the punch is gone, the fluid withdrawn through the first straw will recover twice as much punch as the fluid pulled through the number two straw, and that's analogous to

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the situation that we have in this pool. There's one well, Fluid Power Pump No. 1, that is being permitted to produce essentially more oil than the other three wells and in time, it will recover more than its share of oil from the reservoir.

MR. COOLEY: I must again object on different grounds that the allowable granted to the Fluid Power Pump wells is in no way material to this case and any damage or loss that might be claimed by this witness, as a result of production from Fluid Power Pump wells of what 1 and 3, I believe cannot possibly be material to this case. I ask that the testimony be stricken. It can't have anything to do with forced pooling in No. 2 non-standard proration unit in question.

MR. STAMETS: Mr. Cooley, I don't see that the allowable has any particular bearing on the case. The method that Fluid Power Pump Company and Petro-Lewis utilize in producing these wells certainly might have some bearing on the present case, so, as to the method of production, I'll certainly allow this line of questioning to continue.

BY MR. HUNKER:

Q As to lease lines, Mr. Gray, do you think that fluid is moving across lease lines in this particular area?

A Yes, sir, I do.

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Q Have you prepared just a schematic drawing to show the coning effect ~~that is~~ occasioned by the excessive production of wells?

A Yes, sir, I have.

MR. COOLEY: I have to have a continuing objection, Mr. Examiner. I have to protect my record on this.

MR. STAMETS: I think you have thrown in --

MR. COOLEY: (Interrupting) If you'll decide, I have a continuing objection; I'll keep my mouth shut or --

MR. STAMETS: The item to which your objections varies from time to time, Mr. Cooley.

MR. COOLEY: The objection varies because of the direction of the testimony.

MR. STAMETS: The water-coning problem does not seem to be a subject of discussion in this case. Unless you can relate this to the forced pooling Order.

MR. HUNKER: The coning, Mr. Stamets, is going to going to cause damage to the Federal Media 1 and the Federal Media 2 and as a consequence the correlative rights of McKenzie and Reimer are going to be adversely affected.

MR. STAMETS: Mr. Hunker, if the Commission would not enter a forced pooling order and would enter an order denying forced pooling in this case, I gather that the operator



could continue to operate the wells at the current rate of production, whatever is allowed?

MR. HUNKER: If they will pay us a percentage of overriding royalties from our two wells, we are perfectly willing to abide by that Order.

MR. STAMETS: Well, then I can't see how a discussion of water-coning is germane to this case.

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

MR. STAMETS: We will proceed and I think, Mr. Cooley, you should verbalize your objections from this point on.

MR. COOLEY: At this point, I would submit to the Examiner that the special pool rules for the Media-Entrada as heretofore entered by this Commission are still in full force and effect, and there is no attack whatsoever and cannot be attacked in this proceeding. By "attack" I mean altered, amended, changed or otherwise affected. Secondly, that the Order of the Commission No. 4287 wherein it was found that the two non-standard proration units were established, that it was found by the Commission that they were productive of oil, likewise cannot be altered, amended, changed or even contradicted. Based upon that, I move that all testimony of

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Mr. Gray which would tend to contradict any portion of either the pool rules or Order No. R-4287 be stricken.

MR. HUNKER: Mr. Stamets, I would like to comment. Mr. Cooley would have you believe that this Hearing isn't really necessary, yet he filed an Application to force pool our interests. He must have some bone of contention. They must have some correlative rights or they wouldn't be here protesting if they felt like they were being treated fairly. That's why we're here and we're entitled to be heard, and I don't think that Mr. Cooley's objection is well taken.

MR. STAMETS: Mr. Hunker, as you well know, we have a question under consideration at this Hearing, and this is a forced pooling order. I feel that very little of what has transpired to this point can be useful in writing a forced pooling Order. Very little of the testimony that you have presented here would be useful in writing a forced pooling Order. I will conditionally accept Mr. Cooley's objection. It will require a review of the testimony which has been given to this point to see if some of it is useful in writing a forced pooling order. With that simple ruling, we will continue.

MR. HUNKER: We'd like the record to show that the operator does not have the right ipso facto to declare the

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size of a pool. This is usually handled by, in matters of contract where oil and gas lessor agrees to the pooling of his interest or in the assignment of a lease, he agrees that the interest may be pooled. This is a matter of contract and the operator does not have the right per se to dedicate my overriding-royalty-interest owner in that pool to a 160-acre spacing of it.

MR. COOLEY: Well, I must take issue with Mr. Hunker on that. In Section 65-3-14(c) provides the mechanism which we're preceding under today whereby we are granted that legal right.

MR. HUNKER: And you must establish --

MR. COOLEY: (Interrupting) We have.

MR. HUNKER: (Continuing) That the correlative rights of my client are not violated.

MR. COOLEY: There is an overall aura of protection of correlative rights in the action in any matters proceeding before this Commission. However, I submit to the Examiner that the question of correlative rights was resolved on April 17th, 1972, when it was found that by this Commission that, to be repetitious, the entire proration units which are here under question were productive of oil.

MR. STAMETS: I do not think that that can be

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questioned at this Hearing. Mr. Hunker?

MR. HUNKER: The finding, Mr. Stamets, was that the well would drain on 160 acres. It did not prove that there was any oil at all under the surrounding tracts that were around these four producing wells.

MR. COOLEY: I quote the finding, Mr. Examiner, "That each of the proposed non-standard proration units can reasonably be presumed to be productive of oil." Then, it continues.

MR. STAMETS: Mr. Hunker, I believe the findings are quite clear in that case as well as they are in all other cases involving this field. We have one question here and that is forced pooling. All testimony must be confined to that forced pooling.

MR. HUNKER: All right. Let me ask Mr. Gray a few more questions.

BY MR. HUNKER:

Q Based on your study of this pool, is there an equality of interest between the producing facts and the non-producing facts in the spacing units described as the south half of the southwest quarter, Section 14, and the north half of the northwest quarter of Section 23?

MR. COOLEY: I must object to that question, because

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that is a proration unit to which that well is dedicated and it is so stated by the Commission so that entire acreage described there is a producing prorationing unit.

MR. HUNKER: Mr. Stamets, Mr. Cooley is telling you that you should permit Fluid Power Pump and Petro-Lewis to steal our oil and this is contrary to all rules and orders of the Commission. We must protect the correlative rights of these parties. There is inequality in the tracts that are in the two spacing units, and as a consequence of this you must draw an order which will fairly protect their rights. He's not shown anything here today that would indicate that their correlative rights are going to be protected.

MR. STAMETS: Mr. Hunker, are you trying to show that there is an inequality between established spacing units within the boundaries of --

MR. HUNKER: (Interrupting) Within the boundaries of the spacing unit.

MR. STAMETS: I do not believe we can entertain that line of questioning and I will sustain Mr. Cooley's objection.

MR. HUNKER: All right. Note our objection.

BY MR. HUNKER:

Q In your opinion, Mr. Gray, is the reservoir being

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damaged by the present method being employed by the operator and producing the oil from this pool?

MR. COOLEY: I'm going to renew my objection. This is totally immaterial to this case.

MR. STAMETS: Mr. Hunker.

MR. HUNKER: It is material in that damage to the pool is going to damage my client's interest in the overriding royalty underlying the Federal Media No. 1 and the Federal Media No. 2 Wells.

MR. COOLEY: I assume this is for the purposes of argument, but this is not the proper case to present it in.

MR. STAMETS: I will have to sustain Mr. Cooley's objection.

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

MR. HUNKER: Mr. Stamets, we would like to offer at this time the Respondent's Exhibits 1 through 5.

MR. COOLEY: I object to each and every one of these Exhibits on the grounds of previously, Mr. Examiner, that the sole purpose of which they are offered is to prove that there is a discrepancy between the oil in place underlying lands within a single established proration unit, which this Examiner has already previously ruled to be improper.

Obviously, you can't have the same barrel oil under every single acre. I mean the sands thin, they thicken, they expand, they finally play out, but we have established proration units in this State, and once we establish the proration unit for the purpose of applying allowables, for the purpose of applying anything and everything else, we make this assumption that every acre in that proration unit is productive and equally productive. That's implicit in the finding No. 3 in Order No. 4287, which was a pre-requisite of that Order.

MR. STAMETS: Exhibits 1 through 5 will be admitted for the limited purpose of evaluating the testimony to this point as it might relate to the forced pooling case, and be given no consideration as an attack on any previously entered order.

(Whereupon, Protestant's Exhibits  
1 through 5 are admitted in  
evidence.)

MR. STAMETS: Does that conclude your Direct, Mr. Hunker?

MR. HUNKER: Yes. If you have any questions of Mr. Gray, you may proceed.

CROSS EXAMINATION

BY MR. STAMETS:

Q I've got one or two here. Mr. Gray, exactly what

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is Mr. McKenzie's interest, what is it, what's the extent of it?

A It is my understanding that Mr. McKenzie has an overriding royalty under the southeast quarter of the southeast quarter of Section 15 and under the southwest quarter of the southwest quarter of Section 14.

Q What is the extent of that interest?

A It is my understanding that Mr. McKenzie's interest is a one percent and also Mr. Reimer, I understand, has some additional overriding royalties, which I'm not exactly acquainted with.

MR. STAMETS: Mr. Cooley, do you have any questions?

MR. HUNKER: Will Mr. Cooley stipulate that Mr. Reimer and Mr. McKenzie have a six percent overriding royalty under those tracts?

MR. COOLEY: Of the two 40-acre tracts described by Mr. Gray, we will so stipulate.

MR. STAMETS: That is under the two combined?

MR. HUNKER: They are under the same lease.

MR. STAMETS: Okay.

MR. COOLEY: Just happens to be two wells on them, on the one lease.



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CROSS EXAMINATION

BY MR. COOLEY:

Q Mr. Gray, is it your testimony that the Federal Media No. 4 Well and the southeast quarter of the southwest quarter of Section 14 is a dry hole?

A At the time of the presentation of the last Hearing in January, all of the information which was submitted by that time, it's my contention that Federal Media No. 4 was a dry hole at that time.

Q I would like to know what you base that contention on?

A It never had produced oil.

Q Had it been plugged and abandoned?

A I don't know about that.

Q Have you ever seen the well?

A No, sir.

Q Have you ever seen the log on the well?

A I don't recall if I've seen the log or not.

Q Have you ever made a personal investigation of it?

A No, sir.

Q Do you have no knowledge whatsoever as to what the operator's desires and intentions are with respect to that well, do you?

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MR. HUNKER: That's immaterial, Mr. Stamets.

A This well was completed some time back and I presume if there was any oil there, the operator would certainly like to make a completed oil well and since it hasn't been done, I think that's pretty good proof that this is a non-productive well.

Q Have you ever seen wells that are drilled, Mr. Gray, that require additional work to be done to them that was expensive, such as possibly squeezing oil? Aren't there many possibilities that have -- of attempts at recompletion or re-secondary attempts?

A Yes.

Q You've experienced that personally, haven't you?

A Yes.

Q And some of those cases you have made successful wells, haven't you?

A Yes, sometimes.

Q All right. Have you also ever had a client that simply couldn't afford those expensive additional operations at the time and waited to do it at a later date?

A No, sir, I don't believe I've ever experienced that.

Q If that were your situation, that would be one explanation, at least, would it not, as to why further work

GRAY-CROSS

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hasn't been done on No. 4 Well, if you have no money, you couldn't work?

A There are so many ways to work on it, on a deal that has some merit. There are banks that offer loans and other people are interested in loaning money for a part interest in the thing, so, I think if there's any indication at all there of oil, I don't believe it would be any problem in financing.

Q Now, you're going to represent yourself as a financial expert to this Commission?

A I'm aware of economics in the industry.

Q If that particular operator happened to already be a million dollars in debt, it might be a little more difficult to borrow money, would it not?

A Yes.

Q Now, are there any other wells drilled that have been drilled on the proration unit dedicated to the Federal Media No. 1 Well, other than the Media No. 4 Well?

A To my knowledge, there has not been.

Q I didn't hear your answer.

A I say, to my knowledge, there hasn't been.

Q I believe you explained the existence of Fluid Power Pump No. 5 Well as being a producer and yet outside

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your presentation of the areal extent of the pool, is that the local high?

A That's the way it looks. It looks like it's a little local high in there.

Q Are you aware of any recent change in the productivity of that well?

A No, sir, I don't believe I have any information subsequent to the previous Hearing.

Q The fact is, Mr. Gray, you made no personal study of this pool whatsoever in your entire life, have you, Mr. Gray?

A Pardon?

Q You've never made a personal study of this pool, referring to previous testimony?

A I just completed a study of the pool.

Q Based on what now?

A I based it on all of the information that I could -- that I had, based substantially upon the information which previously has been presented by operators which has been rather adequate.

Q Are you familiar with what activity has taken place in the pool since? The only source of information is the records of this Commission, is that correct, records of

GRAY-CROSS

previous Hearings?

A Well, not entirely. I have seen other information.

Q Well, I'd like to know what you base your testimony on over and above --

A (Interrupting) What are you asking me now?

Q Yes, sir.

A Would you please rephrase your question?

Q It was my understanding, Mr. Gray, and I'm certainly not trying to badger you, that your entire testimony was based solely upon a review of the Transcripts of previous Hearings?

A Not totally, no.

Q Partially. In addition to those Transcripts, what did you -- what other data was made available to you?

A Substantially, an amount of data which Mr. McKenzie has in his file.

Q Would you describe the information for the Examiner?

A Well, there are maps. There are core data. There are completion information, various types of well information.

Q Did you ever contact the operators of these fields and discuss what had happened since the last Hearing with respect to this field?

A No, sir.

GRAY-CROSS

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Q You don't know what's going on up there right now?

A No, sir, I don't.

Q Do you know which, if any, of the wells which are usually pumped as a dry hole, which you say is a traditional dry hole symbol, have these dry holes particularly been plugged and abandoned?

A No, I can't say.

Q You don't know whether any of them have or not, do you?

A No, sir.

Q As I discussed with you about the Federal Media No. 4, and to try to shorten this testimony, you of your own personal knowledge do not know whether any of the wells that you have depicted as dry holes could possibly be re-entered and completed as producing wells, do you?

A I don't believe they can based on the information that I have on the field and what I know about reservoir mechanics. I don't think that any of them can be completed as producing wells for any significant length of time.

Q Are you saying they produce no oil or that they wouldn't? If you are saying that they would not, I want to know based upon what?

A I think my statement was clear.

GRAY-CROSS

Q I'd just -- what you know about the pool, I'd like to be a bit more specific about just what you do know about this pool, Mr. Gray?

A Well, we were trying to present testimony to show what we do know about the pool, but you wouldn't let us complete it.

Q Well, you have introduced an Exhibit here, which has been accepted for purposes of probative value, if any it might have in this case. You are seemingly trying to mix up oranges and apples here today, and we're just dealing with apples. When the time comes to deal with oranges, we'll deal with oranges.

A I'm not trying to mix anybody up.

Q I'm not saying that. I'm saying that the reason I introduced these objections is simply they weren't germane to today's issues.

I'm asking you, do you have personal knowledge or are you willing to swear under oath to this Examiner that none of these wells which have been marked as -- with a dry hole symbol by you, could be completed as commercial wells in Media-Entrada Pool, that's as plain as it can be?

A I don't believe they can be.

Q And have you made a detailed study of each and every

GRAY-CROSS  
REDIRECT

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one of these wells?

A Yes, sir.

MR. STAMETS: He's adequately answered your question along those lines.

MR. COOLEY: No other questions.

MR. STAMETS: Anything on Redirect, Mr. Hunker?

REDIRECT EXAMINATION

BY MR. HUNKER:

Q Mr. Gray, did you examine the well reports that were filed by the operator with the Oil Conservation Commission?

A Yes, sir.

Q And it's part of your testimony based on those reports?

A Yes, sir.

Q You said a well is a dry hole, why was it described by you as a dry hole?

A Because it wasn't completed as a commercial producing oil well.

MR. HUNKER: I think that's all the questions I have.

MR. STAMETS: If there is nothing further the witness may be excused.

MR. COOLEY: We have some rebuttal testimony.



SLAUGHTER-REDIRECT

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GEORGE G. SLAUGHTER

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

REDIRECT EXAMINATION

BY MR. COOLEY:

Q Mr. Slaughter, I have some questions to ask of you on rebuttal.

I hand you what has been marked as Reimer-McKenzie Exhibit No. 1 and direct your attention to those wells which are shown thereon by the traditional dry-hole marker identified in the legend as dry hole or non-commercial. Do you see those wells?

A Yes, sir.

Q Are you familiar with those wells?

A Yes, sir.

Q Have any of those wells been permanently plugged and abandoned?

A No, sir, none at all. The old Beard Well and the old Hutchinson is the only two plugged wells in that field.

Q Which ones are those?

A One of them is sitting right up beside the biggest producer we've got, which is Fluid Power No. 1.

Q Is it still shown on this map?

A Yes, let me show you.

Q Can you describe where it is?

A I'm not that good at -- it's right there.

Q Let's see. That's abandoned oil well. Is that the well identified by an abandoned oil well symbol located in the northwest quarter of the southwest quarter of Section 14?

A That would be the Beard Well.

Q I'm sorry, in the northeast quarter of the southwest quarter?

A That is the Beard Well. That would be the well.

Q That well is actually permanently plugged and abandoned?

A Yes.

Q All right. Are there any other wells shown by dry hole symbols on this map that are plugged and abandoned?

A Absolutely not.

Q Was the Beard Well drilled by Fluid Power Pump or any of the Applicants?

A Yes, sir.

Q It was drilled by Fluid Power Pump?

A Yes.

Q Do you have any records or opinions as to why the Beard Well was dry?

A We're going to drill it out, I can tell you that.

Q You are going to attempt to recomplete it as a producing well?

A Yes.

Q Are you likewise going to attempt to recomplete the other wells shown on --

A (Interrupting) Federal Media No. 4 is our next well.

Q Have you conducted any recent tests on it?

A Only the log has one of the best shows in the oil field.

Q It's one of the better logs in the field?

A Yes.

Q Were you advised that completion troubles were encountered in the drilling of that well?

A Yes.

Q As president of the company, do you intend to pursue any attempts to recomplete this well?

A Yes.

Q Is this true of the other wells shown with dry hole symbols with the exception of the Beard Well?

A Well, of course, my job is just completely the reverse of this particular geologist.

Q You have seen geological presentations that differ from this greatly?

A I went to 31 geologists on this oil field before I actually went to one 1,000 miles away who did not know me and I didn't know them, who operates a water-dry field just like this. That's who I ended up hiring and that's who is operating this field right now, who has upped the production to over a 1,000 barrels a day, in the last 60 days.

Q Has there been a substantial increase of Fluid Power Pump's No. 5 Well in the northeast of the northwest of Section 22?

A It was non-commercial and they proved to me that they had perforated it in the wrong place. We went in and squeezed it off. It's 180-barrel-a-day well.

Q Currently producing at that rate?

A Yes.

Q Is that the type of completion problems that you have experienced since your taking over the well?

A Yes.

Q Do you personally, or have any of the experts that you have employed in connection with the operation of this field, ever presented any information to you which would indicate any way that any portion of the two non-standard

SLAUGHTER-REDIRECT

prorationing units in question are non-productive?

A Absolutely not.

MR. COOLEY: No further questions.

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

RE CROSS EXAMINATION

BY MR. HUNKER:

Q Whose operating the property at the present time?

A Petro-Lewis.

Q What interest does Fluid Power Pump have of this?

A 50 percent.

Q 50 percent of what?

A Of the working interest.

Q How much of that 50 percent working interest is left?

A Comes out to 35.28.

Q How much of that is committed to people who have been assigned interest out of the production?

MR. COOLEY: I object that the financial condition of Applicant Fluid Power Pump would have no materiality.

MR. HUNKER: He's just testified, Mr. Stamets.

MR. COOLEY: We have already admitted that Fluid Power Pump has serious financial problems and only recently

SLAUGHTER-RECROSS

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the money started flowing into the coffer. The fact that some of their debts had to be paid in terms of production payments and other disbursements material to this case.

MR. HUNKER: I'll withdraw my question, but I'd like to ask Mr. Slaughter when he refers to "we are going to recomplete the Media No. 4 and we are going to recomplete the Fluid Power Pump No. 4," what do you mean by "we"?

MR. STAMETS: Excuse me. I would like to amplify on that, too, Mr. Hunker. It will be necessary to any order that we write here to name an operator and that operating name will have to be the one reflected on our Commission's C-104 and if this involves State or fee lands, there will have to be a bond in that name.

MR. COOLEY: This is the operator of record. There is no proposal that they be changed.

MR. STAMETS: The Application, Mr. Cooley, of Fluid Power and Petro-Lewis for compulsory pooling.

MR. COOLEY: If you read down, it says -- it does state that Petro-Lewis is the operator.

MR. STAMETS: So, you do seek to have Petro-Lewis named as the operator of the forced pool unit?

MR. COOLEY: Yes.

THE WITNESS: Yes.

SLAUGHTER-RECROSS

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BY MR. HUNKER:

Q Do you have funds now, Mr. Slaughter, for your company to use in connection with this joint operation?

MR. COOLEY: I object, Mr. Examiner. I don't feel it's of any materiality to whether we force pool or don't force pool in the interest of this client.

MR. HUNKER: We're trying to test the credibility of this witness, Mr. Stamets. He's testified previously that he didn't have the money. He just testified that they do have the money and that they're going to go into this with -- if we're going to go into it, I want to know why and how.

THE WITNESS: Is it necessary?

MR. STAMETS: I think it is germane to a point. If the operator we would name would not be financially capable of carrying on operations, then the Order might not be proper. As to that point, I think that he could answer the question.

A Whether I had the money or not, the operating agreement protects them. They just get paid 150 percent and I go ahead and develop it.

MR. STAMETS: Let me clarify this point, if I could, Mr. Slaughter.

THE WITNESS: Yes.

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MR. STAMETS: To your knowledge, does Petro-Lewis have the funds and ability to carry out the operations of the units we're considering here today in the name of the operator?

THE WITNESS: Yes.

MR. STAMETS: Thank you.

BY MR. HUNKER:

Q Would you be willing for the Commission to enter a temporary Order in connection with the matter before it today, pending the reworking of the Federal Media No. 4 and the Federal Media, or the Fluid Power Pump No. 4?

A No.

Q Have you read the Transcripts in connection with the previous cases filed before the Commission?

MR. COOLEY: Object to what materiality it can have.

MR. STAMETS: The witness has already answered in the affirmative.

BY MR. HUNKER:

Q Do you accept as being accurate, the testimony that was given at those previous Hearings by the witnesses that Fluid Power Pump called?

MR. COOLEY: I object, Mr. Examiner. That has no



materiality to this case and I don't intend that Mr. --  
I don't believe that Mr. Slaughter testified in any of those  
cases. I don't intend that he be unnecessarily bound as the  
president in light of what has transpired since those cases of  
anything that might have been said or testified to by any  
given third-party witness.

MR. STAMETS: Objection is sustained.

MR. HUNKER: Note our exception.

I have no further questions of this witness.

MR. COOLEY: No questions.

MR. STAMETS: You may be excused. Anything further  
to be offered in this case?

MR. HUNKER: I would like to make a statement again.  
I would like for you to dismiss the Application on the grounds  
that the Applicant has failed to show that the correlative  
rights of the overriding-royalty-interest owners will not be  
adversely affected by an order entered by the Commission in  
connection with this matter. I'd also like to have the  
Commission take notice of the cases 5152, 4642, 4685 and 4673  
and the contents of those Commission files.

MR. COOLEY: Would you repeat those, please, George?  
You know all the Orders there and I don't know anything about  
them.

MR. HUNKER: 5152, being the -- that's the case number -- being the depth-bracketed case.

MR. COOLEY: 5152 is the case number.

MR. HUNKER: Case No. 4642, being the Application of Fluid Power Pump Company for special rules and pressure maintenance projects.

MR. COOLEY: I'm familiar with that one.

MR. HUNKER: No. 4673, being the Application of Fluid Power Pump Company for two non-standard units in Sandoval County and No. 4685 being the Application of Fluid Power Pump Company for two non-standard oil proration units. And I do this in the light of the testimony that Mr. Gray gave stating that the records were misleading.

MR. COOLEY: I take it that the admission of Exhibits and testimony of Mr. Gray for the very limited purpose of whatever probative value, if any, it might have with respect to this case precludes argument about collateral attacks?

MR. STAMETS: Yes, it does.

MR. COOLEY: Then, I can only say that this Commission having found in Order No. 4287 the entire area covered by the two non-standard proration units was productive of oil in the pool in question. That the forced pooling order must come forth based on the standard and usual

acre-for-acre basis. It has been, in fact, duly determined by this Commission that every acre of proration unit or both of the proration units is productive. Now, if at some later date, proof can be offered to the effect that this is not the case and those units would then be abandoned or contracted or any way changed, then that would have to be in a separate Hearing, that would be a re-opening in effect of 4287, but that today, as the record stands, submit to every acre to both proration units has already been judicially determined by the Commission to be productive, that the forced pooling order must ensue on the basis of straight acre allocation.

We would also request the Commission or remind the Commission we suffer daily penitance, so to speak, for our tardiness in having filed this Application for almost two years, but having become aware of our sins and our misdeeds, why, we want to get on with the basis of this forced pooling.

I again, want to assure Mr. Hunker and this Commission that we will, within a very few days, have achieved a release of all of these funds that have been held in suspense by permit to which the clients are admittedly entitled under the theory of no pooling has occurred up to this date. An effort to be brought -- it would be brought current and up to date by entry of an order by this Commission.

MR. HUNKER: I would like to call the Examiner's attention to the fact that in the four previous Hearings, no opportunity was given or afforded to the overriding-royalty-interest owners to present their particular position with regard to pressure maintenance, 160-acre spacing, the unorthodox spacing in two cases or, finally, the matter of the unlimited allowable which was sought by the Applicant. At no time could they have been heard and have been regarded as having been relevant to the issues of those particular cases, at no time was the question of their particular interest ever considered, and in the interest of fairness and justice, I ask you at this time that in considering an order, that you regard the correlative rights of these parties. That's all I have to say. Thank you very much.

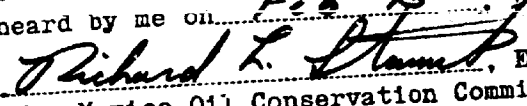
MR. STAMETS: If there is nothing further, we will take the case under advisement.

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. 5167 heard by me on FEB 13, 19 74.

  
Richard L. Stamm, Examiner  
New Mexico Oil Conservation Commission

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## OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO  
P. O. BOX 2088 - SANTA FE  
87501

L. R. TRUJILLO  
CHAIRMAN

LAND COMMISSIONER  
ALEX J. ARMIJO  
MEMBER

STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY - DIRECTOR

May 21, 1974

Mr. William J. Cooley  
Burr & Cooley  
Attorneys at Law  
152 Petroleum Center Building  
Farmington, New Mexico 87401

Re: CASE NO. 5167  
ORDER NO. R-4730-B

Applicant: *Reimer & McKenzie*  
Reimer & McKenzie

Dear Sir:

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

Very truly yours,

*A. L. Porter, Jr.*

A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC X  
Artesia OCC         
Aztec OCC X

Other George Hunker, Tom Kellahin, ....

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 5167 DE NOVO  
Order No. R-4730-B

APPLICATION OF FLUID POWER PUMP  
COMPANY AND PETRO-LEWIS CORPORA-  
TION FOR COMPULSORY POOLING,  
SANDOVAL COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 23, 1974, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 21st day of May, 1974, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

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

(2) That the applicants, Fluid Power Pump Company and Petro-Lewis Corporation seek an order pooling all mineral interests in the Entrada formation underlying two non-standard proration units approved by the Commission's Order No. R-4287 in Township 19 North, Range 3 West, NMPM, Media-Entrada Oil Pool, Sandoval County, New Mexico, described as follows:

Unit No. 1, the S/2 SW/4 of Section 14 and the N/2 NW/4 of Section 23, dedicated to applicants' Federal Media Well No. 1, located in Unit M of said Section 14; and Unit No. 2, the S/2 SE/4 of Section 15 and the N/2 NE/4 of Section 22, to be dedicated to applicants' Federal Media Well No. 2, located in Unit P of said Section 15.

(3) That the matter came on for hearing at 9:00 a.m. on February 13, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets, and, pursuant to this hearing, Order No. R-4730 (as corrected by Order No. R-4730-A) was issued on February 21, 1974, which granted Fluid Power Pump Company and Petro-Lewis Corporations' application and compulsorily pooled all mineral interests in the Entrada formation underlying the above-described units.

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Case No. 5167 De Novo  
Order No. R-4730-B

(4) That on March 18, 1974, application for Hearing De Novo was made by John K. Reimer and R. E. McKenzie Jr. and the matter was set for hearing before the Commission.

(5) That the matter came on for hearing De Novo on April 23, 1974.

(6) That the evidence adduced at said hearing indicates that Commission Order No. R-4730 (as corrected by Order No. R-4730-A), entered February 21, 1974, should be affirmed.

IT IS THEREFORE ORDERED:

(1) That Commission Order No. R-4730 (as corrected by Order No. R-4730-A), entered February 21, 1974, is hereby affirmed.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION



*[Signature]*  
I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member

*[Signature]*  
A. L. PORTER, Jr., Member & Secretary

S E A L

dr/



Application of Fluid Power Pump  
Company and Petro-Fawc Corp-  
oration for compulsory pooling,  
Sandoval County, New Mexico

Case No. 5168 DE NOVO

Order No. R-4730-A

Before Commission - April 23, 1974

FINDS:

(1) Jurisdiction

(2) That the applicants, Fluid Power Pump Company and Petro Fawc Corporation seek an order pooling all mineral interests in the Entrada formation underlying two non-standard proration units approved by the Commission Order Nos. R-4282 in Township 19 North, Range 3 West NMPM, Medina-Entrada Oil Pool, Sandoval County, New Mexico, described as follows:

Unit No. 1, the  $S\frac{1}{2}$   $SW\frac{1}{4}$  of Section 14 and the  $NE\frac{1}{2}$   $NW\frac{1}{4}$  of Section 23, dedicated to applicants Federal Media Well No. 1, located in Unit M of said section 14; and

Indent

Unit No. 2, the  $S\frac{1}{2}$   $SE\frac{1}{4}$  of Section 15 and the  $N\frac{1}{2}$   $NE\frac{1}{4}$  of Section 22, to be dedicated to applicants Federal Media Well No. 2, located in Unit P of said Section 15.

(3) That the matter came on for hearing <sup>at</sup> 9:00 AM, February 13, 1974, at Santa Fe, New Mexico, before Examiner ~~Richard L. Hamels~~ <sup>Richard L. Hamels</sup>, and, pursuant to this hearing, Order NO. R-4730 was issued on February 21, 1974, which granted Fluid Power Pump Company and Petro Lario Corporation's application and compulsorily pooled all mineral interests in the Estrada formation underlying the above-described units.

(4) That on March 18, 1974, application for hearing de novo was made by John K. Rainer and R.E. McKenzie Jr. and the matter was set for hearing before the Commission.

(5) That the matter came on for hearing de novo on April 23, 1974.

(6) That the evidence adduced at said hearing indicates that Commission Order NO. R-4730, entered February 21, 1974, should be affirmed.

#### ORDERED

(1) That Commission Order NO. R-4730, entered February 21, 1974, is hereby affirmed.

(2) Jurisdiction

DOVE

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 5167  
Order No. R-4730

APPLICATION OF FLUID POWER PUMP  
COMPANY AND PETRO-LEWIS CORPORATION  
FOR COMPULSORY POOLING, SANDOVAL  
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 13, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 21st day of February, 1974, the Commission, a quorum being present, 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 Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicants, Fluid Power Pump Company and Petro-Lewis Corporation, seek an order pooling all mineral interests in the Entrada formation underlying two non-standard proration units approved by Commission Order No. R-4287 in Township 19 North, Range 3 West, NMPM, Media-Entrada Oil Pool, Sandoval County, New Mexico, described as follows:

Unit No. 1, the S/2 SW/4 of Section 14 and N/2 NW/4 of Section 23, dedicated to applicants' Federal Media Well No. 1 located in Unit M of said Section 14; and

Unit No. 2, the S/2 SE/4 of Section 15 and N/2 NE/4 of Section 22, to be dedicated to applicants' Federal Media Well No. 2 located in Unit P of said Section 15.

(3) That said Federal Media Wells No. 1 and 2 are producing oil wells.

(4) That there are royalty interest owners in said two non-standard proration units who have not agreed to pool their interests.

(5) That to avoid the drilling of unnecessary wells, to

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CASE NO. 5167  
Order No. R-4730

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 units.

(6) That Petro-Lewis Corporation should be designated the operator of the subject wells and units.

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

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Entrada formation underlying the two non-standard gas production units authorized by Commission Order No. R-4287 in Township 19 North, Range 3 West, NMPM, Media-Entrada Pool, Sandoval County, New Mexico, as described below are hereby pooled and dedicated to the following described producing oil wells:

Unit No. 1, the S/2 SW/4 of Section 14 and N/2 NW/4 of Section 23, dedicated to applicants' Federal Media Well No. 1 located in Unit M of said Section 14; and

Unit No. 2, the S/2 SE/4 of Section 15 and N/2 NE/4 of Section 22, to be dedicated to applicants' Federal Media Well No. 2 located in Unit P of said Section 15.

(2) That Petro-Lewis Corporation is hereby designated the operator of the subject wells and units.

(3) That all proceeds from production from the subject wells which are not and have not been disbursed for any reason shall be placed in escrow in Sandoval County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

-3-

CASE NO. 5167  
Order No. R-4730

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

I. R. TRUJILLO, Chairman



*Alex J. Armijo*  
ALEX J. ARMIJO, Member

*A. L. Porter, Jr.*  
A. L. PORTER, JR., Member & Secretary

S E A L

jr/

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

CASE NO. 5167  
Order No. R-4730-A

APPLICATION OF FLUID POWER PUMP  
COMPANY AND PETRO-LEWIS CORPORATION  
FOR COMPULSORY POOLING, SANDOVAL  
COUNTY, NEW MEXICO.

NUNC PRO TUNC ORDER

BY THE COMMISSION:

It appearing to the Commission that due to clerical error and inadvertence Order No. R-4730, dated February 21, 1974, does not state the intended order of the Commission,

IT IS THEREFORE ORDERED:

(1) That Paragraph (5) on Page 1 of Order No. R-4730, be and the same is hereby corrected to read in its entirety as follows:

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

(2) That Order No. (1) on Page 2 of Order No. R-4730, be and the same is hereby corrected to read in its entirety as follows:

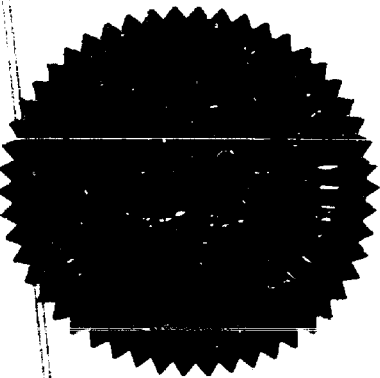
"(1) That all mineral interests, whatever they may be, in the Entrada formation underlying the two non-standard oil proration units authorized by Commission Order No. R-4287 in Township 19 North, Range 3 West, NMPM, Media-Entrada Pool, Sandoval County, New Mexico, as described below are hereby pooled and dedicated to the following described producing oil wells:"

(3) That the corrections as set forth in this order be entered nunc pro tunc as of February 21, 1974.

-2-  
Case No. 5167  
Order No. R-4730-A

DONE at Santa Fe, New Mexico, on this 6th day of March,  
1974.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

  
*I. R. Trujillo*  
I. R. TRUJILLO, Chairman

*Alex J. Armiijo*  
ALEX J. ARMIJO, Member

*A. L. Porter, Jr.*  
A. L. PORTER, Jr., Member & Secretary

S E A L

dr/

DOCKET: COMMISSION HEARING - TUESDAY - APRIL 23, 1974

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

CASE 5216: In the matter of the hearing called by the Oil Conservation Commission upon its own motion to consider the amendment of Rule 1203 of the Commission Rules and Regulations to simplify the method of initiating a hearing before the Commission or its examiners, and to include a provision for the acceptance of verbal applications for hearing when such is necessary to permit the meeting of deadlines for publication of legal notice, provided that a subsequent written application would be required.

CASE 5217: In the matter of the hearing called by the Oil Conservation Commission upon its own motion to consider the adoption of a Commission definition for "Temporary Abandonment" of wells, and further to consider the amendment of Rule 202 of the Commission Rules and Regulations to adopt an administrative procedure for abandonment of wells in this state for a limited period of time only, and for the adoption of a requirement for an individual one-well plugging bond for the continued temporary abandonment of any well after the expiration of the administrative period of time in which such well could be temporarily abandoned.

CASE 5158: (De Novo)

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.

Upon application of Michael P. Grace and Corinne Grace, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 5167: (De Novo)

Application of Fluid Power Pump Company and Petro-Lewis Corporation for compulsory pooling, Sandoval County, New Mexico. Applicants, in the above-styled cause, seek an order pooling all mineral interests underlying two non-standard proration units in Township 19 North,



(Case 5167 continued from Page 1)

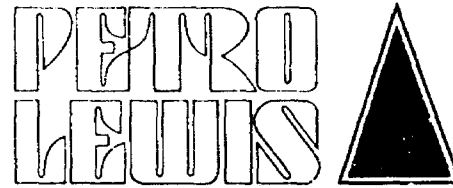
Range 3 West, Media-Entrada Oil Pool, Sandoval County, New Mexico,  
described as follows:

Unit No. 1, the S/2 SW/4 of Section 14 and N/2 NW/4  
of Section 23, dedicated to applicants' Media Well  
No. 1 located in Unit M of said Section 14; and

Unit No. 2, the S/2 SE/4 of Section 15 and N/2 NE/4  
of Section 22, to be dedicated to applicants' Media  
Well No. 2 located in Unit P of said Section 15.

Upon application of John K. Reimer and R. E. McKenzie, Jr., this  
case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 5218: Application of John K. Reimer and R. E. McKenzie, Jr. for 40-acre  
spacing, revocation of non-standard proration units, and re-  
establishment of 40-acre allowables, Sandoval County, New Mexico.  
Applicants, in the above-styled cause, seek an order rescinding  
that portion of Order No. R-4277 which established 160-acre spacing  
units for the Media-Entrada Oil Pool, Sandoval County, New Mexico,  
alleging the existence of reservoir information now available, but  
not available at the time of the spacing hearing. Applicants further  
seek the revocation of orders numbers R-4274 and R-4287 which estab-  
lished four 160-acre non-standard oil proration units in said pool,  
and the revocation of Order No. R-4713 which established a special  
depth bracket allowable of 750 barrels of oil per day for said pool.



1600 Broadway  
Denver Colorado 80202

Telephone 892-3010  
Area Code 303

Petro-Lewis Corporation  
Oil and Gas Producers

April 1, 1974

Ms. Ida Rodriguez  
New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico

Re: Transcript of Examiner  
Hearing - Case 5167  
Sandoval County, New Mexico

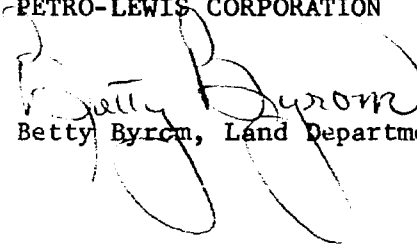
Dear Ms. Rodriguez:

At the request of Mr. Mac Moore, we are returning captioned transcript.

Thank you very much for your assistance.

Very truly yours,

PETRO-LEWIS CORPORATION

  
Betty Byron, Land Department

bb

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 4685  
Order No. R-4287

APPLICATION OF FLUID POWER PUMP  
COMPANY FOR TWO NON-STANDARD OIL  
PRORATION UNITS, SANDOVAL COUNTY,  
NEW MEXICO.

ORDER OF THE COMMISSION

4685 R-4287  
4685 R-4287

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 5, 1972,  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 17th day of April, 1972, the Commission, a  
quorum being present, 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 Commission has jurisdiction of this cause and the subject  
matter thereof.

(2) That the applicant, Fluid Power Pump Company, seeks  
approval of two 160-acre non-standard oil proration units in  
the Media-Entrada Oil Pool, comprising the S/2 SW/4 of Section 14  
and the N/2 NW/4 of Section 23; and the S/2 SE/4 of Section 15  
and N/2 NE/4 of Section 22, all in Township 19 North, Range 3  
West, NMPM, Sandoval County, New Mexico.

(3) That each of the proposed non-standard proration units  
can reasonably be presumed to be productive of oil and can be  
efficiently and economically drained and developed by the wells  
to which the units are to be dedicated.

(4) That approval of the subject application will prevent  
the economic loss caused by the drilling of unnecessary wells,  
avoid the augmentation of risk arising from the drilling of an  
excessive number of wells, and otherwise prevent waste and protect  
correlative rights.

IT IS THEREFORE ORDERED:

(1) That a 160-acre non-standard oil proration unit  
comprising the S/2 SW/4 of Section 14 and the N/2 NW/4 of  
Section 23 and a 160-acre non-standard oil proration unit

-2-

CASE NO. 4685  
Order No. R-4287

comprising the S/2 SE/4 of Section 15 and N/2 NE/4 of Section 22, all in Township 19 North, Range 3 West, NMPM, Media-Entrada Oil Pool, Sandoval County, New Mexico, are hereby established.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

BRUCE KING, Chairman

ALEX J. ARMIJO, Member

A. L. PORTER, Jr., Member & Secretary

S E A L

dr/



## OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO  
P. O. BOX 2088 - SANTA FE  
87501

I. R. TRUJILLO  
CHAIRMAN  
LAND COMMISSIONER  
ALEX J. ARMJO  
MEMBER  
STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY - DIRECTOR

March 6, 1974

Mr. George Hunker  
Hunker, Fedric & Higginbotham  
Attorneys at Law  
Post Office Box 1837  
Roswell, New Mexico 88201

Re: CASE NO. 5167  
ORDER NO. R-4730-A  
Applicant:  
Fluid Power Pump Co. &  
Petro-Lewis Corporation

Dear Sir:

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

Very truly yours,

*A. L. Porter, Jr.*

A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC X  
Artesia OCC     
Aztec OCC X

Other Mr. William J. Cooley

LAW OFFICES OF  
HUNKER, FEDRIC & HIGGINBOTHAM, P.A.

210 HINKLE BUILDING

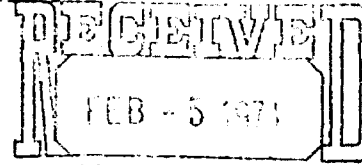
POST OFFICE BOX 1837

ROSWELL, NEW MEXICO 88201

TELEPHONE 622-2700  
AREA CODE 505

GEORGE H. HUNKER, JR.  
DON M. FEDRIC  
RONALD M. HIGGINBOTHAM

February 4, 1974



William F. Carr, Attorney  
New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

OIL CONSERVATION COMMA  
Santa Fe

Re: Case 5167  
Petro-Lewis and  
Fluid Power Pump Company  
Compulsory Pooling  
Sandoval County, New Mexico  
Media Entrada Oil Pool

Dear Mr. Carr:

I have previously indicated to you that due to the press of business and other commitments, we would be unable to prepare and adequately present the opposing party's views in connection with the above case at the hearing set for Wednesday, February 13, 1974, at 9:00 A.M.

We would like for you to show that we are entering our appearance in this case on behalf of R. E. McKenzie, Jr., of Roswell, New Mexico, and John K. Reimer, of Albuquerque, New Mexico, and present, if you will, this letter to the Commission requesting that the subject case be continued at least a period of 30 days. We have employed an engineer to assist us in the studies required, and we must give him an adequate period of time within which to prepare his case.

We are aware of the Commission's decision in Case 5152, Order R-4713 (a companion case), and we would like to make an observation for the benefit of the Commission that the Petro-Lewis Corporation as Operator represented that it would install production equipment on each of the existing 160-acre non-standard spacing units in the subject field, and a continuance of the case will permit the applicants an opportunity to demonstrate their good faith and will also give them time to contemplate a unitization of the subject area.

Respectfully submitted,

HUNKER, FEDRIC & HIGGINBOTHAM, P.A.

*George H. Hunker, Jr.*  
George H. Hunker, Jr.

GHH:dd

Mr. William F. Carr  
February 4, 1974  
Page 2

cc: Mr. R. E. McKenzie, Jr.  
cc: Mr. John K. Reimer  
cc: Mr. William J. Cooley



## OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO  
P. O. BOX 2688 - SANTA FE  
87501

February 22, 1974

I. R. TRUJILLO  
CHAIRMAN

LAND COMMISSIONER  
ALEX J. ARMIJO  
MEMBER

STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY - DIRECTOR

Mr. George Hunker  
Hunker, Fredric & Higginbotham  
Attorneys at Law  
Post Office Box 1837  
Roswell, New Mexico 88201

Re: CASE NO. 5167  
ORDER NO. R-4730

Applicant:  
Fluid Power Pump Company &  
Petro-Lewis Corporation

Dear Sir:

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

Very truly yours,

A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC   x    
Artesia OCC         
Aztec OCC   x  

Other Mr. William Cooley  
\_\_\_\_\_



LAW OFFICES OF  
**HUNKER, FEDRIC & HIGGINBOTHAM, P.A.**

210 HINKLE BUILDING

POST OFFICE BOX 1837

ROSWELL, NEW MEXICO 88201

GEORGE H. HUNKER, JR.  
DON M. FEDRIC  
RONALD M. HIGGINBOTHAM

TELEPHONE 622-2700  
AREA CODE 505

February 18, 1974

William F. Carr, General Counsel  
New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Re: Case No. 5167  
Petro-Lewis & Fluid Power  
Pump Company vs.  
Reimer & McKenzie

Dear Mr. Carr:

In order that the Commission may be fully aware of our position as Attorneys for Respondents John K. Reimer and R. E. McKenzie, Jr., we would like for your office and the Commission to be advised as follows:

1. That the prior applications filed by Fluid Power Pump Company in Cases 4642, 4673 and 4685 may not have been in compliance with the Commission Rule No. 1203, and should the respondents have been regarded (in those cases) as "interested parties", they were not named nor did they have any actual notice of the proceedings. As a consequence of this, they would not have had due process.
2. That the Petro-Lewis Application in Case No. 5152 was similarly defective; however, actual notice was received by respondents of the hearing in that case. The notice was sent to Reimer and McKenzie anonymously from Santa Fe.
3. That respondents' appearances in any of the first three cases would have been irrelevant for the reason that the force pooling of their interests was not within the call of any of the hearings.
4. Should the Commission elect to enter an order purporting to pool the interests of the overriding royalty owners (a 6% interest) under United States Oil & Gas Lease NM 058122 (embracing the SW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 24 and the SE $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 15 in Township 19 North, Range 3 West, N.M.P.M.), it appears to us that the statutory provision of Section 65-13-14.5B should be controlling in the present circumstances, and that from and after the effective date of any pooling order respondents should

Mr. William F. Carr  
February 18, 1974  
Page 2

be entitled to either the amount to which each interest would be entitled if pooling had occurred or the amount to which each interest is entitled in the absence of pooling. From and after the effective date of the pooling order, respondents presently elect to receive the basic 40-acre allowable (now 107 barrels per well per day for the 5,000-6,000 foot depth bracket) from both of the two wells located on this single federal lease. It would appear to us that this is the only way respondents can receive their just and equitable share of the oil in the pool. As to production of oil in excess of the 40-acre allowable, that amount may be attributed to the 160-acre spacing units created under the previous Commission orders.

5. To protect correlative rights, any order should provide that the Operator should pay or cause to be paid the amounts to which respondents are entitled, at the same time and in the same manner as royalties payable to the United States under the terms of the lease are computed and paid. In the light of the testimony of Mr. Gray, care must be taken so as to avoid the premature abandonment of the wells on the Reimer and McKenzie lease. Attention should be given to this item in any order entered by the Commission.

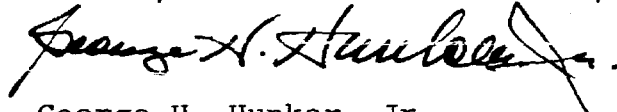
6. Attention is also called to our letter to the Commission dated October 5, 1973, and to the attorney's reply of November 7, 1973. This matter, you will recall, related to our request for an Attorney General's opinion.

7. For Division Order purposes, may we suggest that any pooling order be made effective as of the first of the month next following the date upon which it is filed.

We are sending a copy of this letter to Mr. William J. Cooley, so that his clients, Petro-Lewis and Fluid Power Pump Company, can file a similar position paper.

Respectfully submitted,

HUNKER, FEDRIC & HIGGINBOTHAM, P.A.



George H. Hunker, Jr.

GHH:dd

cc: Mr. John K. Reimer  
cc: Mr. R. E. McKenzie, Jr.  
xc: Mr. William J. Cooley

OIL CONSERVATION COMMISSION  
Post Office Box 2088  
SANTA FE, NEW MEXICO  
87501

February 1, 1974

M E M O R A N D U M

TO: ALL OPERATORS

FROM: A. L. PORTER, Jr., SECRETARY-DIRECTOR

SUBJECT: APPLICATIONS FOR HEARING

Beginning immediately Rule 1203 of the Commission Rules and Regulations will be strictly adhered to in the matter of initiating hearings. The rule in its entirety is quoted below:

"RULE 1203. METHOD OF INITIATING A HEARING

The Commission upon its own motion, the Attorney General on behalf of the State, and any operator, producer or any other person having a property interest may institute proceedings for a hearing. If the hearing is sought by the Commission it shall be on motion of the Commission and if by any other person it shall be by application. The application in TRIPLICATE shall state (1) the name or general description of the common sources of supply affected by the order sought, unless the same is intended to apply to and affect the entire state, in which event the application shall so state, (2) briefly the general nature of the order, rule or regulation sought, (3) any other matter required by a particular rule or rules, and (4) whether applicant desires a hearing before the Commission or an Examiner, and, if hearing before an Examiner is desired, the time and place applicant prefers the hearing to be held may be stated in the application, and such application shall state a list of the names and addresses of all interested parties known to applicant.

An application shall be signed by the person seeking the hearing or by his attorney. Unless required by specific rule, an application need not be verified."

Please consider this as official notice that no oral applications will be accepted. Only written applications will be advertised for hearing.

ALP/ir

DOCKET: EXAMINER HEARING - WEDNESDAY - FEBRUARY 13, 1974

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,  
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:

- ALLOWABLE: (1) Consideration of the allowable production of gas for March, 1974, from fourteen prorated pools in Lea, Eddy, Roosevelt, and Chaves Counties, New Mexico;
- (2) Consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for March, 1974.

CASE 5130: (Continued from the January 3, 1974, Examiner Hearing)

Application of Mesa Petroleum Company for the amendment of Order No. R-4658, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-4658, which order promulgated special pool rules for the North Shoe Bar-Strawn Pool, Lea County, New Mexico. Applicant seeks the amendment of said rules to provide for a special gas-oil ratio limitation of 4000 to one.

CASE 5165: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Western States Equipment Company, The Travelers Indemnity Company and all other interested parties to appear and show cause why the Hutcherson Com Well No. 1 located in Unit C of Section 27, Township 9 South, Range 34 East, Lea County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5166: Application of Skelly Oil Company for an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox gas well location of its South Salt Lake Unit Well No. 1 at a point 660 feet from the North and West lines of Section 21, Township 21 South, Range 32 East, Lea County, New Mexico. Applicant further seeks establishment of an administrative procedure for the approval of additional unorthodox locations in said South Salt Lake Unit Area without hearing.

CASE 5167: Application of Fluid Power Pump Company and Petro-Lewis Corporation for compulsory pooling, Sandoval County, New Mexico. Applicants, in the above-styled cause, seek an order pooling all mineral interests underlying two non-standard proration units in Township 19 North, Range 3 West, Media-Entrada Oil Pool, Sandoval County, New Mexico, described as follows:

Unit No. 1, the S/2 SW/4 of Section 14 and N/2 NW/4 of Section 23, dedicated to applicants' Media Well No. 1 located in Unit M of said Section 14; and

Case 5167 continued from page 1)

Order No. 1, the 1/2 Sec 34 of Section 24 and 1/2 Sec 34 of Section 24, to be dedicated as applicants' Mine

CASE 5168: Application of L. H. Hume, Jr., for an unorthodox oil well location, including an order for approval of applicant, in the above-entitled cause, seeks an order for its proposed Humber-licker No. 11 to be located on the 1/2 Sec 34 of Section 24, Township 1 North, Range 32 East, Lea County, New Mexico.

CASE 5169: Application of Atlantic Richfield Company for an unorthodox oil well location and the amendment of Order No. 1-311, Lea County, New Mexico, in the above-entitled cause, seeks approval for the unorthodox location of a well to be located 1270 feet from the south line and 111 feet from the west line of Section 24, Township 1 North, Range 32 East, Lea County, New Mexico. Applicant further seeks the amendment of Order No. 1-311 which authorized said project to provide for administrative approval of additional initial locations in said project.

CASE 5170: Application of L. H. Hume, Jr., for compulsory pooling, Eddy County, New Mexico. In the above-entitled cause, seeks an order for the compulsory pooling of the Humber-licker No. 11 to be located on the 1/2 Sec 34 of Section 24, Township 1 North, Range 32 East, Lea County, New Mexico, to be dedicated to its Humber-licker No. 11 to be located on the 1/2 Sec 34 of Section 24, Township 1 North, Range 32 East, Lea County, New Mexico. Also to be amended will be an order authorizing and completing said well to be located on the 1/2 Sec 34 of Section 24, Township 1 North, Range 32 East, Lea County, New Mexico. It is considered by the designated applicant that the well and a charge for drilling and completion is required.

CASE 5170: Application of L. H. Hume, Jr., for compulsory pooling, Eddy County, New Mexico. Applicant in the above-entitled cause, seeks an order authorizing all mineral interests in the Humber-licker No. 11 to be located on the 1/2 Sec 34 of Section 24, Township 1 North, Range 32 East, Lea County, New Mexico, to be dedicated to its Humber-licker No. 11 to be located on the 1/2 Sec 34 of Section 24, Township 1 North, Range 32 East, Lea County, New Mexico. Also to be amended will be an order authorizing and completing said well to be located on the 1/2 Sec 34 of Section 24, Township 1 North, Range 32 East, Lea County, New Mexico. It is considered by the designated applicant that the well and a charge for drilling and completion is required.

CASE 5171: Application of Coquina Oil Corporation for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests of Pennsylvanian age and older underlying the N/2 of Section 16, Township 19 South, Range 25 East, Eddy County, New Mexico, to be dedicated to a well proposed to be drilled at an unorthodox location 990 feet from the North and East lines of said Section 16. 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 5140: (Continued from the January 16, 1974, Examiner Hearing)

Application of Pierce & Dehlinger for compulsory pooling, Vada-Pennsylvanian Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Vada-Pennsylvanian Pool underlying the NW/4 of Section 24, Township 9 South, Range 33 East, Lea County, New Mexico, to be dedicated to the King Resources Sheridan Well No. 1-A located in Unit C of said Section 24. Also to be considered is designation of the applicant as operator of the NW/4 of said Section 24 and the well located thereon, provision for allocation of actual operating costs and charges for supervision, and allocation of costs for reworking said well including a 200% charge attributable to any non-consenting working interest owner's pro rata share of said workover costs, for the risk involved in said workover.

CASE 4956: (Reopened) (Continued from the January 16, 1974, Examiner Hearing)

Application of Pierce & Dehlinger for a determination of well costs, Lea County, New Mexico. Applicant, as operator of the Sheridan Well No. 1 located in Unit M of Section 13, Township 9 South, Range 33 East, Lea County, New Mexico, to which well is dedicated the SW/4 of said Section 13, all mineral interests in the Vada-Pennsylvanian Pool thereunder having been pooled by Commission Order No. R-4560, seeks the determination of reasonable well costs attributable to applicant and to King Resources, including, but not limited to, the costs of reworking and placing said Sheridan Well No. 1 back on production and attorneys fees in connection therewith. Applicant further seeks an order assessing, as a charge for the risk involved in the reworking of the well, 120% of the pro rata share of the reasonable well costs attributable to the working interest of King Resources.

CASE 5124: (Continued from the January 16, 1974, Examiner Hearing)

Application of Belco Petroleum Corporation for compulsory pooling and an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests

(Case 5124 continued from Page 3)

underlying the S/2 of Section 30, Township 20 South, Range 33 East, South Salt Lake-Morrow Gas Pool, Lea County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the South line and 1300 feet from the East line of said Section 30. 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 5172: Southeastern New Mexico nomenclature case calling for the creation, abolishment, contraction and extension of certain pools in Lea, Eddy, and Chaves Counties, New Mexico.

(a) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Upper Pennsylvanian production and designated as the Avalon-Upper Pennsylvanian Gas Pool. The discovery well is Atlantic Richfield Company, State BO Com No. 1 located in Unit G of Section 15, Township 21 South, Range 26 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM  
Section 15: N/2

(b) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Rocky Arroyo-Atoka Gas Pool. The discovery well is the El Paso Natural Gas Company Patterson No. 1 located in Unit H of Section 30, Township 22 South, Range 22 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 22 EAST, NMPM  
Section 30: E/2

(c) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Canyon production and designated as the Rocky Arroyo-Canyon Gas Pool. The discovery well is the El Paso Natural Gas Company Rocky Arroyo C No. 1 located in Unit F of Section 8, Township 22 South, Range 22 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 22 EAST, NMPM  
Section 8: W/2

(d) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the Winchester-Strawn Gas Pool. The discovery well is the Hillin Production Company JCW State Com No. 1 located in Unit C of Section 2, Township 20 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM  
Section 2: N/2

(e) Create a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the Indian Draw-Delaware Pool, and to consider the assignment of 16,300 barrels of oil discovery allowable to the discovery well, the Amoco Production Company Old Indian Draw Unit Well No. 1, located in Unit J of Section 18, Township 22 South, Range 28 East, Eddy County, New Mexico. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM  
Section 18: SE/4

(f) Abolish the East Weir-Tubb Pool in Lea County, New Mexico, described as:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM  
Section 12: E/2 and S/2 SW/4  
Section 13: N/2

(g) Extend the Monument-Tubb Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM  
Section 11: E/2 SE/4  
Section 12: E/2 and SW/4  
Section 13: N/2

(h) Contract the Wantz-Abo Pool in Lea County, New Mexico, by the deletion of the following described area:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM  
Section 1: SE/4 SW/4  
Section 12: NW/4 NE/4

(i) Contract the Winchester-Wolfcamp Pool in Eddy County, New Mexico, by the deletion of the following described area:

TOWNSHIP 19 SOUTH, RANGE 26 EAST, NMPM  
Section 35: S/2 SE/4

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM  
Section 2: W/2 NE/4

(j) Extend the West Atoka-Cisco Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM  
Section 11: S/2



- (k) Extend the West Atoka-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

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

- (l) Extend the Cabin Lake-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 30 EAST, NMPM  
Section 35: W/2

TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM  
Section 2: N/2

- (m) Extend the Catclaw Draw-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM  
Section 20: All

- (n) Extend the Cato-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANGE 30 EAST, NMPM  
Section 25: SW/4  
Section 26: SE/4

TOWNSHIP 20 SOUTH, RANGE 30 EAST, NMPM  
Section 29: All

- (o) Extend the Burton Flats-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM  
Section 33: E/2  
Section 34: N/2

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM  
Section 4: Lots 1, 2, 7, 8, 9, 10, 15 and 16

- (p) Extend the Burton Flats-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM  
Section 34: S/2

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM  
Section 3: Lots 1 through 16

(q) Extend the South Empire-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM  
Section 31: S/2

(r) Extend the Fren Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM  
Section 15: W/2 SW/4

(s) Extend the Grayburg-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM  
Section 28: S/2

(t) Extend the Golden Lane-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 29 EAST, NMPM  
Section 5: Lots 3, 4, 5, 6, 11, 12,  
13 and 14

(u) Extend the Logan Draw-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM  
Section 27: All

(v) Extend the North Morton-Permo Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 34 EAST, NMPM  
Section 25: S/2  
Section 36: NE/4

(w) Extend the Penasco Draw San Andres-Yeso Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM  
Section 30: N/2

(x) Extend the Quail Ridge-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM  
Section 17: E/2

(y) Extend the Red Lake-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM

Section 7: S/2

Section 8: W/2

(z) Extend the Rocky Arroyo-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 22 EAST, NMPM

Section 33: S/2

TOWNSHIP 22 SOUTH, RANGE 22 EAST, NMPM

Section 4: N/2

Section 5: All

Section 8: W/2

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

TOWNSHIP 20 SOUTH, RANGE 33 EAST, NMPM

Section 32: S/2

Section 33: W/2

(bb) Extend the West Sawyer-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 37 EAST, NMPM

Section 23: NW/4

(cc) Extend the Scharb-Bone Springs Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM

Section 2: S/2

(dd) Extend the North Shoebar-Strawn Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM

Section 13: NE/4

(ee) Extend the Square Lake Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM

Section 9: NE/4

- (ff) Extend the North Vacuum-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM

Section 1: NW/4

Section 15: N/2 SW/4

- (gg) Extend the Vada-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 33 EAST, NMPM

Section 2: SW/4

- (hh) Extend the Washington Ranch-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 25 SOUTH, RANGE 24 EAST, NMPM

Section 28: S/2

- (ii) Extend the White City-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM

Section 30: All

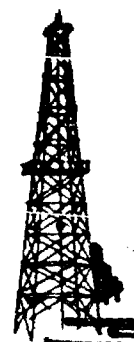
- (jj) Extend the Winchester-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM

Section 34: W/2

# Fluid Power Pump Company

1420 CARLISLE, NE, SUITE 203  
ALBUQUERQUE, NEW MEXICO 87110  
PHONE (505) 266-8621



February 14, 1974

Mrs. Mary Kelso  
The Permian Corporation  
P. O. Box 1183  
Houston, Texas 77001

Re: #1 Media, SW $\frac{1}{4}$ SW $\frac{1}{4}$ , Sec. 14, T-19N, R-3W  
Permian Lease No. 560559  
#2 Media, SE $\frac{1}{4}$ SE $\frac{1}{4}$ , Sec. 15, T-19N, R-3W  
Permian Lease No. 565230  
Sandoval County, New Mexico  
Case 5167

Dear Mrs. Kelso:

This is to advise that Fluid Power Pump Company has no objection whatsoever and does hereby request that you release all funds which you are holding in suspense for the account of John K. Reimer and Robert E. McKenzie, Jr. arising from their overriding royalty interests in the Fluid Power Pump Company #1 Media and #2 Media wells.

Sincerely yours,

Fluid Power Pump Company

*George T. Slaughter*

George T. Slaughter, President  
GTS:hk

cc: New Mexico Oil Conservation Commission  
cc: Petro-Lewis Corporation  
cc: George H. Hunker, Jr., Attorney for Reimer and McKenzie

LAW OFFICES OF  
**HUNKER, FEDRIC & HIGGINBOTHAM, P.A.**

210 HINKLE BUILDING

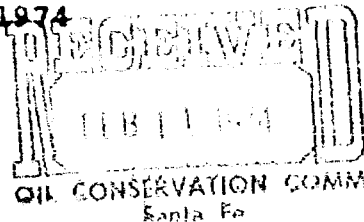
POST OFFICE BOX 1837

GEORGE H. HUNKER, JR.  
DON M. FEDRIC  
RONALD M. HIGGINBOTHAM

ROSWELL, NEW MEXICO 88201

TELEPHONE 622-2700  
AREA CODE 505

February 8, 1974



Fluid Power Pump Company  
1420 Carlisle Blvd., N.E.  
Albuquerque, New Mexico 87106

The Permian Corporation  
P. O. Box 1183  
Houston, Texas 77001

Petro-Lewis Corporation  
1400 Colorado State Bldg.  
1600 Broadway  
Denver, Colorado 80202

Partnership Properties Co.  
1400 Colorado State Bldg.  
1600 Broadway  
Denver, Colorado 80202

Shell Oil Company  
Ciniza Refinery  
Gallup, New Mexico 87301  
Attention: Refineries Manager, A. Collins

Re: Federal Media Wells #1 & 2,  
Township 19 North, Range 3 West  
Sec. 14: SW $\frac{1}{4}$ SW $\frac{1}{4}$   
Sec. 15: SE $\frac{1}{4}$ SE $\frac{1}{4}$   
Sandoval County, New Mexico

Gentlemen:

We represent John K. Reimer and Robert E. McKenzie, Jr., in connection with an overriding royalty interest at 6% owned by them pertaining to production from the captioned lease and lands embraced in Permian Division Order 565230, dated May 18, 1971. Runs were suspended wrongfully by Fluid Power Pump Company on October 1, 1972, and our clients have not been paid for their interests since that time. Effective January 1, 1973, 50% of the Fluid Power Pump Company interest in the subject properties was transferred to Partnership Properties Co., and effective May 1, 1973, Petro-Lewis assumed the responsibility for the operations of the properties.

February 8, 1974  
Page 2

Although frequent demands were made for payment and release of the suspended funds, no relief has been given our clients. As a consequence of the foregoing, they caused a statutory lien to be filed (applicable to first and subsequent purchasers), dated January 24, 1974, recorded January 25, 1974, at 1:00 P.M., in Miscellaneous Book 51, page 569, Sandoval County, New Mexico. A copy of the recorded Notice of Lien is enclosed. Petro-Lewis and Fluid Power Pump Company acknowledge liability, as will be noted in the Application to Force Pool (copy attached) filed with the New Mexico Oil Conservation Commission on January 14, 1974. Our clients have not voluntarily pooled their interests and are adverse to force pooling as presently structured.

Your companies are placed on actual notice of our clients' claim of lien. They are entitled to 6% of all production (or the value thereof) less applicable taxes from the subject lease from October 1, 1972, at 7:00 A.M., to this date. For accounting purposes, payment may be made on the basis of value from October 1, 1972, through December 31, 1973. An amount sufficient to pay their respective interests commencing on January 1, 1974, at 7:00 A.M., should be withheld until the controversy pertaining to pooling has been resolved by the Commission and/or the Courts as the exigencies of the situation may dictate.

Please send the run checks to be covering the period from October of 1972 through December of 1973, and I will place them in the hands of our clients. A full accounting sheet should be furnished with each check.

Should you have any question with regard to the foregoing, please do not hesitate to advise.

Respectfully submitted,

HUNKER, FEDRIC & HIGGINBOTHAM, P.A.

George H. Hunker, Jr.

GHH:dd  
Encis.

cc: New Mexico Oil Conservation Commission  
cc: Mr. William J. Cooley

NOTICE OF LIEN

NOTICE IS HEREBY GIVEN that John K. Reimer and R. E. McKenzie, Jr., whose address is c/o George H. Hunker, Jr., P. O. Box 1837, Roswell, New Mexico 88201, own a Six Percent (6%) interest in the products severed from the Federal Media No. 1 and Federal Media No. 2 wells by Fluid Power Pump Company, 1420 Carlisle Blvd., N.E., Albuquerque, New Mexico 87110, Petro-Lewis Corporation and/or Partnership Properties Co., 1400 Colorado State Building, 1600 Broadway, Denver, Colorado 80202, which said wells are located on the following described land in Sandoval County, New Mexico:

Township 19 North, Range 3 West, N.M.P.M.

Section 14: SW $\frac{1}{4}$ SW $\frac{1}{4}$

Section 15: SE $\frac{1}{4}$ SE $\frac{1}{4}$

Products severed from said production units have been and are now or may be taken, received and purchased by The Permian Corporation; and the above-named interest owners have a purchase money security interest in and lien upon such products and the proceeds thereof to secure payment of the purchase price for the period of 7:00 A.M., October 1, 1972, to 7:00 A.M., January 1, 1974, under the provisions of the Oil and Gas Products Lien Act, Section 61-10-1 et seq., NMSA 1953, as amended.

DATED this 24th day of January, 1974.

STATE OF NEW MEXICO )  
COUNTY OF SANDOVAL ) ss  
This instrument was filed for record on

JAN 25 1974  
A.M. P.M.  
Recorded in Vol. 100-5  
of records of said county, folio 56.9  
ELOISA ARCHIBEQUE, Ck. & Recorder  
By: Leticia Duran

John K. Reimer  
JOHN K. REIMER

R. E. McKenzie, Jr.  
R. E. MCKENZIE, JR.

STATE OF NEW MEXICO )  
COUNTY OF CHAVES ) ss

The foregoing instrument was acknowledged before me this 24th day of January, 1974, by John K. Reimer and R. E. McKenzie, Jr.

My Commission expires: 12-24-75

George H. Hunker, Jr.  
Notary Public



DOCKET: EXAMINER HEARING - WEDNESDAY - FEBRUARY 13, 1974

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,  
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:

- ALLOWABLE: (1) Consideration of the allowable production of gas for March, 1974, from fourteen prorated pools in Lea, Eddy, Roosevelt, and Chaves Counties, New Mexico;
- (2) Consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for March, 1974.

CASE 5130: (Continued from the January 3, 1974, Examiner Hearing)

Application of Mesa Petroleum Company for the amendment of Order No. R-4658, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-4658, which order promulgated special pool rules for the North Shoe Bar-Strawn Pool, Lea County, New Mexico. Applicant seeks the amendment of said rules to provide for a special gas-oil ratio limitation of 4000 to one.

CASE 5165: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Western States Equipment Company, The Travelers Indemnity Company and all other interested parties to appear and show cause why the Hutcherson Com Well No. 1 located in Unit C of Section 27, Township 9 South, Range 34 East, Lea County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5166: Application of Skelly Oil Company for an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox gas well location of its South Salt Lake Unit Well No. 1 at a point 660 feet from the North and West lines of Section 21, Township 21 South, Range 32 East, Lea County, New Mexico. Applicant further seeks establishment of an administrative procedure for the approval of additional unorthodox locations in said South Salt Lake Unit Area without hearing.

CASE 5167: Application of Fluid Power Pump Company and Petro-Lewis Corporation for compulsory pooling, Sandoval County, New Mexico. Applicants, in the above-styled cause, seek an order pooling all mineral interests underlying two non-standard proration units in Township 19 North, Range 3 West, Media-Entrada Oil Pool, Sandoval County, New Mexico, described as follows:

Unit No. 1, the S/2 SW/4 of Section 14 and N/2 NW/4 of Section 23, dedicated to applicants' Media Well No. 1 located in Unit M of said Section 14; and

(Case 5167 continued from Page 1)

Unit No. 2, the S/2 SE/4 of Section 15 and N/2 NE/4 of Section 22, to be dedicated to applicants' Media Well No. 2 located in Unit P of said Section 15.

CASE 5168: Application of Silver Monument Minerals, Inc. for an unorthodox oil well location, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill its proposed Humble-Tucker Well No. 5 at an unorthodox location 1315 feet from the South and West lines of Section 25, Township 7 South, Range 32 East, Chaveroo-San Andres Pool, Roosevelt County, New Mexico.

CASE 5169: Application of Atlantic Richfield Company for an unorthodox oil well location and the amendment of Order No. R-3011, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 1200 feet from the South line and 1250 feet from the West line of Section 24, Township 17 South, Range 32 East, Johns Waterflood Project, Maljamar Pool, Lea County, New Mexico. Applicant further seeks the amendment of Order No. R-3011 which authorized said project to provide for administrative approval of additional infill locations in said project.

CASE 5173: Application of Mobil Oil Corporation 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 W/2 of Section 3, Township 23 South, Range 27 East, South Carlsbad Field, Eddy County, New Mexico, to be dedicated to its Maude Rickman Com Well No. 1 located in Unit L of said Section 3. 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 5170: Application of Monsanto 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 16, Township 19 South, Range 25 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location in the NE/4 of said Section 16. 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 5171: Application of Coquina Oil Corporation for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests of Pennsylvanian age and older underlying the N/2 of Section 16, Township 19 South, Range 25 East, Eddy County, New Mexico, to be dedicated to a well proposed to be drilled at an unorthodox location 990 feet from the North and East lines of said Section 16. 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 5140: (Continued from the January 16, 1974, Examiner Hearing)

Application of Pierce & Dehlinger for compulsory pooling, Vada-Pennsylvanian Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Vada-Pennsylvanian Pool underlying the NW/4 of Section 24, Township 9 South, Range 33 East, Lea County, New Mexico, to be dedicated to the King Resources Sheridan Well No. 1-A located in Unit C of said Section 24. Also to be considered is designation of the applicant as operator of the NW/4 of said Section 24 and the well located thereon, provision for allocation of actual operating costs and charges for supervision, and allocation of costs for reworking said well including a 200% charge attributable to any non-consenting working interest owner's pro rata share of said workover costs, for the risk involved in said workover.

CASE 4956: (Reopened) (Continued from the January 16, 1974, Examiner Hearing)

Application of Pierce & Dehlinger for a determination of well costs, Lea County, New Mexico. Applicant, as operator of the Sheridan Well No. 1 located in Unit M of Section 13, Township 9 South, Range 33 East, Lea County, New Mexico, to which well is dedicated the SW/4 of said Section 13, all mineral interests in the Vada-Pennsylvanian Pool thereunder having been pooled by Commission Order No. R-4560, seeks the determination of reasonable well costs attributable to applicant and to King Resources, including, but not limited to, the costs of reworking and placing said Sheridan Well No. 1 back on production and attorney fees in connection therewith. Applicant further seeks an order assessing, as a charge for the risk involved in the reworking of the well, 120% of the pro rata share of the reasonable well costs attributable to the working interest of King Resources.

CASE 5124: (Continued from the January 16, 1974, Examiner Hearing)

Application of Belco Petroleum Corporation for compulsory pooling and an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests

(Case 5124 continued from Page 3)

underlying the S/2 of Section 30, Township 20 South, Range 33 East, South Salt Lake-Morrow Gas Pool, Lea County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the South line and 1300 feet from the East line of said Section 30. 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 5172: Southeastern New Mexico nomenclature case calling for the creation, abolishment, contraction and extension of certain pools in Lea, Eddy, and Chaves Counties, New Mexico.

(a) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Upper Pennsylvanian production and designated as the Avalon-Upper Pennsylvanian Gas Pool. The discovery well is Atlantic Richfield Company, State BO Com No. 1 located in Unit G of Section 15, Township 21 South, Range 26 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM

Section 15: N/2

(b) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Rocky Arroyo-Atoka Gas Pool. The discovery well is the El Paso Natural Gas Company Patterson No. 1 located in Unit H of Section 30, Township 22 South, Range 22 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 22 EAST, NMPM

Section 30: E/2

(c) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Canyon production and designated as the Rocky Arroyo-Canyon Gas Pool. The discovery well is the El Paso Natural Gas Company Rocky Arroyo C No. 1 located in Unit F of Section 8, Township 22 South, Range 22 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 22 EAST, NMPM

Section 8: W/2

(d) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the Winchester-Strawn Gas Pool. The discovery well is the Hillin Production Company JCW State Com No. 1 located in Unit C of Section 2, Township 20 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM

Section 2: N/2

(e) Create a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the Indian Draw-Delaware Pool, and to consider the assignment of 16,300 barrels of oil discovery allowable to the discovery well, the Amoco Production Company Old Indian Draw Unit Well No. 1, located in Unit J of Section 18, Township 22 South, Range 28 East, Eddy County, New Mexico. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM  
Section 18: SE/4

(f) Abolish the East Weir-Tubb Pool in Lea County, New Mexico, described as:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM  
Section 12: E/2 and S/2 SW/4  
Section 13: N/2

(g) Extend the Monument-Tubb Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM  
Section 11: E/2 SE/4  
Section 12: E/2 and SW/4  
Section 13: N/2

(h) Contract the Wantz-Abo Pool in Lea County, New Mexico, by the deletion of the following described area:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM  
Section 1: SE/4 SW/4  
Section 12: NW/4 NE/4

(i) Contract the Winchester-Wolfcamp Pool in Eddy County, New Mexico, by the deletion of the following described area:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM  
Section 35: S/2 SE/4

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM  
Section 2: W/2 NE/4

(j) Extend the West Atoka-Cisco Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM  
Section 11: S/2

- (k) Extend the West Atoka-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

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

- (l) Extend the Cabin Lake-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 30 EAST, NMPM  
Section 35: W/2

TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM  
Section 2: N/2

- (m) Extend the Catclaw Draw-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM  
Section 20: All

- (n) Extend the Cato-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANGE 30 EAST, NMPM  
Section 25: SW/4  
Section 26: SE/4

TOWNSHIP 20 SOUTH, RANGE 30 EAST, NMPM  
Section 29: All

- (o) Extend the Burton Flats-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM  
Section 33: E/2  
Section 34: N/2

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM  
Section 4: Lots 1, 2, 7, 8, 9, 10, 15 and 16

- (p) Extend the Burton Flats-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM  
Section 34: S/2

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM  
Section 3: Lots 1 through 16

(q) Extend the South Empire-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM  
Section 31: S/2

(r) Extend the Fren Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM  
Section 15: W/2 SW/4

(s) Extend the Grayburg-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM  
Section 28: S/2

(t) Extend the Golden Lane-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 29 EAST, NMPM  
Section 5: Lots 3, 4, 5, 6, 11, 12,  
13 and 14

(u) Extend the Logan Draw-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM  
Section 27: All

(v) Extend the North Morton-Permo Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 34 EAST, NMPM  
Section 25: S/2  
Section 36: NE/4

(w) Extend the Penasco Draw San Andres-Yeso Pool in Eddy County, New Mexico, to include therein.

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM  
Section 30: N/2

(x) Extend the Quail Ridge-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM  
Section 17: E/2

(y) Extend the Red Lake-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM

Section 7: S/2

Section 8: W/2

(z) Extend the Rocky Arroyo-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 22 EAST, NMPM

Section 33: S/2

TOWNSHIP 22 SOUTH, RANGE 22 EAST, NMPM

Section 4: N/2

Section 5: All

Section 8: W/2

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

TOWNSHIP 20 SOUTH, RANGE 33 EAST, NMPM

Section 32: S/2

Section 33: W/2

(bb) Extend the West Sawyer-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 37 EAST, NMPM

Section 23: NW/4

(cc) Extend the Scharb-Bone Springs Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM

Section 2: S/2

(dd) Extend the North Shoebar-Strawn Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM

Section 13: NE/4

(ee) Extend the Square Lake Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM

Section 9: NE/4



- (ff) Extend the North Vacuum-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM

Section 1: NW/4

Section 15: N/2 SW/4

- (gg) Extend the Vada-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 33 EAST, NMPM

Section 2: SW/4

- (hh) Extend the Washington Ranch-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 25 SOUTH, RANGE 24 EAST, NMPM

Section 28: S/2

- (ii) Extend the White City-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM

Section 30: All

- (jj) Extend the Winchester-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM

Section 34: W/2

BURR & COOLEY  
ATTORNEYS AND COUNSELORS AT LAW  
SUITE 152 PETROLEUM CENTER BUILDING  
FARMINGTON, NEW MEXICO  
87401

JOEL B. BURR, JR.  
WM. J. COOLEY

February 21, 1974

TELEPHONE 325-1702  
AREA CODE 505

Mr. William F. Carr, General Counsel  
New Mexico Oil Conservation Commission  
P.O. Box 2088  
Santa Fe, New Mexico 87501

Re: Case No. 5167  
Petro-Lewis and Fluid Power Pump Company vs.  
Reimer and McKenzie

Dear Mr. Carr:

We are submitting the following in response to the letter or "position paper" of Mr. Hunker dated February 18, 1974, regarding the above-referred matter:

1. We do not consider that Messrs. Reimer and McKenzie were "interested parties" in the sense that that term is used in Rule 1203 of the Commission's Rules and Regulations with respect to the matters that were at issue in Case Nos. 4642, 4673, and 4685. It is our position that the matters considered in those cases were those which were of primary concern to working interest owners and operators and particularly operators of the leases in question. We do not believe that it was contemplated by this Rule that an exhaustive title search be undertaken to determine the names and addresses of any and all persons who might own an interest in the leases in question as a prerequisite to establishing pool rules or establishing non-standard proration units within any such pool. This in our opinion would be an undue burden on any applicant for the establishment of pool rules and if Mr. Hunker is correct, would subject the establishment of any such pool rules by the Commission to collateral attacks at any later date in the event one single overriding royalty owner in the entire pool should not be listed as an "interested party" in the application.

Furthermore, we submit that all of the Commission's Rules and Regulations must be read in conjunction with each other and

William F. Carr  
February 21, 1974  
Page 2

that Rule 1204 specifically provides the method of giving legal notice for hearings before the Oil Conservation Commission, i.e.,

personal service on the person affected or by publication once in a newspaper of general circulation published in Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county or each of the counties, if there be more than one, in which any land, oil, gas, or other property which may be affected shall be situated.

I am sure that if you will search the records of the Commission over the past twenty years you will not find a single case where the Commission or an applicant has undertaken to make personal service of Notice of Hearing Before the Oil Conservation Commission. On the contrary, the Commission has relied consistently upon the alternative method of service by publication as provided in the above-quoted portion of Commission Rule 1204.

The Commission's records reflect that proper publication as required by Rule 1204 and applicable statutes of the State of New Mexico was made in Case Nos. 4642, 4673, and 4685. If Mr. Hunker wishes to contest these orders on the grounds of due process, we submit that the proper place to do so is not before the Oil Conservation Commission but in the Courts.

2. In paragraph 2 of Mr. Hunker's letter he would initially seem to attack the application in Case No. 5152 on similar grounds discussed in paragraph 1 above; however, at the same time he would appear to abandon this position by admitting that his clients had actual notice of the case in question which, of course, is obvious from the fact that he appeared and participated in Case No. 5152 on behalf of Reimer and McKenzie.

3. For whatever purpose it may serve, we freely agree with Mr. Hunker that the issue of forced pooling was not within the call of Case Nos. 4642, 4673, or 4685, nor did the Commission purport to deal with the issue of forced pooling in any of those cases.

William F. Call  
February 21, 1974  
Page 23

4. With respect to the contention set forth in paragraph 4 of Mr. Hunker's letter, we want to go on record as disagreeing with his interpretation of Section 65-3-14.5 B in that we contend that after the effective date of any pooling order, production from the pooled unit is to be shared by the various interest owners therein in proportion to their respective interests in the entire pooled unit. At this point we would also like to call to your attention that throughout the history of the Oil Conservation Commission the undersigned is unaware of any forced pooling order which provided for participation in production from a forced pooled unit on any basis other than straight acreage participation. We submit that this method of participation is implicit in the Commission's Rules and Regulations in that every acre in each producing proration unit or duly established producing non-standard proration unit is presumed to be equally productive of the forced pooled substances.

In any event we would respectfully submit that the interpretation of Section 16-3-14.5 B is not within the province or jurisdiction of the New Mexico Oil Conservation Commission. The sole question to be decided by the Commission in this case is whether good cause has been shown by the applicants to justify the forced pooling of all interests in the two non-standard proration units in question. Any controversy that may arise between our clients and Messrs. Reimer and McKenzie with respect to the interpretation of Section 16-3-14.5 B must of necessity be resolved by the Courts of this State and not by the Oil Conservation Commission.

5. In response to paragraph 5 of Mr. Hunker's letter, we would point out to the Commission that Messrs. Reimer and McKenzie will be paid any and all moneys due them directly by the purchaser of the oil in question, i.e., The Permian Corporation, and that Reimer and McKenzie's just share of the proceeds from production will never come into the hands of the applicants or any of them.

6. We do not feel that any response is required to paragraph 6 of Mr. Hunker's letter.

7. Although as Mr. Hunker suggested it might be more convenient for division order purposes to make the Commission's forced pooling order effective as of the first day of the month next following

William F. Call  
February 21, 1974  
Page 4

the date upon which it is entered, we must object to this proposal by reason of the fact that the applicants are required by the provisions of Section 65-3-14.5 B to pay Reimer and McKenzie on the basis of 40 acre spacing rather than 160 acre spacing until such time as forced pooling has been accomplished. Accordingly, our clients are thus prejudiced by every days delay that occurs prior to effective forced pooling.

The only other point that we would like to make in connection with this matter is that Mr. Hunker from his remarks at the hearing of this case appears to be under the impression that the applicants are trying to "steal" his clients' overriding royalties or a portion thereof by these proceedings. This is simply not the case. It so happens that Messrs. Reimer and McKenzie own overriding royalties only under the two 40 acre tracts on which the two wells in question are situated and under 40 acre spacing they would be entitled to their overriding royalties of 100% of production from the wells; however, under the 160 acre spacing it has been established by the Commission in the Media Entrada Pool that they are only entitled to their overriding royalties on one-fourth of the production and the royalty and overriding royalty owners in the other 120 acres in the 160 acre proration unit are entitled likewise to share in the production from the 160 acres in the proration unit even though the well is not physically located on the lease in which they own an interest. The applicants own the working interest in all of the leases included in the two non-standard proration units in question and accordingly, it is of no concern to them whether the production is attributable to one lease or the other insofar as the working interest is concerned. However, and until such time as a forced pooling order is entered the applicants are required to pay double overriding royalties by the provisions of Section 65-3-14.5 B. This occurs by reason of the fact that under the terms of this Section the applicants are required to pay Reimer and McKenzie as if the pool were being operated under 40 acre spacing and at the same time they are required to pay the overriding royalty owners in the other 120 acres of each of the two non-standard proration units on the basis of 160 acre spacing. Admittedly the applicants have been tardy in making their application for forced pooling in this case. However, it is only they who have

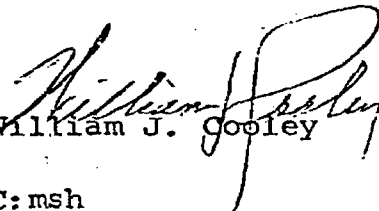
William F. Call  
February 21, 1974  
Page 5

suffered from this fact and no one else.

In view of the foregoing, we would respectfully request that the Commission enter its forced pooling order in the captioned case at the earliest possible date in order that further prejudice and loss to our clients may be prevented.

Very truly yours,

BURR & COOLEY

By   
William J. Cooley

WJC:msh

cc: George H. Hunker, Jr.  
Fluid Power Pump Company

NO. 31.120. FIVE YEARS BY MONTHS X 100 DIVISIONS.

codex  
GRAPH PAPER

IN STOCK DIRECT FROM CODEX BOOK CO. INC. NORWOOD, MASS. 02062  
PRINTED IN U.S.A.

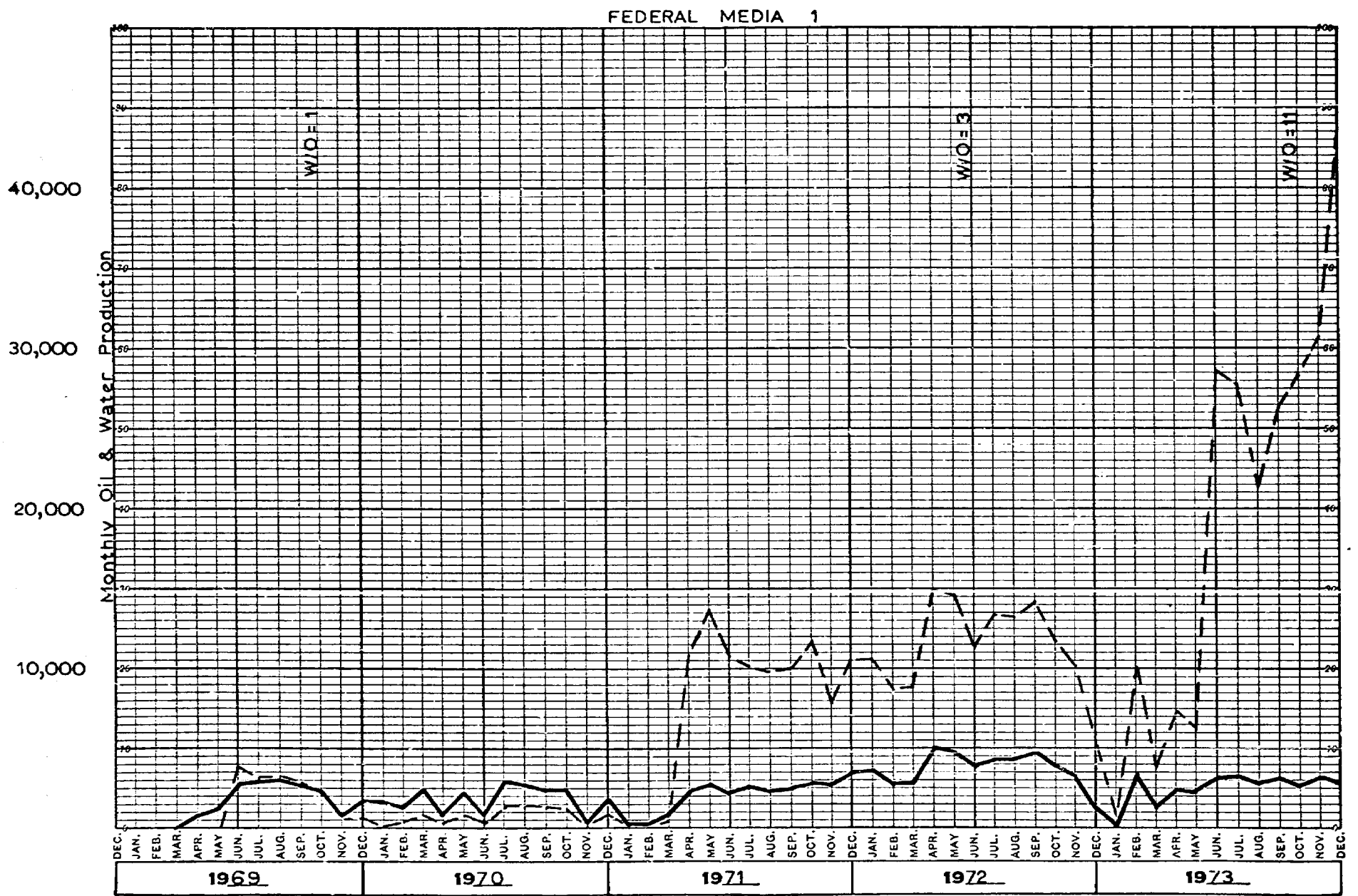


Exhibit #2

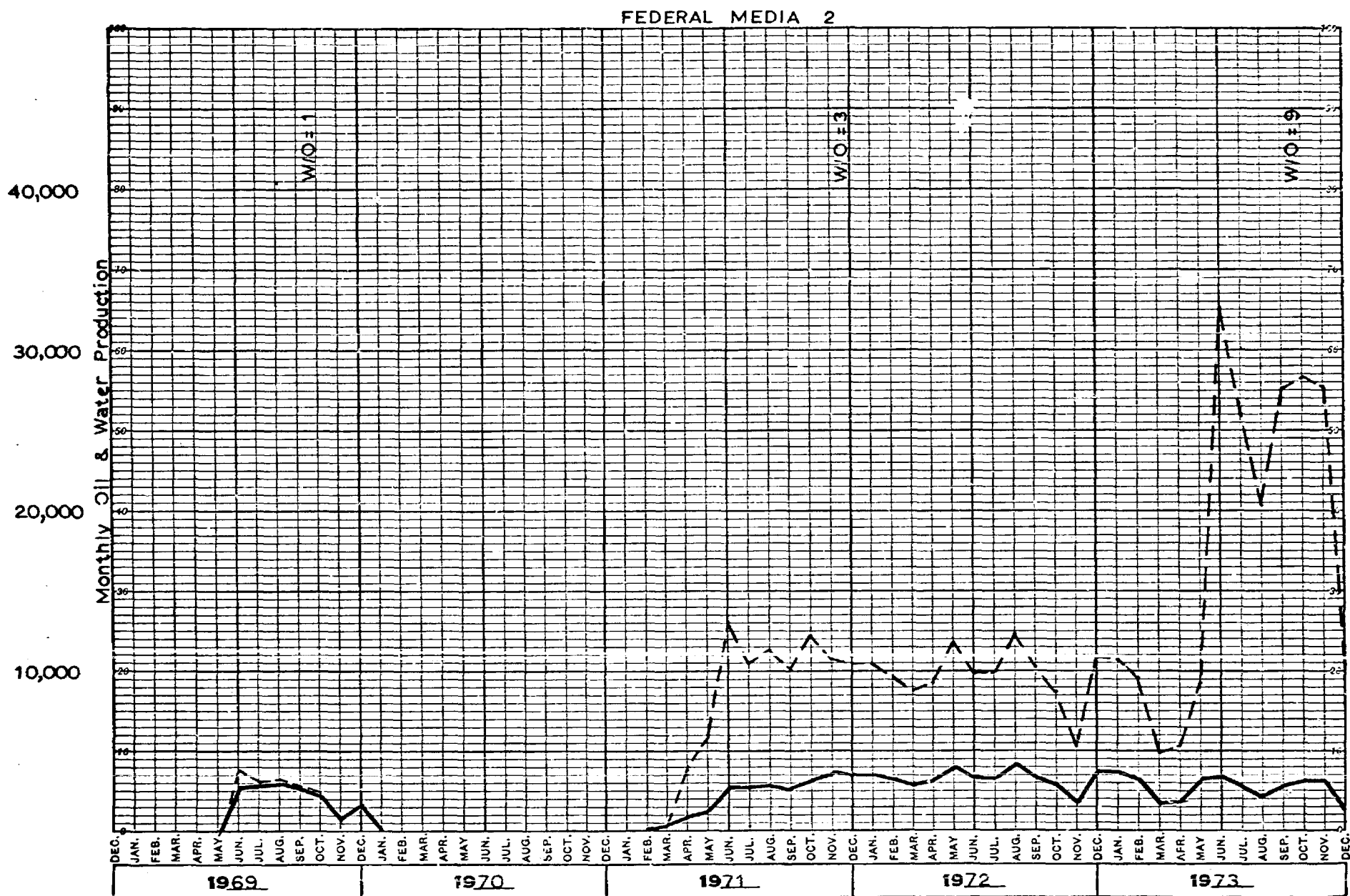


Exhibit #3



NO. 31,120. FIVE YEARS BY MONTHS X 100 DIVISIONS.

codex  
GRAPH PAPER

IN STOCK DIRECT FROM CODEX BOOK CO. INC. NORWOOD, MASS. 02062  
PRINTED IN U.S.A.

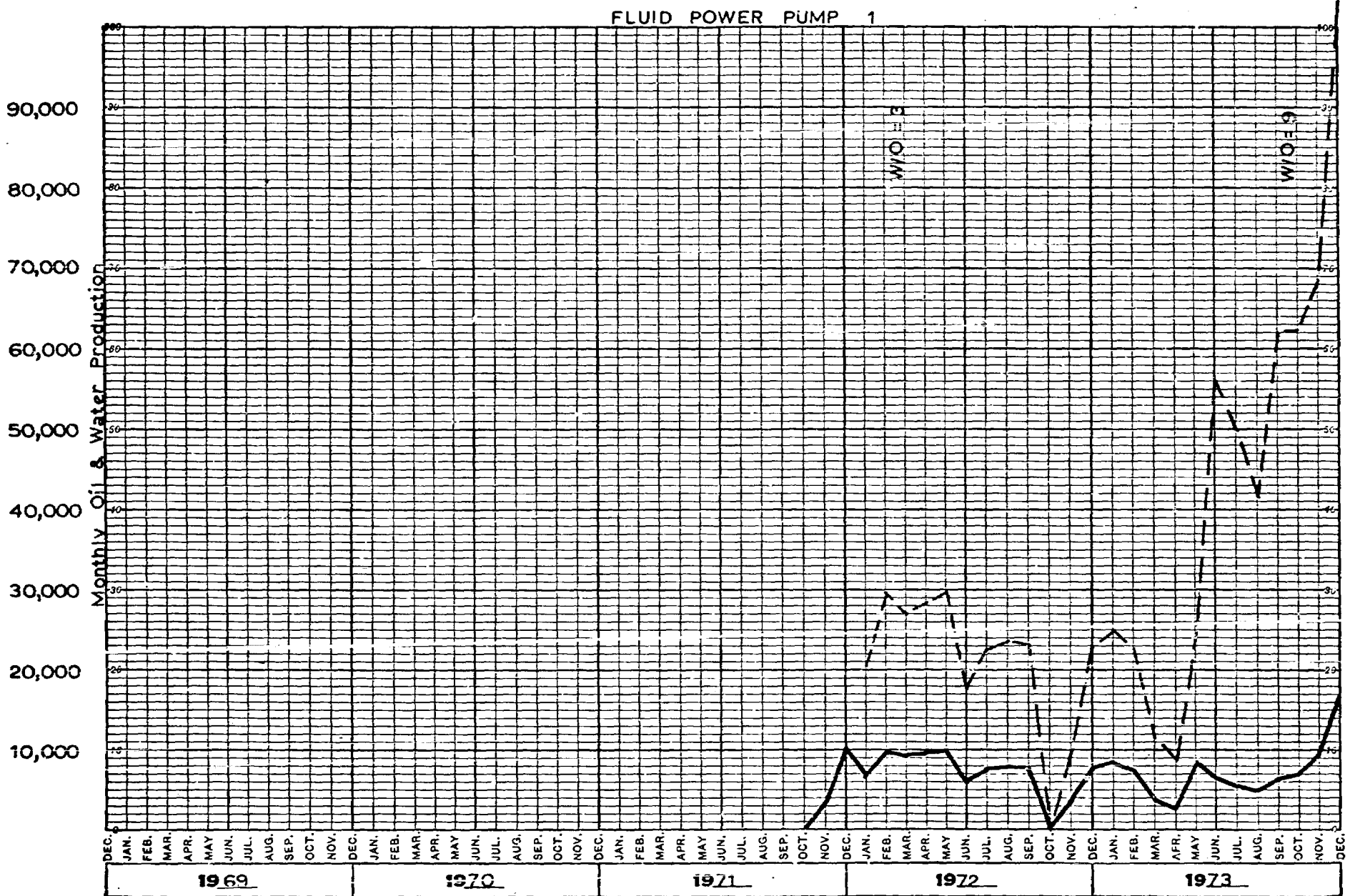


Exhibit #4

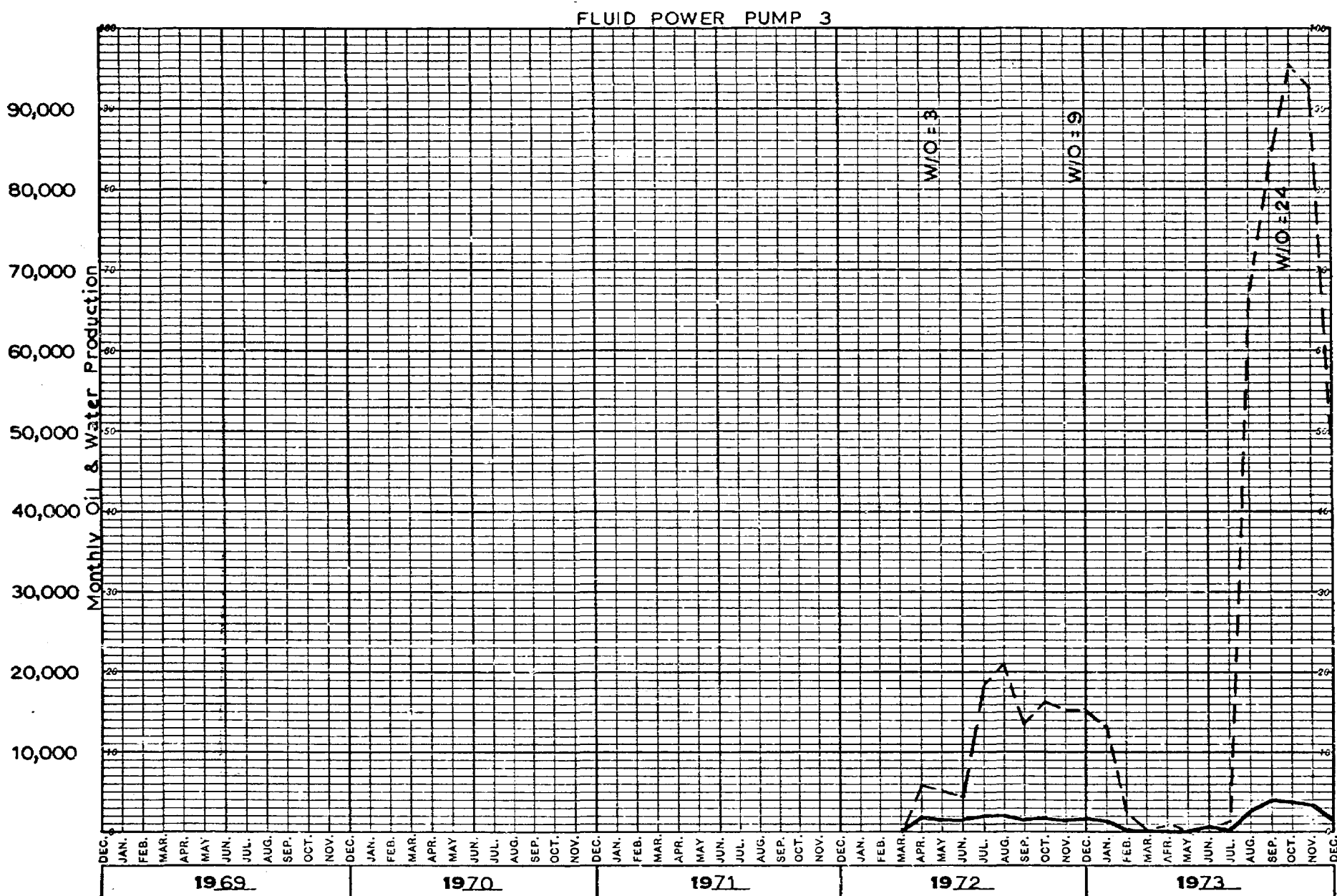


Exhibit #5

experiments of Morse (1947) on down-dip and up-dip water flooding of long artificially consolidated sand cores, though the data were partly vitiated by some abnormal wetting phenomena. Morse found that the water-flooding process was more efficient at slow rates than at high rates when the flooding was vertically upward. However, there existed a critical low velocity below which little difference in recovery efficiency was noted. Conversely, in flooding vertically downward, higher flooding efficiencies were attained by increased rates of flooding until a critical velocity was again reached beyond which no further change in efficiency occurred.

Taken from "Elements of Oil Reservoir Engineering"  
by Sylvain J. Pirson, First Edition. Published by  
McGraw-Hill Book Company, Inc., 1950.

BEFORE EXAMINER STAMETS  
OIL CONSERVATION COMMISSION  
\_\_\_\_ EXHIBIT NO. \_\_\_\_  
CASE NO. \_\_\_\_  
Submitted by \_\_\_\_  
Hearing Date \_\_\_\_

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

March 21, 1974

C  
O  
P  
Y

George Hunker, Esq.  
P. O. Box 1837  
Roswell, New Mexico 88201

Dear George:

Due to the fact that we will be in court against Mr. Grace on April 16, it is necessary that the Commission schedule the de novo hearing on the Reimer and McKenzie application for April 23 instead of April 16, as previously intended.

Very truly yours,

WILLIAM F. CARR  
General Counsel

WPC/dr

DOCKET MAILED

Date 4-11-74

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

March 21, 1974

C  
O  
P  
Y

Jack Cooley, Esq.  
Suite 152  
Petroleum Building  
Farmington, New Mexico 87401

Dear Jack:

Due to the fact that we will be in court against Mr. Grace on April 16, it is necessary that the Commission schedule the de novo hearing on the Reimer and McKenzie application for April 23 instead of April 16, as previously intended.

Very truly yours,

WILLIAM F. CARR  
General Counsel

WFC/dz

April 2, 1974

Santa Fe

Mr. Don H. Fedric  
Hunker, Fedric & Higginbotham, P.A.  
Post Office Box 1337  
Roswell, New Mexico 88201

RE: Grace v. NMOC, et al  
Hannifin & Cook, et al  
Cause No. 47406

Dear Don:

This letter is a follow-up to our telephone conversation of yesterday morning wherein I advised you that Judge Felter had granted a Continuance on the pending Motion in the above cause. As I told you over the weekend, Bob Ryan had to go to Mexico City unexpectedly on Saturday morning and will not be available all week. I relayed this information to Judge Felter, and he also received a telegram from Mr. Ryan verifying the information. I told Judge Felter that you were not agreeing to the Continuance, but Judge Felter indicated that because of the unavailability of Mr. Ryan, and the lack of prejudice to the parties, he would agree to the Continuance. He also informed me that he will set it down as soon as he can get it on his calendar again, and will give us notice of the new time.

I hope this has not caused you or your clients inconvenience, but these things do happen.

Very truly yours,

Farrell L. Lines

FLL:ml

cc: Mr. Robert W. Ryan, Jr.  
New Mexico Oil Conservation Commission

LAW OFFICES OF  
HUNKER, FEDRIC & HIGGINBOTHAM, P. A.

210 HINKLE BUILDING

POST OFFICE BOX 1837

ROSWELL, NEW MEXICO 88201

TELEPHONE 622-2700  
AREA CODE 505

GEORGE H. HUNKER, JR.  
DON M. FEDRIC  
RONALD M. HIGGINBOTHAM

March 18, 1974

*hearing  
set for April 16, 1974  
WJC*

A. L. Porter, Jr., Executive Director  
New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Re: Case No. 5167  
Order No. R-4730

Dear Mr. Porter:

We hand you herewith in triplicate, Application for Hearing De Novo by the Respondents, John K. Reimer and R. E. McKenzie, Jr. We would like for you to entertain our request to the effect that the Commission, on its own motion, undertake an engineering study of the wells in this field prior to the time of a hearing, so that the State will be in a position of having satisfied itself that no material damage is occurring to the Media Entrada reservoir. As a consequence of our request, we would consent to the postponement of a hearing for a reasonable period of time and until the Oil Conservation Commission Engineering Committee could have made a study of the wells as requested.

Mr. Cooley is endeavoring to obtain authority to settle this controversy, and we are looking forward to his procuring some kind of settlement authority. In the meantime, we are awaiting the receipt of monies due from Permian Corporation which have been withheld for a period from October 1, 1972.

We appreciate very much your help and assistance in connection with this matter.

Sincerely yours,

HUNKER, FEDRIC & HIGGINBOTHAM, P.A.

*George H. Hunker, Jr.*  
George H. Hunker, Jr.

GHH:dd  
Enc.

cc: Mr. John K. Reimer, w/enc.  
cc: Mr. R. E. McKenzie, Jr., w/enc.  
cc: Mr. William J. Cooley, w/enc.

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 5167  
ORDER NO. R-4730

APPLICATION OF FLUID POWER PUMP  
COMPANY AND PETRO-LEWIS CORPORATION  
FOR COMPULSORY POOLING, SANDOVAL  
COUNTY, NEW MEXICO.

APPLICATION FOR HEARING DE NOVO

This matter or proceeding, having been referred to and heard by Examiner Richard L. Stamets and a decision having been rendered thereon, the undersigned Respondents having been adversely affected thereby, respectfully request that this matter be heard de novo before the Commission.

Respondents have previously filed an Application for Rehearing in this matter, and hereby request that action on said application be deferred until after the de novo hearing is held.

Respondents will show by recent evidence that reservoir damage has occurred in the Media Entrada and that further damage to the reservoir will occur if applicants Fluid Power Pump Company and Petro-Lewis Company are permitted to produce oil and water from the pool in the manner presently authorized by the Commission, thereby causing waste and the impairment of correlative rights of Respondents.

In order that Respondents may receive their prorata part of the oil in the Media Entrada Pool without unnecessary expense, Respondents request that the Commission, on its own



motion, make an engineering study of and in the field, and  
that the engineering study be submitted to the Commission as  
a fair and unbiased report of actual field conditions.



George H. Hunker, Jr.  
HUNKER, FEDRIC & HIGGINBOTHAM, P.A.  
Attorneys for Respondents  
John K. Reimer & R. E. McKenzie, Jr.  
P. O. Box 1837  
Roswell, New Mexico 88201

BURR & COOLEY  
ATTORNEYS AND COUNSELORS AT LAW  
SUITE 152 PETROLEUM CENTER BUILDING  
FARMINGTON, NEW MEXICO  
87401

JOEL B. BURR, JR.  
WM. J. COOLEY

TELEPHONE 325-1702  
AREA CODE 505

March 25, 1974

Mr. William F. Carr  
General Counsel  
Oil Conservation Commission  
P.O. Box 2088  
Santa Fe, NM 87501

Dear Mr. Carr:

Re: Case No. 5167, Order R-4730

This is to acknowledge receipt of your notice that the de novo hearing in the above-referred case will be held on April 23, 1974.

We are in receipt of a copy of Mr. Hunker's application for hearing de novo on behalf of Messrs. Reimer and McKenzie, and we are enclosing herewith a Motion to Strike certain portions of the application on the ground that the application for hearing de novo attempts to raise matters outside the scope of Case No. 5167.

You are urged to rule on our Motion to Strike well in advance of the April 23 hearing date in order that all parties involved will be made aware of the scope of the hearing in sufficient time to adequately prepare.

We would also like to go on record as strenuously objecting to any further continuance of the de novo hearing in this case for the reason that any further delay in the final resolution of this matter will have an extremely adverse effect on the applicants.

Very truly yours,

BURR & COOLEY

By

  
William J. Cooley

WJC:kb  
Enclosure

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 5167  
ORDER NO. R-4730

APPLICATION OF FLUID POWER PUMP  
COMPANY AND PETRO-LEWIS CORPORATION  
FOR COMPULSORY POOLING, SANDOVAL  
COUNTY, NEW MEXICO.

MOTION TO STRIKE PORTIONS OF  
APPLICATION FOR HEARING DE NOVO

COME NOW the Applicants Fluid Power Pump Company and Petro-Lewis Corporation in the above-styled and numbered cause and respectfully move the Commission to strike the second and third paragraphs of Respondents' Application for Hearing De Novo and to limit the scope of the hearing to matters having to do with forced pooling as well as to exclude from this case any tender of evidence having to do with reservoir conditions in the Media Entrada oil pool.

It is evident from the second and third paragraphs of Respondents' Application for Hearing De Novo that they will attempt to introduce evidence at the hearing de novo to the effect that the operation of the Media Entrada oil pool under the special pool rules established by Order No. R-4277 in case No. 4642 decided March 15, 1972 has and will cause reservoir damage, waste and impairment of the correlative rights of the Respondents. The Applicants Fluid Power Pump Company and Petro-Lewis Corporation respectfully submit that any such efforts on the part of

Respondents would constitute a collateral attack on Commission Order No. R-4277 which is contrary to law and outside the scope of this case. At the conclusion of Order R-4277, the Commission expressly retained jurisdiction in Case No. 4642 "for the entry of such further orders as the Commission may deem necessary", and the only way that the special pool rules for the Media Entrada oil pool can lawfully be altered or attacked is through a proper application for the reopening of case No. 4642 for such purpose.

The Applicants Fluid Power Pump Company and Petro-Lewis Corporation have no objection per se to the Commission conducting an engineering study in the Media Entrada oil pool to ascertain actual field conditions in said pool; however, we again submit that not even the Commission's own engineering study is properly within the scope of this case. Not even the Commission could alter the special pool rules for the Media Entrada oil pool without reopening case No. 4642 for such purpose.

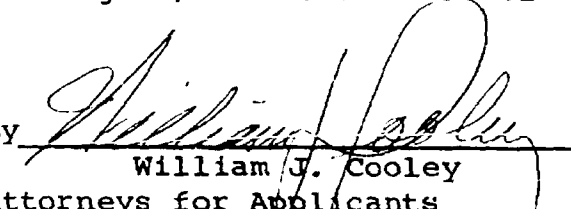
For the reasons stated above, Applicants respectfully request the Commission to strike paragraphs two and three of Respondents' Application for Hearing De Novo and to limit the scope of the hearing in this case to those matters directly affecting the sole issue of forced pooling.

Respectfully submitted,

BURR & COOLEY  
152 Petroleum Center Bldg.  
Farmington, New Mexico 87401

I hereby certify that a copy of the foregoing pleading was mailed to opposing counsel of record on \_\_\_\_\_.

Signed: \_\_\_\_\_

By   
William J. Cooley  
Attorneys for Applicants

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

March 18, 1974

CERTIFIED - RETURN  
RECEIPT REQUESTED

C  
O  
P  
Y  
  
George H. Hunker, Jr., Esq.  
210 Hinkle Building  
Roswell, New Mexico 88201

Re: Case No. 5167  
Order No. R-4730

Dear Mr. Hunker:

As you will recall, I have called your office on three occasions since March 5 and wrote you on March 7 requesting an opportunity to discuss the above-captioned case. As of this date, I have received no response from you.

My communications were brought about by the fact that the Oil Conservation Commission considered the Application for Rehearing which you filed on March 5, 1974, for Reimer and McKenzie to be improper. A Rehearing is granted by the Commission for the purpose of reviewing a Commission decision reached after a de novo appeal not an examiner hearing. If Reimer and McKenzie want to appeal Order No. R-4730, they should make proper application for hearing de novo.

My letter of March 7 stated that a de novo appeal should be filed in this case by March 15, 1974. This date was erroneously computed based on the date of the hearing instead of the date the order was filed. As you will note, Order No. R-4730 was entered on February 21, 1974. A de novo appeal, therefore, made for Reimer & McKenzie by 5:00 p.m. on March 25, 1974, will comply with the provisions of Section 65-3-11.1 NMSA, 1953, and Commission Rule 1220.

If no appeal is filed with the Commission by that date, I am of the opinion that Order No. R-4730 will become final, that Reimer and McKenzie will have failed to exhaust available administrative remedy, and that no appeal to the District Courts can properly lie.

Very truly yours,

WILLIAM F. CARR  
General Counsel

WFC/dr

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

March 7, 1974

George H. Hunker, Jr.  
P. O. Box 1837  
Roswell, New Mexico 88201

Re: Case No. 5167,  
Order No. R-4730

Dear Mr. Hunker:

Your letter of March 5, 1974, and the application for rehearing in the above-captioned cause were received by the Commission today. Commission examiner hearing orders are generally challenged by the dissatisfied party in a hearing de novo. After the hearing de novo a party affected adversely by an order may make application for rehearing. As you know, this is generally denied and all administrative remedy is, thereby, exhausted.

The members of the Commission reviewed the application for rehearing you filed for Reimer and McKenzie in this case. They asked me to contact you to see if you are seeking a hearing de novo before the Commission or if you are merely attempting to exhaust administrative remedies.

My records indicate that a de novo appeal should be filed in this case by March 15 pursuant to Section 65-3-11.1 NMSA, 1953, and Commission Rule 1220.

I would like to discuss this with you at your convenience.

Very truly yours,

WILLIAM F. CARR  
General Counsel

WFC/dr

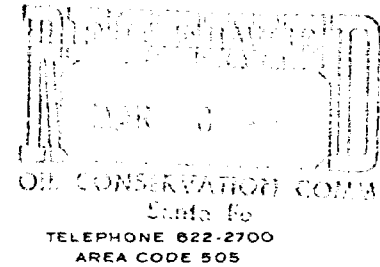
C  
O  
P  
Y

LAW OFFICES OF  
HUNKER, FEDRIC & HIGGINBOTHAM, P. A.

210 HINKLE BUILDING  
POST OFFICE BOX 1837

ROSWELL, NEW MEXICO 88201

GEORGE H. HUNKER, JR.  
DON M. FEDRIC  
RONALD M. HIGGINBOTHAM



March 5, 1974

A. L. Porter, Jr., Executive Director  
New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Re: Case No. 5167  
Order No. R-4730

Dear Mr. Porter:

We hand you herewith in triplicate the Application for Rehearing of John K. Reimer and R. E. McKenzie, Jr. Will you please file this Application in the usual manner. You have ten (10) days within which to either grant the rehearing or reject it.

We are sending a copy of the Application with a copy of this letter to Mr. William J. Cooley in Farmington, the Attorney representing Petro-Lewis Corporation and Fluid Power Pump Company.

Respectfully submitted,

HUNKER, FEDRIC & HIGGINBOTHAM, P.A.

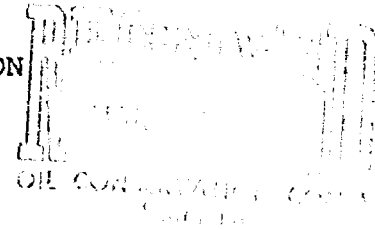
A handwritten signature in dark ink, appearing to read "George H. Hunker, Jr.", is written over the typed name.

George H. Hunker, Jr.

GHH:dd  
Encls.

cc: Mr. John K. Reimer, w/enc.  
cc: Mr. R. E. McKenzie, Jr., w/enc.  
cc: Mr. William J. Cooley, w/enc.

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO



IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 5167  
Order No. R-4730

APPLICATION OF FLUID POWER PUMP  
COMPANY AND PETRO-LEWIS CORPORATION  
FOR COMPULSORY POOLING, SANDOVAL  
COUNTY, NEW MEXICO.

APPLICATION FOR REHEARING

COME NOW John K. Reimer and R. E. McKenzie, Jr.,  
Respondents in the above entitled matter, and with reference  
to Commission Order R-4730, dated February 21, 1974, apply to  
the Oil Conservation Commission for a rehearing in respect to  
the following matters determined by its Order which they  
believe to be erroneous:

1. The Commission failed or refused to consider testimony  
aduced at the hearing presented by Respondents showing damage  
to the reservoir and a violation of Respondents' correlative  
rights.
2. That the Commission failed to comply with the Statute  
under which the proceeding was brought (65-14.5-B NMSA 1953),  
in that it failed to require applicant to account to and pay  
the respondent owners of overriding royalty interests the  
statutory amount established as being "the amount to which each  
interest would be entitled if pooling had occurred or the amount  
to which each interest is entitled in the absence of pooling,  
whichever is the greater."
3. No showing was made by applicant that force pooling  
would protect correlative rights.



4. No showing was made by applicant that each owner of an interest in the pool would be afforded an opportunity to recover and produce his just and fair share of the oil in the pool.

5. No request was made nor showing presented requiring the designation of an escrow agent. Commission instructions as to name, duties, responsibilities and authority of escrow agent are lacking in the order, hence finding (7) is inoperative, inappropriate and void for uncertainty. Finding No. 5 is not supported by testimony presented at the hearing.

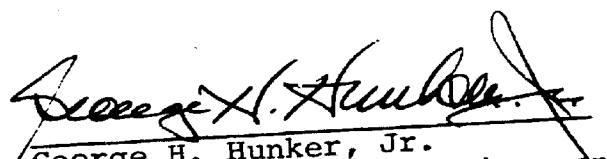
6. Finding No. 2 is improper in that it was based on an order of the Commission, R-4287, the basis for which was an improper application. The application in said case did not comply with Commission Rule 1203, requiring applications to contain a list of names and addresses of all interested parties known to applicant. Order R-4287 was inoperative so as to affect the correlative rights of Respondents inasmuch as they did not have due process of law.

7. That Finding 5 is erroneous in that it refers to the wells in the pool as being gas wells, where in truth and in fact the subject wells are oil wells.

It is respectfully requested that this matter be set down for hearing before the full Commission in April of 1974 or at such earlier date at which time the matter may be heard. That Petro-Lewis Corporation of Denver, Colorado, and Fluid Power Pump Company of Albuquerque, New Mexico, are interested parties.

This is to certify that a true and correct copy of the foregoing Application for Rehearing was mailed to William J. Cooley on the 5<sup>th</sup> day of March, 1974, as Attorney for Applicants.

  
George H. Hunker, Jr.

  
George H. Hunker, Jr.  
Attorney for John K. Reimer and  
R. E. McKenzie, Jr., Respondents  
HUNKER, FEDRIC & HIGGINBOTHAM, P.A.  
P. O. Box 1837  
Roswell, New Mexico 88201

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 5167  
ORDER NO. R-4730

APPLICATION OF FLUID POWER PUMP  
COMPANY AND PETRO-LEWIS CORPORATION  
FOR COMPULSORY POOLING, SANDOVAL  
COUNTY, NEW MEXICO.

MOTION TO STRIKE PORTIONS OF  
APPLICATION FOR HEARING DE NOVO

COME NOW the Applicants Fluid Power Pump Company and Petro-Lewis Corporation in the above-styled and numbered cause and respectfully move the Commission to strike the second and third paragraphs of Respondents' Application for Hearing De Novo and to limit the scope of the hearing to matters having to do with forced pooling as well as to exclude from this case any tender of evidence having to do with reservoir conditions in the Media Entrada oil pool.

It is evident from the second and third paragraphs of Respondents' Application for Hearing De Novo that they will attempt to introduce evidence at the hearing de novo to the effect that the operation of the Media Entrada oil pool under the special pool rules established by Order No. R-4277 in case No. 4642 decided March 15, 1972 has and will cause reservoir damage, waste and impairment of the correlative rights of the Respondents. The Applicants Fluid Power Pump Company and Petro-Lewis Corporation respectfully submit that any such efforts on the part of

DOCKET NO. 1120

Date 4-11-74

*To be filed*

Respondents would constitute a collateral attack on Commission Order No. R-4277 which is contrary to law and outside the scope of this case. At the conclusion of Order R-4277, the Commission expressly retained jurisdiction in Case No. 4642 "for the entry of such further orders as the Commission may deem necessary", and the only way that the special pool rules for the Media Entrada oil pool can lawfully be altered or attacked is through a proper application for the reopening of case No. 4642 for such purpose.

The Applicants Fluid Power Pump Company and Petro-Lewis Corporation have no objection per se to the Commission conducting an engineering study in the Media Entrada oil pool to ascertain actual field conditions in said pool; however, we again submit that not even the Commission's own engineering study is properly within the scope of this case. Not even the Commission could alter the special pool rules for the Media Entrada oil pool without reopening case No. 4642 for such purpose.

For the reasons stated above, Applicants respectfully request the Commission to strike paragraphs two and three of Respondents' Application for Hearing De Novo and to limit the scope of the hearing in this case to those matters directly affecting the sole issue of forced pooling.

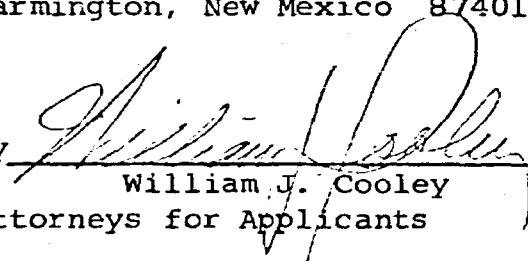
Respectfully submitted,

BURR & COOLEY  
152 Petroleum Center Bldg.  
Farmington, New Mexico 87401

I hereby certify that a copy of the foregoing pleading was mailed to opposing counsel of record on \_\_\_\_\_.

Signed: \_\_\_\_\_

BY

  
William J. Cooley  
Attorneys for Applicants

# REPLY MESSAGE

THIS FORM AVAILABLE FROM GRAYARC CO., INC., 882 THIRD AVE., BROOKLYN, N. Y. 11232

TO

New Mexico Oil Conservation Commission  
P.O. Box 2088  
Santa Fe, New Mexico 87501

FROM

*Case 5167*  
**BURR & COOLEY**  
152 PETROLEUM CENTER BUILDING  
FARMINGTON, NEW MEXICO 87401  
Telephone: (505) 325-1702

DATE: Jan 11, 1974

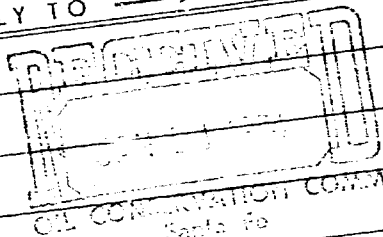
SUBJECT: Fluid Power Pump & Petro-Lewis Corp. - Application  
for Compulsory Pooling  
Gentlemen:

Enclosed for filing with the Commission is the original and three  
copies of the Application of Fluid Power Pump Company and Petro-Lewis  
Corporation for Compulsory Pooling of Two Spacing and Proration Units  
in the Media-Entrada Oil Pool, Sandoval County, New Mexico

PLEASE REPLY TO

SIGNED

*William Cooley*



Date

*1-21-74*

DATE

SIGNED

THIS COPY FOR PERSON ADDRESSED

GRAYARC CO., INC., BROOKLYN, N. Y. 11232

DETACH THIS COPY — RETAIN FOR ANSWER. SEND WHITE AND PINK COPIES WITH CARBONS INTACT.

BEFORE THE OIL AND CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION

OF

FLUID POWER PUMP COMPANY and  
PETRO-LEWIS CORPORATION

For Compulsory Pooling of Two  
Spacing and Proration Units in  
the Media-Entrada Oil Pool,  
Sandoval County, New Mexico

APPLICATION

COME NOW the Applicants, Fluid Power Pump Company  
and Petro-Lewis Corporation, by and through their Attorneys,  
Burr & Cooley, 152 Petroleum Center Bldg., Farmington, New  
Mexico 87401, and respectfully make application to the  
Commission for compulsory pooling of the two spacing and  
proration units described below pursuant to Section 65-3-14 (c)  
NMSA 1953 Comp, to-wit:

1. That certain non-standard spacing and proration  
unit established by Commission Order No. R-4287  
consisting of the following described lands:

Township 19 North, Range 3 West, N.M.P.M.

Section 14: S $\frac{1}{2}$  SW $\frac{1}{4}$

Section 23: N $\frac{1}{2}$  NW $\frac{1}{4}$

The above described spacing and proration unit  
is dedicated to the Applicants' Media No. 1  
Well located in the SW $\frac{1}{4}$  SW $\frac{1}{4}$  of said Section 14.

*Case 5167*

*[Signature]*  
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2. That certain non-standard spacing and proration unit established by Commission Order No. R-4287 consisting of the following described lands:

Township 19 North, Range 3 West, N.M.P.M.

Section 15: S $\frac{1}{2}$  SE $\frac{1}{4}$

Section 22: N $\frac{1}{2}$  NE $\frac{1}{4}$

The above described spacing and proration unit is dedicated to Applicants' Media No. 2 Well located in the SE $\frac{1}{4}$  SE $\frac{1}{4}$  of said Section 15.

In support of the foregoing Application, Applicants would show the Commission that:

A. That the Applicant, Petro-Lewis Corporation, is the operator of both of the above-described spacing and proration units and that each of the Applicants own an undivided 50% of the working interest in and to all oil and gas leases included in said spacing and proration units. That Applicants are entitled to and have dedicated the working interest in the above-described spacing and proration units to the respective wells described above and that the base (landowners) royalty has been voluntarily pooled with respect to both of said spacing and proration units.

B. That Applicants have made diligent efforts to voluntarily pool the overriding royalty interest in both of the above-described spacing and proration units; however, certain of said overriding royalty owners have refused to enter into such agreements. The names and addresses of those overriding royalty owners who have refused to voluntarily pool their interest in the subject spacing and proration units are set forth on Exhibit "A" attached hereto and made a part hereof for all purposes.

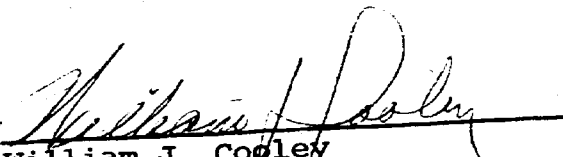
C. Applicants hereby acknowledge their liability under the provisions of Section 65-3-14.5 B to account to and pay each of the overriding royalty owners named in Exhibit "A" hereto either the amount to which each of such overriding royalty interest owners would be entitled if pooling had occurred, or the amount to which each of said persons would be entitled in the absence of pooling, whichever is greater, until such time as a Compulsory Pooling Order is entered on this Application.

D. All the moneys due under the provisions of the above-referred statute are currently being held in suspense by the crude oil purchaser from the wells in question, The Permian Corporation, and said moneys will be paid over to the persons entitled to the same upon the entry of a final Order pooling said interests pursuant to this Application.

NOW THEREFORE, Applicants pray that this matter be regularly set down for hearing before an Examiner and that the Commission enter its Order in due course providing for the compulsory pooling of the two spacing and proration units described above.

Respectfully submitted,

BURR & COOLEY  
152 Petroleum Center Bldg.  
Farmington, New Mexico 87401

By   
William J. Cooley

Attorneys for Applicants

EXHIBIT "A"

John K. Reimer and Geraldine P. Reimer, his wife  
2212 Lester Drive, N.E.  
Albuquerque, New Mexico 87112

R. E. McKenzie Jr., and Agatha P. McKenzie, his wife  
602 Bay Meadow Drive  
Roswell, New Mexico 88201

Mrs. Billy Robinson  
P.O. Box 2081  
Santa Fe, New Mexico 87501

R. O. Burbridge  
(Address unavailable at this time)

DOCKET MAILED

Date 1-31-74  
4-11-74



Lewis Whitlock - Mgr. Chd. Chamber of Commerce

5167 - para (5) R-4750

more pro terra

funding \$ 5

chg to read "oil and gas" instead of gas

Order # 1

chg to read now std "oil" production  
units instead of now std "gas"  
units



DRAFT

*Hold for Transcript*

dr/

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 5167

Order No. R- 4730

APPLICATION OF FLUID POWER PUMP  
COMPANY AND PETRO-LEWIS CORPORATION  
FOR COMPULSORY POOLING, SANDOVAL  
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 13, 1974  
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this        day of February, 1974, the Commission,  
a quorum being present, 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 Commission has jurisdiction of this cause and the subject  
matter thereof.

(2) That the applicants, Fluid Power Pump Company and  
Petro-Lewis Corporation,  
seeks an order pooling all mineral interests in the  
Entrada Formation underlying two non-  
standard proration units approved by Commission Order No. R-4287 in  
xxxxxxx Township 19 North, Range 3 West,

NMPM, Media-Entrada Oil Pool, Sandoval County, New

Mexico, described as follows:

Unit No. 1, the S/2 SW/4 of Section 14 and N/2 NW/4  
of Section 23, dedicated to applicants' Media Federal Media  
Well No. 1 located in Unit M of said Section 14; and

Unit No. 2, the S/2 SE/4 of Section 15 and N/2 NE/4  
of Section 22, to be dedicated to applicants' Media Federal Media  
Well No. 2 located in Unit P of said Section 15.

*That said Federal Media wells No 1 and 2*

(3) ~~That the applicant has the right to drill and proposes to drill a well~~ *are producing oil wells.*

(4) That there are <sup>royalty</sup> interest owners in <sup>said two non-standard</sup> the proposed proration units 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 <sup>oil and</sup> pooling all mineral interests, whatever they may be, within said units <sup>NPT.</sup>

*Petro-Lewis Corporation*  
(6) That ~~the applicant~~ should be designated the operator of the subject wells and units.

~~(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 that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional \_\_\_\_\_ 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 that 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.~~

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Case No.  
Order No. R

(11) That \_\_\_\_\_ per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge 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.

(7) ~~(12)~~ That all proceeds from production from the subject wells which are not <sup>and have not been</sup> 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 \_\_\_\_\_, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

*None of these*  
*Oil*  
*gas*  
Nunc: (1) That all mineral interests, whatever they may be, in the Entrada formation underlying the two non-standard proportion units authorized by Commission Order No. A-4287 in Section \_\_\_\_\_ Township 19 North, Range 3 West, NMPM, Media-Entrada Pool, Sandoval County, New Mexico, as *described below* are hereby pooled to form ~~two non-standard~~ and ~~acre gas spacing~~ and proportion units to be dedicated to ~~the wells to be drilled~~ the following ~~two wells~~ described producing oil wells:

Unit No. 1, the S/2 SW/4 of Section 14 and N/2 NW/4 of Section 23, dedicated to applicants' ~~Media Well~~ Federal Media No. 1 located in Unit M of said Section 14; and

Unit No. 2, the S/2 SE/4 of Section 15 and N/2 NE/4 of Section 22, to be dedicated to applicants' ~~Media~~ Federal Media Well No. 2 located in Unit P of said Section 15.

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the \_\_\_\_\_ day of \_\_\_\_\_, 197 , order (1) of this order shall be null and void and of no effect whatsoever;

Case No.

Order No. R-

~~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 Commission and show cause why Order (1) of this order should not be rescinded.~~

(2) That ~~Fluid Power Pump Company and/~~ Petro-Lewis Corporation <sup>is</sup> hereby designated the operator of the subject wells and units. ~~and/~~

~~(3) That after the effective date of this order and at least~~ <sup>within</sup> 30 days prior to commencing said well, the operator shall furnish the Commission 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 Commission 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 Commission and the Commission 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 Commission 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 that ~~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, \_\_\_\_\_ 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 \_\_\_\_\_ per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge 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.

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Case No.

Order No. R-

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

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

(3) ~~(12)~~ That all proceeds from production from the subject wells <sup>and have not been</sup> which are not disbursed for any reason shall be placed in escrow in Sandoval County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

(4) ~~(13)~~ That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

DRAFT

dr/

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

CASE NO. 5167  
Order No. R-4730-A

APPLICATION OF FLUID POWER PUMP  
COMPANY AND PETRO-LEWIS CORPORATION  
FOR COMPULSORY POOLING, SANDOVAL  
COUNTY, NEW MEXICO.

NUNC PRO TUNC ORDER

BY THE COMMISSION:

It appearing to the Commission that due to clerical error and inadvertence Order No. R-4730, dated February 21, 1974, does not state the intended order of the Commission,

IT IS THEREFORE ORDERED:

(1) That Paragraph (5) on Page 1 of Order No. R-4730, be and the same is hereby corrected to read in its entirety as follows:

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

(2) That Order No. (1) on Page 2 of Order No. R-4730, be and the same is hereby corrected to read in its entirety as follows:

"(1) That all mineral interests, whatever they may be, in the Entrada formation underlying the two non-standard oil proration units authorized by Commission Order No. R-4287 in Township 19 North, Range 3 West, NMPM, Media-Entrada Pool, Sandoval County, New Mexico, as described below are hereby pooled and dedicated to the following described producing oil wells:"

(3) That the corrections as set forth in this order be entered nunc pro tunc as of February 21, 1974.

DONE at Santa Fe, New Mexico, on this \_\_\_\_\_ day of March, 1974.



BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 5167 DE NOVO  
Order No. R-4730-B

APPLICATION OF FLUID POWER PUMP  
COMPANY AND PETRO-LEWIS CORPORA-  
TION FOR COMPULSORY POOLING,  
SANDOVAL COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 23, 1974,  
at Santa Fe, New Mexico, before the Oil Conservation Commission  
of New Mexico, hereinafter referred to as the "Commission."

NOW, on this \_\_\_\_\_ day of May, 1974, the Commission, a  
quorum being present, having considered the testimony presented  
and the exhibits received at said hearing, and being fully advised  
in the premises,

FINDS:

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

(2) That the applicants, Fluid Power <sup>Pump</sup> Company and Petro-Lewis  
Corporation seek an order pooling all mineral interests in the  
Entrada formation underlying two non-standard proration units  
~~as authorized by Order No. R-4730~~  
approved by the Commission's Order No. R-4287 in Township 19 North,  
Range 3 West, NMPM, Media-Entrada Oil Pool, Sandoval County, New  
Mexico, described as follows:

Unit No. 1, the S/2 SW/4 of Section 14 and the N/2 NW/4  
of Section 23, dedicated to applicants' Federal Media Well  
No. 1, located in Unit M of said Section 14; and  
Unit No. 2, the S/2 SE/4 of Section 15 and the N/2 NE/4  
of Section 22, to be dedicated to applicants' Federal  
Media Well No. 2, located in Unit P of said Section 15.

-2-

CASE NO. 5167 DE NOVO  
Order No. R-4730-*B*

(3) That the matter came on for hearing at 9:00 a.m. on February 13, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets, and, pursuant to this hearing, Order No. R-4730 *(as corrected by Order No. R-4730-A)* was issued on February 21, 1974, which granted Fluid Power Pump Company and Petro-Lewis Corporations' application and compulsorily pooled all mineral interests in the Entrada formation underlying the above-described units.

(4) That on March 18, 1974, application for Hearing De Novo was made by John K. Reimer and R. E. McKenzie Jr. and the matter was set for hearing before the Commission.

(5) That the matter came on for hearing De Novo on April 23, 1974.

(6) That the evidence adduced at said hearing indicates that *(as corrected by Order No. R-4730-A)*, Commission Order No. R-4730 entered February 21, 1974, should be affirmed.

IT IS THEREFORE ORDERED:

(1) That Commission Order No. R-4730 *(as corrected by Order No. R-4730-A)*, entered February 21, 1974, is hereby affirmed.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year herein-  
above designated.