

**CASE 5182: Application of PERRY
R. BASS FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE No.

5/82

Application,
Transcripts,
Small Exhibits

ETC.

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

EXAMINER HEARING

IN THE MATTER OF:

Application of Perry R. Bass for
compulsory pooling, Eddy County,
New Mexico.

Case No. 5182

BEFORE: Richard L. Stamets, Examiner.

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil
Conservation Commission

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

For the Applicant:

Clarence Hinkle, Esq.
HINKLE, BONDURANT, COX
& EATON
Hinkle Building
Roswell, New Mexico

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MR. STAMETS: Case 5182.

MR. CARR: Case 5182. Application of Perry R. Bass for compulsory pooling, Eddy County, New Mexico.

MR. HINKLE: Mr. Examiner, Clarence Hinkle, Hinkle, Bondurant, Cox & Eaton, of Roswell, appearing on behalf of Perry R. Bass. We have two witnesses we would like to have sworn and 8 Exhibits.

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

MR. PHILLIPS: Yes, Mr. Examiner. Benjamin Phillips, White, Koch, Kelly & McCarthy, appearing for Texaco. We have one witness we would like sworn.

MR. STAMETS: All the witnesses will stand and be sworn, please.

(Witnesses sworn.)

BILL FORD

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

(Whereupon a discussion was held off the record.)

DIRECT EXAMINATION

BY MR. HINKLE:

Q State your name, your residence and by whom you

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are employed?

A Bill Ford, Midland, Texas, by Perry R. Bass.

Q What is your position with Perry Bass?

A Division Exploration Geologist.

Q Have you previously testified before this Commission?

A I have not.

Q State briefly your educational background and experience as a geologist.

A I hold a BS Degree in Geological Engineering from the University of Oklahoma in 1950. I worked for several independents, such as Frank Conselmann for one year, and have been employed by Perry Bass since 1951.

Q Has your experience been in West Texas or New Mexico with Perry Bass?

A Up until the last three years my experience has been totally in New Mexico.

Q Are you familiar with the area that's involved in this Case?

A Yes, I am.

Q You have made a study of it?

A Yes.

MR. HINKLE: Are the Witness' qualifications

acceptable?

MR. STAMETS: They are.

BY MR. HINKLE:

Q Have you prepared or has there been prepared under your direction certain exhibits for introduction to this Case?

A Yes, there have.

Q Are they the Exhibits that have been marked 1 through 6?

A That is correct.

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

A Exhibit No. 1 is a structure map on the top of the Strawn. In this particular area there is a trend of production from South Carlsbad up to what is currently called the Burton Flat Field in which production is established from both Strawn and Morrow Horizon.

Q What is the yellow acreage?

A The yellow acreage is the acreage that belongs to Perry R. Bass in the West half of Section 15.

Q Does this show the location of the proposed well?

A Yes. The location is shown by a circle and is

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1980 from the North and 660 from the West of Section 15, 21 South, 27 East.

Q And the Strawn pay wells are shown in the pink?

A That is correct.

Q Do you have anything further with respect to this Exhibit?

A Not with respect to this Exhibit.

Q Refer to Exhibit No. 2 and explain that.

A Exhibit 2 is a structure map on the top of the lower Morrow, which is a very prominent mapping feature used throughout the Delaware Basin for structural purposes. It is below shale break and defines a definite break between upper and lower Morrow clastics. Here on this Exhibit the wells shaded again in pink are productive from the lower Morrow.

Q And again the yellow acreage, is that Perry Bass'?

A Yes.

Q You proposed to dedicate all the West half of 15 to the Well, do you not?

A That is correct. We are seeking that the West half of Section 15 be committed to a proration unit for the drilling of this Well.

Q Who else owns acreage in the West half of 15?

A The West half of 15 is broken down with Perry Bass owning 50 percent, Harvey E. Yates 15.19, Exxon 10.41, Texaco 11.45, Triton Oil and Gas 6.51, Don B. Anderson 2.08, and George M. Yates 3.04.

Q Do you have anything further with respect to Exhibit No. 2?

A I may recall these Exhibits in the form of showing the structural position of the proposed Unit in regard to these two formations, or take note of them at this time.

Q Now, refer to Exhibit 2A and explain that.

A 2A is an Exhibit which is identical to Exhibit 2, the only difference being Exhibit 2 is on a 1 to 2000 scale and Exhibit 2A is on a 1 to 5000 scale and shows the Morrow sand production extending from the south end of Carlsbad through this acreage that we propose to drill and into the Burton Flat Area. I think it shows an excellent alignment of productive sands.

Q Now, refer to Exhibit 3 and explain that.

A In regard to the area being profusely productive for dual production, with the production being established primarily from the Strawn and from the Morrow, this is a

Strawn isopach map showing, also shaded, the wells that are productive from the Strawn or wells that have indicated they might be productive from the Strawn with a half circle. In regard to this latter, wells in Section 11 have not yet been completed and are now in the process of being completed, but indicate by log analysis that they will be productive from the Strawn. The Strawn in this area is a carbonate-lime-bank build-up and where you have your major thickness you sometimes have your best Strawn development. However, as you will note on this map, the zone that we show as the thickest is nonproductive and the production that has definitely been established is on the flanks.

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

A Exhibit No. 4 is virtually a structure map on top of the Barnett Shale. It's not truly one in that it is a structure map on the very base of the Morrow clastics, showing what the structural configuration is today upon which the Morrow clastics were deposited. Here again we have shaded the Morrow producing wells along this trend.

Q Would the proposed well be in a favorable location according to this map?

A It is our opinion that the proposed location is

favorable for both Morrow and Strawn production.

Q Now, refer to Exhibit No. 5 and explain what this shows?

A Exhibit No. 5 is a gross Morrow isopach map in which the interval defined is from the first clastic to the base of the Morrow clastic which will include any shale breaks in the series. As you can see, primarily, one thing that I haven't brought out, on any of the Exhibits that we have looked at, our location appears to fall almost identical in a structural and stratigraphic viewpoint to the Coquina No. 1 Yates State to the north in Section 10 ==

Q (Interrupting) Was this southwest of 10?

A Well, it is 1980 from the south and west of Section 10. This well is a dual producer from both Strawn and Morrow and what we seek is to find an identical section and establish similar production.

Q And your proposed location would be similar to the Coquina Well?

A We feel it will be.

Q Now, refer to Exhibit 6 and explain that.

A Exhibit 6 is our south cross section extending from proven production in the Texas International Sun

State.

Q Do you have an insert map there showing the --

A (Interrupting) There is an insert map in the lower right-hand column showing the line of cross section, the proposed Unit outlined in pink and the three wells on the cross section. The cross section starts at the south, at Texas International Sun State, which has established production from both upper and lower Morrow clastics. The next well on the cross section is a north off-set to the acreage which we are proposing to drill and shows production from the lower Morrow and from Strawn. The next well is the Gulf Surf State showing the continuance of Morrow production and showing that it also produces from upper and lower Morrow as well as Strawn.

Q This also shows the relative position of the proposed location of the Perry Bass Well?

A Yes, it does. There is a dotted line in between Wells 1 and 2 showing the rough location in Section 15.

Q What is the situation with respect to the dedication of acreage in the East half of Section 15, 21-27?

A The East half of Section 15 is a proration unit already dedicated to a producing well in the southeast quarter.

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Q Refer to Exhibit No. 7, we only have two exhibits, 7 and 8, and refer to 7; what is that?

A Exhibit 7 shows the State allocation for the proration unit to a well that is defined as Pennsylvanian productive.

Q Now refer to Exhibit No. 8 and explain what this is.

MR. STAMETS: I would like to clarify one thing at this time. Mr. Ford, this plat shows the upper Pennsylvanian, which would be the Cisco Canyon Section, and although this is not your primary target, if you should encounter Upper Pennsylvanian in the well that you are going to drill, you would be able to dedicate the West half to that and produce that well?

MR. FORD: That is correct.

MR. STAMETS: However, if you had intended to dedicate the North half of the Section to this well, if you did encounter the Upper Pennsylvanian pay you would have to get a nonstandard proration unit or something else in order to produce the well.

MR. FORD: Well, we would be cut down to less than 320 acre spacing, which is the Burton Flat Field rules at this time.

MR. STAMETS: Thank you.

BY MR. HINKLE:

Q Now, refer to Exhibit No. 8 and explain that.

A I don't have on in front of me.

Q Well, that is the Communitization Agreement.

A Okay. That is the Communitization Agreement or the East half where the old Humble No. 1 Cedar Hills is currently productive.

Q And that has been approved by the Commissioner of Public Lands?

A Yes.

Q Do you have anything further that you would like to present?

A I don't believe so.

MR. HINKLE: We would like to offer into evidence Exhibits Nos. 1 through 8.

MR. STAMETS: Are there any objections to the admission of these Exhibits?

MR. PHILLIPS: No objection.

MR. STAMETS: They will be so admitted.

(Whereupon, Applicant's Exhibits Nos. 1 through 8 were admitted into evidence.)

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MR. HINKLE: That's all we have on direct; we have another witness.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Ford, referring to Exhibit No. 8, the Communitization, on the first page it says, near the top, East half, Section 15, 21 South, 27 East, Pennsylvanian?

A That is correct.

Q That would be the entire Pennsylvanian Section?

A That's the way I would have to construe it.

Q Of course, further examination of this multiple page Exhibit might show that to be something else, but the first page appears to be that way. On page two, near the top, it says, "Whereas the parties hereto desire to communitize and pool their respective interests in said leases, enter into this Agreement for the purpose of developing and operating and producing gas and liquid hydrocarbons in the Pennsylvanian Formation." So, it certainly would appear that the entire Pennsylvanian section is communitized.

A That is the way that we feel.

Q Referring to Exhibit No. 5, there are no contours shown --

A (Interrupting) There's a ten-foot contour interval.

Q (Continuing) Contours are shown but there's no number on there identifying the overall thickness.

A Well there is a number by each well, if you can see, just below it, which gives the thickness for each well.

Q Okay, let's take Section 11 of 21-27. In the southwest quarter there is a Well No. 1.

A Section 11?

Q Yes. That says 383.

A That's 383-feet thick for the gross contour.

Q So the contour line immediately east of that would be the 380-foot contour?

A That would be the 390 foot contour. All of these don't show, but this is showing a thin.

Q Okay, so the next contour to the west would be 380?

A To the west would be 380, correct.

Q Then the one that is closed and you identify with the blue wording "thin," would be 370?

A That is correct.

Q Okay.

MR. STAMETS: Are there other questions of this

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Witness? The Witness may be excused. You may call your next witness.

(Witness previously sworn.)

BILL SELTZER

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

DIRECT EXAMINATION

BY MR. HINKLE:

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

A Bill Seltzer, employed by Perry Bass of Midland, Texas.

Q What is your position with Perry Bass?

A District Landman, Midland, Texas.

Q Have you previously testified before the Commission?

A No, I have not.

Q Are you familiar with all the lease records and so forth of Perry Bass?

A Yes, I am.

Q Have you been incharge of attempting to communitize the West half of Section 15, 21-27?

A Yes. I have been attempting to communitize and

organize the drilling of this well since July 17th, 1973.

Q How long have you been the District Landman for Perry Bass?

A 23 years.

MR. HINKLE: We're only attempting to qualify him here as a Landman here for Perry Bass.

MR. STAMETS: The Witness is qualified under those conditions.

BY MR. HINKLE:

Q What is the status of your contacts and your attempt to communitize the West half of Section 15?

A All of the parties, with the exception of Texaco, have agreed and have signed joint operating agreements, AFEs, and communitization agreements for the drilling of a well in the West half of Section 15 as proposed on the location on those plats.

Q Which is an orthodox location?

A An orthodox location, yes.

Q Now, did you contact and offer to Texaco to join in the drilling of this well?

A We first offered to all parties, on July 17, 1973, to join. We have received approval from all parties with the exception of Texaco.

Q Has the AFE for the drilling of this well been approved by all parties except Texaco?

A That is correct.

Q What do you estimate to be the cost of drilling the well?

A I believe it's \$478,778, if my memory is correct.

Q Now, what is that; a completed well?

A That's a completed dual well from Strawn and the Morrow Formations.

Q In case it is a dry hole, what is the estimated cost?

A \$271,473.

Q In the form of operating agreement that has been signed and agreed to by these parties, what provision is made for supervision and overhead?

A From the Operating Agreement, accounting procedure, all debts, drilling rate, \$1277.

Q That's for drilling a well?

A Drilling well, and the well is \$165.

Q A month for supervision?

A Right.

Q Do you believe that a risk factor should be

allowed in this case for anybody that has not joined?

A I certainly do.

Q What would you recommend?

A I would recommend the maximum, 200 percent.

Q Why do you say the maximum of 200 percent?

A The other parties are taking the position of joining Perry Bass in here, who drilled this well. As I understand from the Texaco employees, that they feel that the location is not desirable. We are willing to take the chance for the maximum risk factor high in our favor.

Q The drilling of a well to the Morrow, anyplace, even though it's off-set by production, is a risky business, is it not?

A That's correct.

Q That's the history of the Morrow Formation. Is that the reason why you feel that the maximum should be allowed as a risk factor?

A Yes.

Q Do you have anything further you would like to present?

A Outside of everybody has agreed to join with the exception of Texaco; we are ready to go on the drilling of the well; it looks like the rig situation might prevent

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us and we might have to have an extension due to our Operating Agreement when we have to set-up, I believe, April 1; we might have to go back and change that .

Q On account of the rigs not being available?

A Yes, because of the non-availability of a rig.

MR. HINKLE: That's all on direct of this

Witness.

MR. PHILLIPS: Mr. Examiner, would it be possible to have a short recess?

MR. STAMETS: Yes, how much time would you need?

MR. PHILLIPS: Oh, I think 10 minutes should be adequate.

MR. STAMETS: Okay. Try to make it in 5 if you can.

Okay, we'll take a 5 to 10 minute recess at this point.

(Whereupon, a short recess was had.

MR. STAMETS: The Hearing will come to order, please.

MR. PHILLIPS: I have 1 or 2 questions of Mr. Seltzer.

MR. STAMETS: Okay.

CROSS EXAMINATION

BY MR. PHILLIPS:

Q Mr. Seltzer, I believe you testified that you had sought concurrence from the other owners of the East half, or the West half of Section 15 and everyone had concurred except Texaco.

A Correct.

Q Do you recall receiving a communication in the form of a letter from Texaco relative to the development of Section 15?

A Explain that a little further.

Q Well, I'm asking whether you received a letter from Texaco stating an alternative to your proposed communitization of the West half of Section 15.

A It was not in respect -- I received a letter, yes.

Q Do you recall what that letter stated?

A The letter stated -- I think I have a copy of it, do you have a copy of it, sir?

Q Yes.

A (Continuing) That Texaco was willing to join in drilling a Pennsylvanian well at a location in the North half, provided that the acreage be communitized and

dedicated to the subject well be the North half.

Q So that Texaco made a counter proposal that the North half be communitized, is that right?

A That's correct.

Q And that proposal was not acceptable to Perry Bass?

A That's correct. The northeast is already communitized; the East half is already communitized to the well in the East half.

MR. PHILLIPS. I think that's all I have.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Seltzer, Normally the Commission's orders on forced pooling are written with a provision that the well must be started within approximately 90 days of the date of the order. Do you anticipate, if such an order would be issued in this case, that you would have difficulty in obtaining a rig and starting the well within that 90-day period?

A May I confer with my Geologist?

MR. SELTZER: Do you?

MR. FORD: We have a rig coming back to us to drill another well on our Big Eddy.

MR. SELTZER: How many days will that be, Bill?

MR. FORD: The last I heard they figured they'd still be about 10 more days where they're drilling.

BY MR. STAMETS:

A (Continuing) Then we were going to go from there to this one, so that shouldn't be a problem.

Q No, sir.

MR. STAMETS: Perhaps Mr. Hinkle would be the proper one to answer this one. Perry R. Bass is seeking the standard Commission forced-pooling order in this Case?

MR. HINKLE: That's right.

MR. STAMETS: And then I would like to direct this question to Mr. Ford, although he is no longer on the witness stand, he is still sworn. Mr. Ford, in your opinion as a geologist, is this well any riskier than any other Morrow well close to production?

MR. FORD: I'd say it would be about the same as any mile-step out.

MR. STAMETS: Are there any other questions of the Witness?

MR. HINKLE: That's all I have.

MR. PHILLIPS: That's all I have.

MR. STAMETS: He may be excused. Does that

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conclude your examination?

MR. HINKLE: Yes.

MR. STAMETS: Mr. Phillips?

MR. PHILLIPS: I have one witness.

(Witness previously sworn.)

JACK D. GLENN

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

DIRECT EXAMINATION

BY MR. PHILLIPS:

Q Would you please state your name, occupation
and residence?

A My name is Jack D. Glenn, I'm Senior Develop-
ment Geologist for Texaco, Incorporated, in Midland,
Texas.

Q Have you testified before this Commission pre-
viously?

A Yes, sir.

Q And your qualifications have been accepted by
the Commission?

A Yes, sir.

MR. PHILLIPS: Are Mr. Glenn's qualifications
acceptable?

MR. STAMETS: They are.

BY MR. PHILLIPS:

Q Mr. Glenn, have you made any inquiries or obtained any information concerning the present production from the East half of Section 15?

A Yes, sir. Communication with the Artesia Office of the Oil Conservation Commission yesterday revealed that this well produces from the Wolfcamp at a depth of 9558 to 9569.

Q Is that, as you understand the terms, within the Pennsylvanian Formation?

A No, sir, it is not. There had been previous production from the well from Pennsylvanian production, not Upper Penn, though.

MR. HINKLE: May I ask what the purpose of this testimony is?

MR. PHILLIPS: Well, I believe that my statement after the Witness' testimony will make it clear.

MR. HINKLE: Is this a collateral attack on the dedication of this acreage and on the Communitization Agreement which exists?

MR. PHILLIPS: No. I think we're just trying to show that at the present time the well in that area is

producing only from the Wolfcamp area and we will suggest to the Commission that if that be so, it may be possible, and we think it is possible, to obtain, with the concurrence of other owners in the northeast quarter, to establish a unit which would include the North half of Section 15, which would be our desire.

MR. HINKLE: Mr. Examiner, we object to this line of testimony and ask that it be stricken do to the fact that this constituted a collateral attack on the existing dedication of the East half of Section 15 to the well which is located there , and also on the Communitization Agreement. Now, there are a lot of parties involved here and if there is going to be an attack on the Communitization Agreement, they would like, I am sure, to be represented. I don't think that the Commission can enter an order here due to the fact that we're only asking for communitization of the West half and the sum of the leases in the West half and the northeast quarter are held by reason of production and the Communitization Agreement. This would be a collateral attack on the validity of those leases and the Communitization Agreement by this kind of a showing. If they want to do this, they should come in and file an application to set aside the

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dedication and to set aside the Communitization Agreement.

MR. PHILLIPS: Well that, of course, is not our objective. All we are trying to show is that we believe it would be not inconsistent with present Commission rules and subject to the agreement of all the parties concerned to realign the communitization of Section 15 to establish a unit covering the North half. We believe that the fact that the current production in the East half is strictly from the Wolfcamp Area, indicates that such a realignment would be feasible and compatible with Commission rules.

MR. HINKLE: Again I call attention to the fact that this Application is to force pool in the West half and not the East half and that this can't be anything else but the West half.

MR. STAMETS: Mr. Hinkle, the Examiner will sustain your motion. The North half of the East half of this Section is not in consideration in this Case; the West half is what is under consideration.

MR. PHILLIPS: Mr. Examiner, does it make any difference that Texaco has filed a response to this Application which, in a sense, is a counter proposal or counter application for the dedication of a unit covering

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the North half.

MR. STAMETS: The response which was filed would be more in the form of information than an application. If Texaco desires, they could file an application at this time to force pool the North half for a well to be drilled in the North half. At this point an application has not been filed.

BY MR. PHILLIPS:-

Q Mr. Glenn, have you made any studies of the geology of this area and come to any conclusions relative to the risk factor involved in drilling a well which the Applicant proposes?

A Yes, sir, I have. It is indicated that this proposed well, as proposed by Bass, would be risk as far as all Morrow wells are risky; there would be possibly a closer location that could be obtained if -- or realignment proration to go into the northeast of the northwest quarter, this would be closer to the opportunity that we have to develop in Section 15 that contain dual completion to the north. As stated previously, the further you get away from control and Morrow the more risky it does become.

Q If I understand your testimony correctly, the

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risk involved in the well at the location proposed by the Applicant is no greater than the risk involved in any well in the Morrow Formation, is that correct?

A Correct.

Q Mr. Glenn, do you have anything that you would like to add to your testimony at this time?

A No. Basically it had to do with the North half. I have nothing to add.

MR. PHILLIPS: That's all I have.

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

CROSS EXAMINATION

BY MR. HINKLE:

Q You say that there is no greater risk in this case than any other Morrow well. Don't you think the Morrow well entails the maximum risk, or in most cases 200 percent?

A I am not an authority on that geological risk. I can evaluate to some extent. The location as proposed is located between control wells here; there is more control to define geological parameters in this Section than what is normally the case in most Morrow developments.

Q You're not suggesting then that it be less than 200 percent, are you?

A I don't know the factors that you put into risk to evaluate the absolute percentage of it.

Q That's all.

A Texaco's consideration that we would be willing to join in a well drilled here for a different alignment, though, indicates our willingness to join and should be something for less risk applied to it.

MR. HINKLE: That's all.

MR. STAMETS: If there are no further questions the Witness may be excused.

Is there anything further in this case?

MR. SMOOT: We have a statement I believe.

MR. STAMETS: Yes, sir.

MR. SMOOT: My name is Harold Smoot, I'm from Dallas, Manager of Lands, Triton Oil and Gas Corporation and other than the fact that we support and endorse the efforts of Perry Bass in this instance, that's the only statement I have, and we are also an owner, partial owner of the well that is mentioned to the east. We, by joining Perry Bass, actually take a lesser interest and will have a lesser net interest in the well on the

western unit than we would on the northern unit as proposed by Texaco. Thank you, sir.

MR. STAMETS: Anything further in this Case?

MR. PHILLIPS: Mr. Examiner, I would like to make a short statement if I could.

MR. STAMETS: Yes, Mr. Phillips.

MR. PHILLIPS: Throughout this Texaco has indicated and communicated its willingness to Perry Bass to join in a test well testing Pennsylvanian Formation in Section 15. It, however, would prefer a unit consisting of the North half of Section 15 and feels that since production on the East half, at least at present, limited only to the Wolfcamp area, that it would be possible, given the consent of all owners in that northeast area, to communitize the North half of Section 15. As we've stated, Texaco is willing to participate in a test well in this area and we also feel that the geological evidence is favorable to the establishment of a commercially producing well in this area. Given Texaco's willingness to cooperate and the evidence that the risk involved in the well proposed by the Applicant is no greater than the risk involved in any Morrow well, we feel that the Commission, if it does force pool this

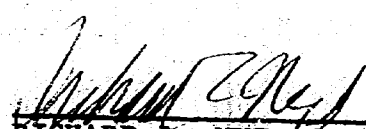
area, as the Applicant requests, should establish only a nominal charge for risk.

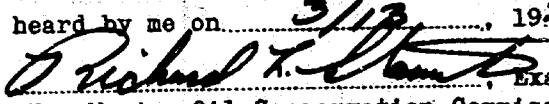
That's all.

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. 5182 heard by me on 3/13, 1974.

Richard L. Nye, Examiner
New Mexico Oil Conservation Commission



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2068 - SANTA FE
87501

March 18, 1974

I. R. TRUJILLO
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMJO
MEMBER

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

Mr. Clarence Hinkle
Hinkle, Bondurant, Cox & Eaton
Attorneys at Law
Post Office Box 10
Roswell, New Mexico 88201

Re: CASE NO. 5182

ORDER NO. R-4751

Applicant:

Perry R. Bass

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 x
Aztec OCC

Other Mr. Ben Phillips for Texaco Inc.

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. 5182
Order No. R-4751

APPLICATION OF PERRY R. BASS
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

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

NOW, on this 15th day of March, 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 applicant, Perry R. Bass, seeks an order pool-
ing all mineral interests in the Pennsylvanian formation under-
lying the W/2 of Section 15, Township 21 South, Range 27 East,
NMPM, adjacent to the Burton Flats Field, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes
to drill a well at a standard location in the W/2 of said Section
15.

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

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

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

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

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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 140 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

(10) That following determination of reasonable well costs, any non-consenting working interest owner 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.

(11) That \$165.00 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.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before July 1, 1974, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the W/2 of Section 15, Township 21 South, Range 27 East, NMPM, adjacent to the Burton Flats Field, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location in the W/2 of said Section 15.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of

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July, 1974, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of July, 1974, Order (1) of this order shall be null and void and of no effect whatsoever;

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 Perry R. Bass, is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 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

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

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

(9) That \$165.00 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.

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

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

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy 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.

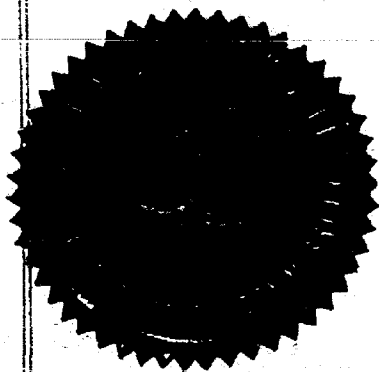
(13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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CASE NO. 5182

Order No. R-4751

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

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

ALEX J. ARMILLO, Member

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

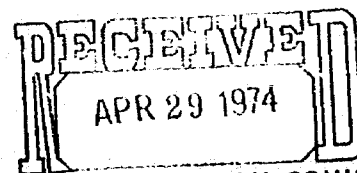
S E A L

jr/

PRODUCING DEPARTMENT
CENTRAL UNITED STATES
MIDLAND DIVISION



PETROLEUM PRODUCTS



OIL CONSERVATION COMM.

TEXACO INC.
Santa Fe
P. O. BOX 3109
MIDLAND, TEXAS 79701

April 18, 1974

192585 - STATE OF NEW MEXICO LEASE
EDDY COUNTY, NEW MEXICO

DELIVERED

Perry R. Bass
P. O. Box 171
Midland, Texas 79701

Attention: Mr. Bill Seltzer

Gentlemen:

In accordance with Oil Conservation Commission Case No. 5182, Order No. R-4751, Texaco elects to pay its proportionate part of the cost of drilling your Bass State Well No. 1 on communitized W/2 Section 15, T-21-S, R-27-E, Eddy County, New Mexico. Your AFE dated January 15, 1974, which was furnished to Texaco by your letter of March 25, 1974, calls for a total estimated expenditure of \$478,378.00. Enclosed is Texaco's check #42487 in the amount of \$54,814.15, representing Texaco's 11.458334% participation in the cost of drilling the subject well.

Please execute the extra copy of this letter in receipt of the check delivered herewith.

Yours very truly,

E. H. Watkins
Division Landman

DDF-ES
Enclosure

By Copy Original
Signed By D. D. Farris
D. D. Farris

RECEIVED THE ABOVE CHECK THIS ____ DAY OF APRIL, 1974.

cc: CERTIFIED - RETURN RECEIPT REQUESTED
Mr. A. L. Porter, Jr.
Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

GENERAL OFFICES - FORT WORTH

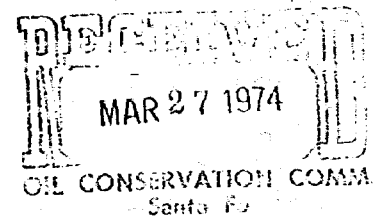
PERRY R. BASS

DIVISION LAND & GEOLOGICAL OFFICE

POST OFFICE BOX 171

MIDLAND, TEXAS 79701

March 25, 1974



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

Re: Case No. 5182, Order
No. R-4751, Application
of Perry R. Bass for
Compulsory Pooling, Eddy
County, New Mexico

Dear Mr. Porter:

In accordance with the above case and order numbers setting forth the compulsory pooling of the Pennsylvanian formation for the W $\frac{1}{2}$ of Section 15, T-21-S, R-27-E, Eddy County, New Mexico, we are attaching hereto AFE drilling cost estimate as proscribed under item 3, page 3, of the commission order dated March 15, 1974.

We wish to advise all parties on the attached list with the exception of Texaco executed and returned to Perry R. Bass Operating Agreements, AFE, and Communitization Agreements covering the drilling of this well.

Yours very truly,

PERRY R. BASS

By Bill Seltzer
Bill Seltzer

BS/kb

cc Working Interest Owners
(See Attached List)

WORKING INTEREST OWNERS

Triton Oil & Gas Company
2310 Republic Bank Tower
Dallas, Texas 75201
Attention: Mr. Jim McDade

Harvey E. Yates Company
112 North 1st
Artesia, New Mexico 88210
Attention: Mr. Harvey E. Yates

Mr. George M. Yates
112 North 1st
Artesia, New Mexico 88210

Mr. Donald B. Anderson
Box 1
Roswell, New Mexico 88201
Attention: Mr. Fred Milsap

Exxon Corporation
P. O. Box 1600
Midland, Texas 79701
Attention: Mr. Marvin Wigley

Texaco Inc.
P. O. Box 3109
Midland, Texas 79701
Attention: Mr. E. H. Watkins

Perry R. Bass
1200 Ft. Worth Nat'l Bank Bldg.
Fort Worth, Texas 76102
Attention: Mr. Wm. Arthur Hamilton

LENNY R. BASS COMPANY
PERMIT/NEW MEXICO DISTRICT

AFE DRILLING COST ESTIMATE

LEASE Base-State REGULATORY PERMIT NUMBER _____
AREA/FIELD: New Mexico WELL: 1
TYPE: Wildcat X Straight X LOCATION: Onshore X
Development _____ Directional _____ Inland/Bay _____
SW/4 NW/4 Section 15-T21S-R27E, Eddy County Offshore _____

INTANGIBLE DRILLING COST ESTIMATE

LOCATION

Surface Damages	250
Surveyors & Equipment	250
Rig/location preparation	18,000
Road Construction/easements	2,000

ABANDONMENT

Cut Off/back off casing	2,500
Cement (Equipment & Services)	
Crop Damages	

RIG

Footage <u>12000</u> ft. @ \$ <u>11</u> /ft	132,000
W/DP <u>6</u> days @ <u>1600</u> /day	9,600
W/O DP <u>3</u> days @ <u>1450</u> /day	4,350

SURFACE CASING SERVICES (13 3/8")

Inspection of pipe	
Casing Crew/Equipment	
Tong Operator/Equipment	
Float Equipment	475
Centralizers/Scratchers	110
Cement (Equipment & Services)	2,000

FIRST INTERMEDIATE CASING SERVICES (9 5/8")

Inspection of pipe	
Casing Crew/Equipment	
Tong Operator/Equipment	
Float Equipment	
Centralizers/Scratchers	150
Cement (Equipment & Services)with one pump truck	550

SECOND INTERMEDIATE CASING SERVICES

Inspection of pipe	
Casing Crew/Equipment	
Tong Operator/Equipment	
Float Equipment	
Centralizers/Scratchers	
Cement (Equipment & Services)	

THIRD INTERMEDIATE CASING SERVICES

Inspection of pipe	
Casing Crew/Equipment	
Tong Operator/Equipment	
Float Equipment	
Centralizers/Scratchers	
Cement (Equipment & Services)	

INTERMEDIATE LINER SERVICES

Inspection of pipe	
Casing Crew/Equipment	
Tong Operator/Equipment	
Liner/Float Equipment	
Centralizers/Scratchers	
Cement (Equipment & Services)	

MUD (Weight, Chemicals, Oil, Water & Services)

BITS	
_____ of _____ "OD @ _____ /bit	
_____ of _____ "OD @ _____ /bit	
_____ of _____ "OD @ _____ /bit	
_____ of _____ "OD @ _____ /bit	

TRANSPORTATION	_____ days @ _____/day	_____
FUEL	_____ days @ _____/day	_____
LABOR & SUPPLIES	_____ days @ _____/day	_____
COMPANY SUPERVISION	8 days @ 150/day	1,200

RENTALS		
Work String Assembly		
Rotating head 20 days @ \$35/day		700
Separator 20 days @ \$35/day		700
P.V.T. Flow line sensor & pump 36 days @ \$42/day		1,512
D-Gasser 20 days @ \$25/day		500
Choke 20 days @ \$48.30/day		966
TOTCO CDR Recorder		
Other		840

OTHER		
TOTAL		215,653

INTANGIBLE FORMATION EVALUATION COST ESTIMATE

ELECTRIC LOGS		
Laterolog		2,000

POROSITY LOGS		
GR-N		2,000
Comp-Density - Neutron		2,000

DIPMETER LOGS		

CALIPER LOGS		
@3000'		450
@12000'		1,100
Temperature logs		
@12000' - 7000'		650

DRILL STEM TESTS		
Test 1 @ 10300 /ft		1,400
Test 2 @ 11400 /ft		1,450
Test 3 @ 11700 /ft		1,450
Test 4 @ _____ /ft		

MUD LOGGING		
No. of days _____		
Equipment/Services @ _____/day		

TRANSPORTATION	_____ days @ _____/day	_____
FUEL	_____ days @ _____/day	_____
LABOR & SUPPLIES	_____ days @ _____/day	_____
COMPANY SUPERVISION	8 days @ 150/day	1,200

RENTALS		
Work String Assembly		
Other		3,500
OTHER Contract geologist		6,000

TOTAL		23,200
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INTANGIBLE COMPLETION COST ESTIMATE

RIG/WELL SERVICE UNIT		
w/DP 24 days @ 460/day		10,800
w/o DP _____ days @ _____/day		

PRODUCTION CASING/ XXXX SERVICES		
Inspection of pipe		3,800
Casing Crew/Equipment 7"		
Tong Operator/Equipment		
XXXX /Float Equipment		310
Centralizers/Scratchers		175
Cement (Equipment & Services) with stand-by truck		4,000

PRODUCTION TUBING SERVICES

Inspection	
Internal coating	
Tong Operator/Equipment	500
Pressure Testing	
MUD/COMPLETION FLUID	2,000
BITS	
TRANSPORTATION _____ days @ _____ /day	
FUEL _____ days @ _____ /day	
LABOR & SUPPLIES 3 days @ 150 /day	450
COMPANY SUPERVISION 24 days @ 150 /day	3,600
RENTALS	
Work String Assembly	
Other	850
COMPLETION/PRODUCTION LOGGING	
X G-RAY _____ G-RAY/N _____ G-RAY/N/CBL/Signature _____	
NLL _____ NLL/G-RAY _____ NLL/N _____ NLL/G-RAY/N _____	
G-RAY/CBL/Signature _____ NLL/G-RAY/N/CBL/Signature _____	1,200
PERFORATING	6,500
SQUEEZE CEMENTING (Equipment Material & Services)	
WIRELINE WORK (to set WLPs, BPs, SCs, etc.)	
TREATING (acidize, frac, gravel/plastic pack, etc.)	14,000
PRODUCTION TESTING (Equipment & Services)	2,000
OTHER BHP surveys	600
TOTAL	50,785

TANGIBLE DRILLING COST ESTIMATE

CONDUCTOR CASING	
30 Ft 20 "OD 94 #/ft H-40 GR 8rd THD ST&C CPLG \$ 18 /ft	550
SURFACE CASING	
625 Ft 13 3/8"OD 48 #/ft H-40 GR 8 rd THD ST&C CPLG \$10.30/ft	6,450
FIRST INTERMEDIATE CASING	
3000 Ft 9 5/8"OD 36 #/ft K-55 GR 8 rd THD ST&C CPLG \$7.00/ft	21,000
Ft "OD #/ft GR THD CPLG \$ /ft	
Ft "OD #/ft GR THD CPLG \$ /ft	
Ft "OD #/ft GR THD CPLG \$ /ft	
Ft "OD #/ft GR THD CPLG \$ /ft	
SECOND INTERMEDIATE CASING	
Ft "OD #/ft GR THD CPLG \$ /ft	
Ft "OD #/ft GR THD CPLG \$ /ft	
Ft "OD #/ft GR THD CPLG \$ /ft	
Ft "OD #/ft GR THD CPLG \$ /ft	
Ft "OD #/ft GR THD CPLG \$ /ft	
THIRD INTERMEDIATE CASING	
Ft "OD #/ft GR THD CPLG \$ /ft	
Ft "OD #/ft GR THD CPLG \$ /ft	
Ft "OD #/ft GR THD CPLG \$ /ft	
Ft "OD #/ft GR THD CPLG \$ /ft	
Ft "OD #/ft GR THD CPLG \$ /ft	
INTERMEDIATE LINER CASING	
Ft "OD #/ft GR THD CPLG \$ /ft	
Ft "OD #/ft GR THD CPLG \$ /ft	
Ft "OD #/ft GR THD CPLG \$ /ft	
Ft "OD #/ft GR THD CPLG \$ /ft	
Ft "OD #/ft GR THD CPLG \$ /ft	
SURFACE CASING HEAD or casing head spool w/valves, s&s assemblies	620
INTERMEDIATE CASING HEAD, w/valves, slip & seal assemblies	4,000
OTHER	
TOTAL	32,620

TANGIBLE COMPLETION COST ESTIMATE

PRODUCTION CASING/AT&C	
1200 Ft 7 "OD 23 #/ft N-80 GR Butt. THD Butt. CPLG \$ 5.50/ft	6,600
6000 Ft 7 "OD 23 #/ft N-80 GR 8 rd THD LT&C CPLG \$ 5.15/ft	30,900
3500 Ft 7 "OD 26 #/ft N-80 GR 8 rd THD LT&C CPLG \$ 5.72/ft	20,020
2500 Ft 7 "OD 29 #/ft N-80 GR 8 rd THD LT&C CPLG \$ 6.37/ft	15,925
Ft "OD #/ft GR THD CPLG \$ /ft	

PRODUCTION TUBING

12000 Ft	2 7/8"OD	6.5 #/ft	N-80	GR	DS-UT THD	D SS	CPLG	\$2.70/ft	32,400
10150 Ft	2 3/8"OD	4.7 #/ft	N-80	GR	DS-UT THD	D SS	CPLG	\$2.10/ft	21,315
Ft	"OD	#/ft		GR	THD		CPLG	\$ /ft	
TUBING HEAD w/valves									3,500
CHRISTMAS TREE _____ Single x _____ Dual _____ Triple									14,500
SUB-SURFACE EQUIPMENT (packers, seal assemblies, landing nipples, BPs, storm chokes, blast joints, flow couplings, etc.)									6,100
OTHER Inspection 2 7/8" & 2 3/8"									4,860
TOTAL									156,120

APE COST ESTIMATE SUMMARY

	DRY HOLE	COMPLETED
INTANGIBLE - Drilling	215,653	215,653
- Formation Evaluation	23,200	23,200
- Completion		50,785
TOTAL	238,853	289,638
TANGIBLE - Drilling	32,620	32,620
- Completion		156,120
TOTAL	32,620	188,740
TOTAL EXPENDITURE	271,473	478,378

PREPARED BY:

Robert L. Shuman

DATE: January 15, 1974

NON-OPERATORS APPROVAL:

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:

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FOR COMPULSORY POOLING,
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NOW, on this 15th day of March, 1974, the Commission,
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record, and the recommendations of the Examiner, and being
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FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the
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NMPM, adjacent to the Burton Flats Field, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes
to drill a well at a standard location in the W/2 of said Section
15.

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

(5) That to avoid the drilling of unnecessary wells, to
protect correlative rights, and to afford to the owner of each
interest in said unit the opportunity to recover or receive
without unnecessary expense his just and fair share of the gas in
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(6) That the applicant should be designated the operator of
the subject well and unit.

(7) That any non-consenting working interest owner should be
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(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 140 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

(10) That following determination of reasonable well costs, any non-consenting working interest owner 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.

(11) That \$165.00 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.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before July 1, 1974, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the W/2 of Section 15, Township 21 South, Range 27 East, NMPM, adjacent to the Burton Flats Field, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location in the W/2 of said Section 15.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of

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July, 1974, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of July, 1974, Order (1) of this order shall be null and void and of no effect whatsoever;

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 Perry R. Bass, is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 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

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

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

(9) That \$165.00 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.

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

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

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy 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.

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

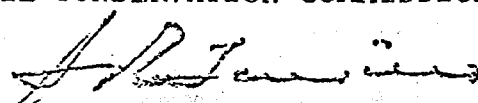
-5-

CASE NO. 5182

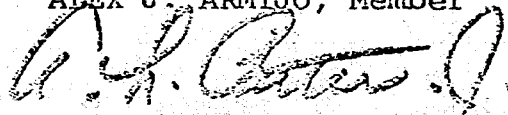
Order No. R-4751

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member


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

SEAL

jr/

Docket No. 6-74

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 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 April, 1974, from seventeen prorated pools in Lea, Eddy, Roosevelt and Chaves Counties, New Mexico;
 - (2) Consideration of the allowable production of gas from five prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for April, 1974.

CASE 5179: Application of HNG Oil Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Dogie Draw Unit Area comprising 5,122 acres, more or less of State, Federal, and fee lands in Township 26 South, Range 36 East, Lea County, New Mexico.

CASE 5180: Application of Amoco Production Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Rock Lake Unit Area comprising 5760 acres, more or less, of State and fee lands in Township 22 South, Range 35 East, Lea County, New Mexico.

CASE 5181: Application of Amoco Production Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Trail Canyon Unit Area comprising 5758 acres, more or less, of State, Federal and fee lands in Township 24 South, Range 23 East, Eddy County, New Mexico.

CASE 5182: Application of Perry R. Bass 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 15, Township 21 South, Range 27 East, adjacent to the Burton Flats Field, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location in the W/2 of said Section 15. 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 5183:** Application of Amini Oil Company for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the North Vacuum Abo Pool rules, authority to drill its Pennzoil State Well No. 2 at an unorthodox location for said pool 1780 feet from the South line and 460 feet from the West line of Section 36, Township 16 South, Range 34 East, Lea County, New Mexico.
- CASE 5184:** Application of Mountain States Petroleum Corporation for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the Buffalo Valley-Pennsylvanian Pool rules, approval for an unorthodox gas well location for a well to be drilled at a point 990 feet from the South and West lines of Section 36, Township 14 South, Range 27 East, Chaves County, New Mexico.
- CASE 5185:** Application of Rice Engineering & Operating, Inc. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Abo formation in the open-hole and perforated interval from 8442 feet to 9150 feet in its Abo SWD Well No. 2 located in Unit C of Section 2, Township 17 South, Range 36 East, Lovington Abo Pool, Lea County, New Mexico.
- CASE 5186:** Application of Amerada Hess Corporation for an unorthodox oil well location and two non-standard oil proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the Bagley Siluro-Devonian Pool rules, the formation of two non-standard proration units in Section 35, Township 11 South, Range 33 East, Lea County, New Mexico, the first being a 40-acre unit comprising the NW/4 SE/4 to be dedicated to applicant's State BTD Well No. 2, and the second being an 80-acre unit comprising the SE/4 SW/4 and the SW/4 SE/4 to be dedicated to applicant's State BTD Well No. 1, proposed to be drilled at an unorthodox location for said pool 660 feet from the South line and 1900 feet from the East line of said Section 35.
- CASE 5187:** Application of Inexco 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 Section 17, Township 21 South, Range 26 East, Eddy County, New Mexico, adjacent to the Catclaw Draw-Morrow Gas Pool, to be dedicated to a well to be drilled at a standard location for said pool. 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 5188: Application of Continental Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Drinkard and Blinebry production in the wellbore of its Lockhart B-1 Well No. 8 located in Unit II of Section 1, Township 22 South, Range 36 East, Lea County, New Mexico.

CASE 5189: Application of Craig Folsom for an unorthodox oil well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well proposed to be drilled at a point 1340 feet from the South line and 1300 feet from the East line of Section 12, Township 13 South, Range 31 East, Caprock-Queen Pool, Chaves County, New Mexico.

CASE 5190: Application of Union Oil Company of California for pool creation and special rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Morrow gas pool for its Pipeline Deep Unit Well No. 1 located in Unit J of Section 17, Township 19 South, Range 34 East, Lea County, New Mexico, and for the promulgation of special rules therefor including a provision for 640-acre spacing.

CASE 5191: Application of Murphy Minerals Corporation for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water through two wells into the Grayburg-San Andres formation on its Gissler "B" lease in Sections 11 and 12, Township 17 South, Range 30 East, Square Lake Pool, Eddy County, New Mexico.

CASE 5192: In the matter of the application of the Oil Conservation Commission of New Mexico upon its own motion for the extension of the following pools in Lea County:

Antelope Ridge-Morrow Gas Pool
EK Yates-Seven Rivers-Queen Pool
House-San Andres Pool
Humble City-Atoka Pool
North Shoe Bar-Wolfcamp Pool
Tres Papalotes-Pennsylvanian Pool
Wantz-Granite Wash Pool

CASE 5124: (Continued from the February 13, 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 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 5140: (Continued from the February 13, 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 February 13, 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.

GENERAL OFFICES - FORT WORTH

PERRY R. BASS

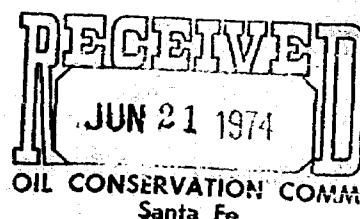
DIVISION LAND & GEOLOGICAL OFFICE

POST OFFICE BOX 171

MIDLAND, TEXAS 79701

June 19, 1974

Mr. A. L. Porter
Secretary - Director
New Mexico Oil
Conservation Commission
Box 2088
Santa Fe, New Mexico 87501



Re: Case No. 5182, Order
No. R-4751, Application
of Perry R. Bass for
Compulsory Pooling, Eddy
County, New Mexico

Dear Mr. Porter:

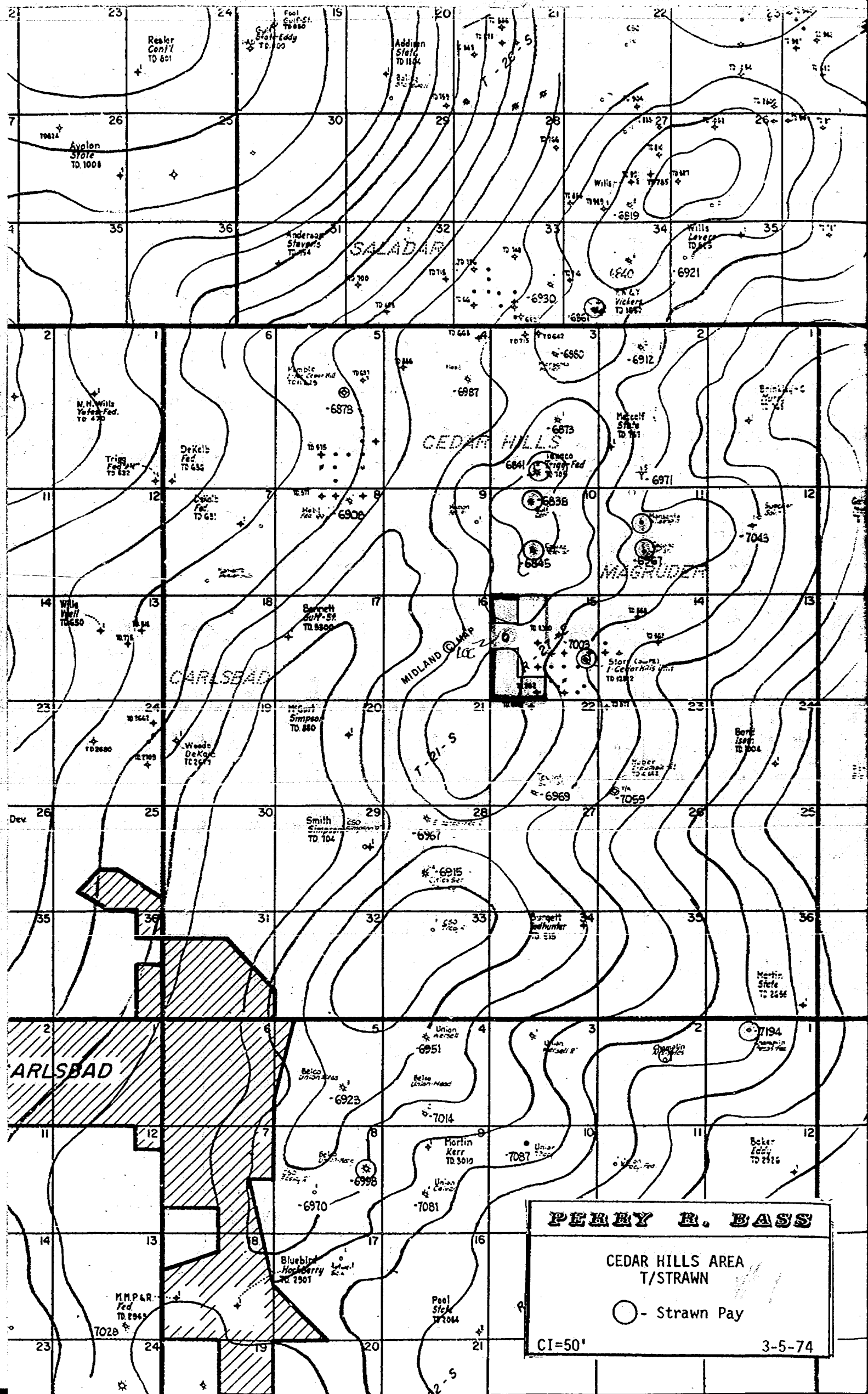
In accordance with the above case and order numbers setting forth the compulsory pooling of the Pennsylvanian formation for the W $\frac{1}{2}$ of Section 15, T-21-S, R-27-E, Eddy County, New Mexico, we wish to advise the Perry R. Bass, #1 Bass-State-Comm was spudded June 16, 1974, and on June 19, 1974, is TD 625' WOC 13 3/8" csg. @ 622' with 350 sacks.

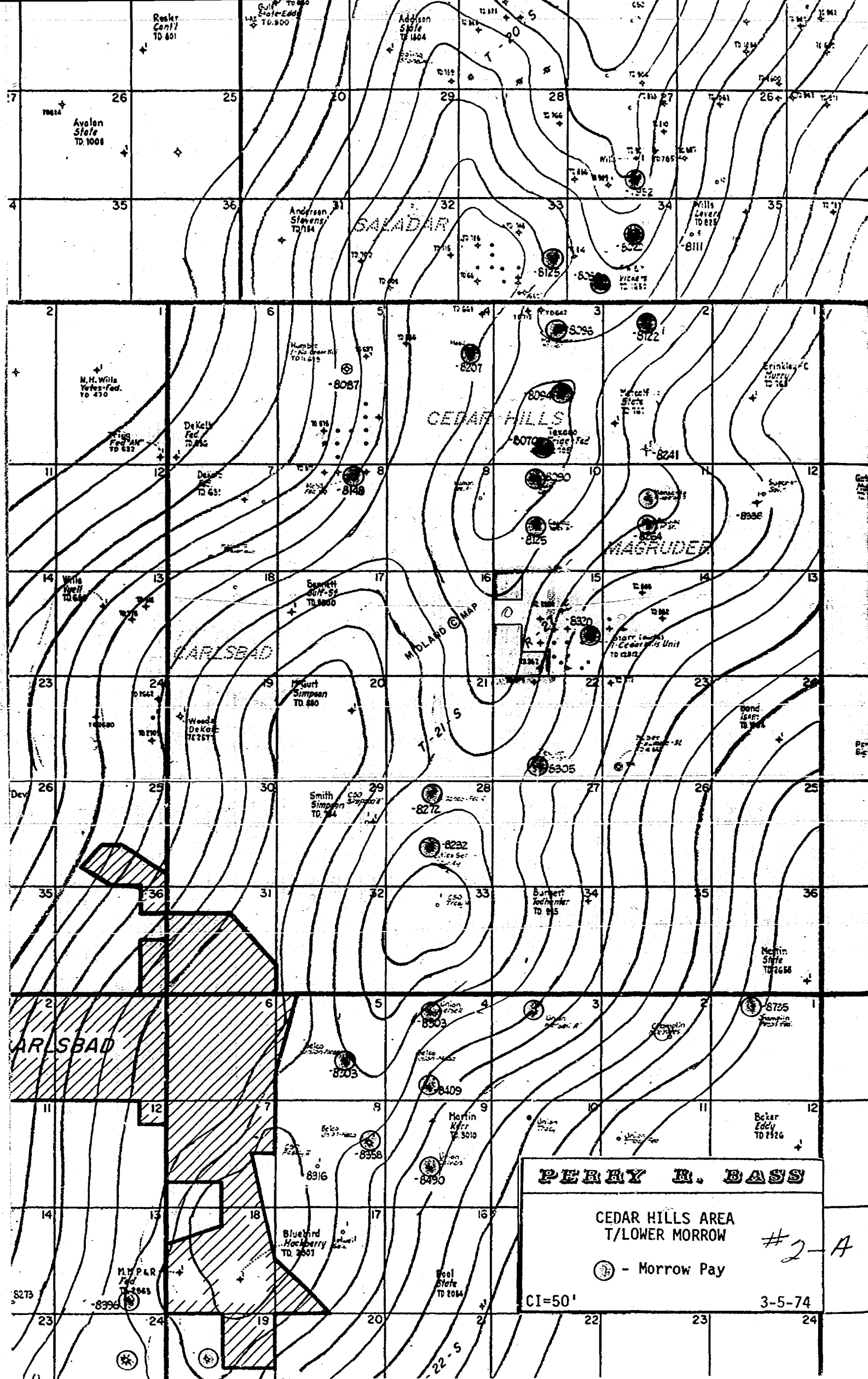
Yours very truly,

PERRY R. BASS

By Bill Seltzer
Bill Seltzer

BS/ph





AMENDED
 NEW MEXICO OIL CONSERVATION COMMISSION
 WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
 Supersedes C-128
 Effective 1-1-65

All distances must be from the outer boundaries of the Section.

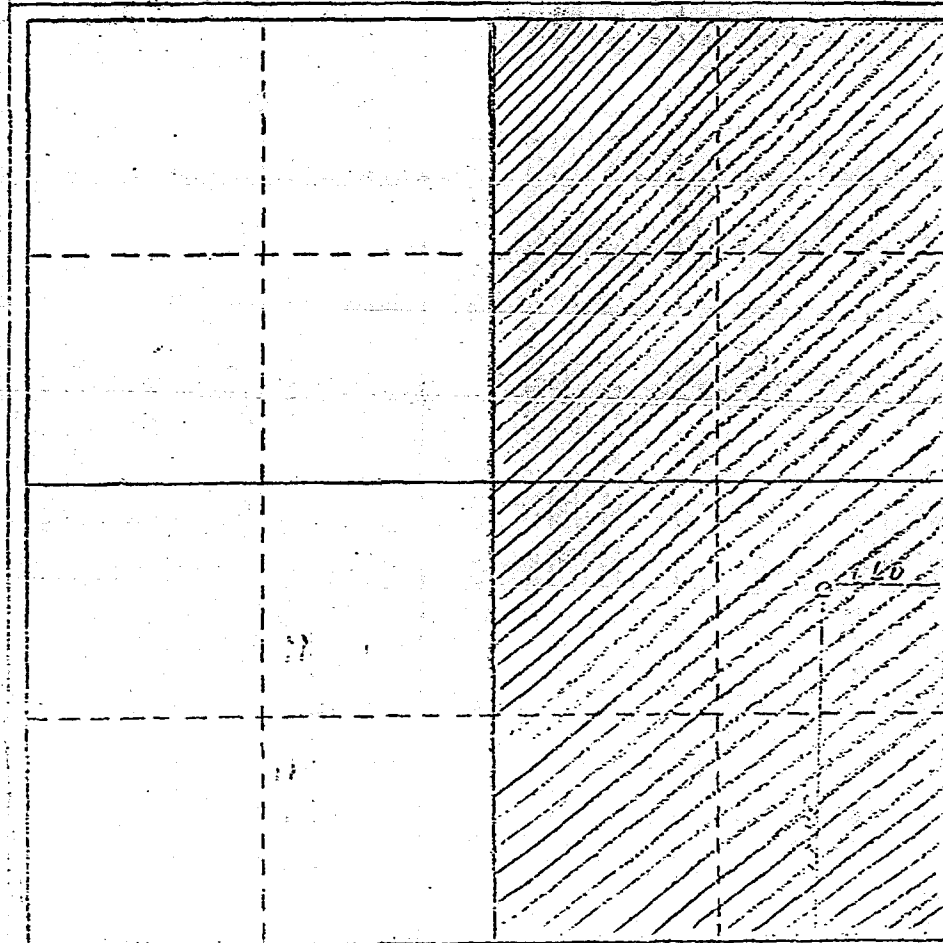
Operator Harvey E. Yates			Lease Cedar Hills Unit #			Well No. 1		
Unit Letter T	Section 15	Township 21S	Range 27E	County Eddy				
Actual Footage Location of Well: 1980 feet from the South line and 650 feet from the East line Ground Level Elev: Cisco, Stream & Narrows Pool Cedar Hills Upper Permian Dedicated Acreage: 320 Acres								

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

☒ Yes ☐ No If answer is "yes," type of consolidation Communitization **MAR 15 1968**

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

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



CERTIFICATION

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

Harvey E. Yates
 Name

Harvey E. Yates
 Position

Operator
 Company

Harvey E. Yates
 Date

MAR 15 1968

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

See Plat Dated 9/13/62
 Date Surveyed

Humble Oil & Refinery
 Registered Professional Engineer and/or Land Surveyor

Certificate No.

250 660 150 1320 1450 1940 2310 2640 2000 1500 1000 500 0

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
CH EXHIBIT NO. 7
 CASE NO. 5182
 Submitted by Perry Buss
 Hearing Date 3-13-74

5-1-74

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

YATES, CEDAR HILLS COM WELL NO. 1
EDDY COUNTY, NEW MEXICO

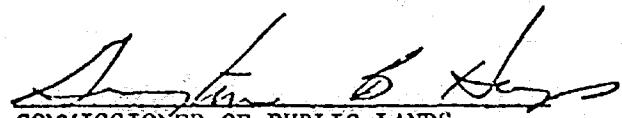
S/2, Section 15, Township 21 South, Range 27 East, Pennsylvanian 320.00 acre

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated April 1, 1968, which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the state, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, and 7-11-48, New Mexico Statutes Annotated, 1953 Compilation, I, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

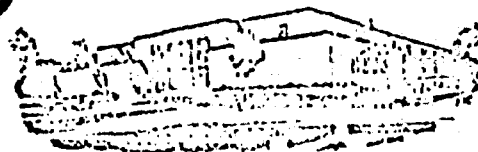
IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 12th day of July, 19 68.


COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico

OG-27

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION

Q/A EXHIBIT NO. 8
CASE NO. 5182
Submitted by Perry Bass
Hearing Date 3-13-74

COMMUNITIZATION AGREEMENT

STATE OF NEW MEXICO)
) KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF)

THAT THIS AGREEMENT is entered into as of the 1st day of April,
19 68 , by and between the parties subscribing, ratifying or consent-
ing hereto, such parties hereinafter being referred to as "Parties
hereto";

WHEREAS, the Commissioner of Public Lands of the State of New
Mexico is authorized by the Legislature, as set forth in Sec. 7-11-47,
New Mexico Statutes, Annotated, 1955 Laws, in the interest of conser-
vation of oil and gas and the prevention of waste, to consent to and
approve the development or operation of State lands under agreements
made by lessees of oil and gas leases thereon, jointly or severally with
other oil and gas lessees of State lands, or oil and gas lessees or
mineral owners of privately owned or fee lands, for the purpose of
pooling or communitizing such lands to form a proration unit or por-
tion thereof, or well-spacing unit, pursuant to any order, rule or
regulation of the New Mexico Oil Conservation Commission, where such
agreement provides for the allocation of the production of oil or gas
from such pools or communitized area on an acreage or other basis found
by the commissioner to be fair and equitable.

WHEREAS, the parties hereto, being oil and gas lessees of record,
covering lands subject to this agreement, insofar as such leases cover
the lands hereinafter described, which leases are more particularly
described in the schedule attached hereto, marked Exhibit "A" and made
a part hereof, for all purposes, and

WHEREAS, said leases, insofar as they cover the Pennsylvanian
Formation in and under the land hereinafter described

cannot be independently developed and operated in conformity with the well-spacing program established for such formation in and under said lands; and

WHEREAS, the parties hereto desire to communitize and pool their respective interests in said leases subject to this Agreement for the purpose of developing, operating and producing gas and liquid hydrocarbons in the Pennsylvanian Formation in and under the land hereinafter described subject to the terms hereof.

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the undersigned as follows:

Township 21 South Range 27 East, N.M.P.M.

Section 15; E/2

Eddy County, New Mexico

containing 320 acres, more or less, and so hereby declare that it is the judgment of the parties hereto that the communitization, pooling and consolidation of the aforesaid land into a single unit for the development and production of gas and associated liquid hydrocarbons from the Pennsylvanian Formation in and under said land is necessary and advisable in order to properly develop and produce the gas and associated liquid hydrocarbon substances in the said Pennsylvanian Formation beneath said land in accordance with the spacing rules of the Conservation Commission of the State of New Mexico, and in order to promote the conservation of the gas and associated liquid hydrocarbons in and what may be produced from said formation in and under said land, and would be in the public interest;

AND, for the purposes aforesaid, the parties hereto do hereby communitize, for proration or spacing purposes only the leases

230780-8

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described in Exhibit "A" hereto insofar as they cover gas and associated liquid hydrocarbons within and that may be produced from the Pennsylvanian Formation (hereinafter referred to as "Communitized Substances") beneath the above-described land, into a single communitization, for the development, production, operation and conservation of the gas and associated liquid hydrocarbons in said formation beneath said land,

Attached hereto and made a part of this Agreement for all purposes, is Exhibit "A" showing the acreage, and ownership (Lessees of Record) of all lands within the communitized area.

2. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leases described in Exhibit "A" hereto in the proportion that the number of surface acres covered by each of such leases and included within the communitized area bears to the total number of acres contained in the communitized area.

3. The royalties payable on communitized substances allocated to the individual leases and the rentals provided for in said leases shall be determined and paid in the manner and on the basis prescribed in each of said leases. Except as provided for under the terms and provisions of the leases described in Exhibit "A" hereto or as herein provided to the contrary, the payment of rentals under the terms of said leases shall not be affected by this Agreement; and except as herein modified and changed or heretofore amended, the oil and gas leases subject to this agreement shall remain in full force and effect as originally issued and amended.

4. There shall be no obligation upon the parties hereto to offset any well or wells situated on the tracts of land comprising the communitized area, nor shall the undersigned be required to measure

230780-1

separately the communitized substances by reason of the diverse ownership of the separate tracts of land comprising the said communitized area; provided, however, that the parties hereto shall not be released from their obligation to protect the communitized area from drainage of communitized substances by wells which may be drilled within offset distance (as that term is defined) of the communitized area.

5. The Commencement, completion, and continued operation or production of a well or wells for communitized substances on the communitized area shall be considered as the commencement, completion, continued operation or production as to each of the leases described in Exhibit "A" hereto.

6. The production of communitized substances and disposal thereof shall be in conformity with the allocations, allotments and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State laws or statutes. This Agreement shall be subject to all applicable Federal and State laws, executive orders, rules and regulations affecting the performance of the provisions hereof, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this Agreement if compliance is prevented by or if such failure results from compliance with any such laws, orders, rules or regulations.

7. Harvey E. Yates shall be the Unit Operator of said communitized area and all matters of operation shall be determined and performed by Harvey E. Yates company.

8. This Agreement shall be effective as of the date hereinabove written upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Commissioner of Public

230780-18

192000-18

Lands, shall remain in full force and effect for a period of one year from the date hereof and as long thereafter as communitized substances are produced from the communitized area in commercial quantities; provided, however, that prior to production in commercial quantities from the communitized area, and upon fulfillment of all requirements of the Commissioner of Public Lands with respect to any dry hole or abandoned well drilled upon the communitized area, this Agreement may be terminated at any time by mutual agreement of the parties hereto. This Agreement shall not terminate upon cessation of production of communitized substances if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of non production.

9. Operator will furnish the Conservation Commission and the Commissioner of Public Lands, of the State of New Mexico, with any and all reports, statements, notices and well logs and records which may be required under the laws and regulations of the State of New Mexico.

10. It is agreed between the parties hereto that the Commissioner of Public Lands, or his duly authorized representatives, shall have the right of supervision over all operations under the communitized area to the same extent and degree as provided in the Oil and gas leases described in Exhibit "A" hereto and in the applicable oil and gas regulations of the State of New Mexico.

11. If any order of the Oil Conservation Commission upon which this agreement is predicated or based is in anywise changed or modified, then and in such event said agreement is likewise modified to conform thereto.

12. This Agreement may be executed in any number of counterparts,

no one of which needs to be executed by all parties, or may be ratified or consented to by separate instruments, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

13. This Agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

OPERATOR:

Harvey E. Yates
Harvey E. Yates

Louise D. Yates
Louise D. Yates

LESSEES OF RECORD: HUMBLE OIL & REFINING COMPANY

By _____
Attorney in Fact

ATTEST:

LANDA OIL COMPANY

By _____
President

TEXACO INC.

By _____
Attorney in Fact

no one of which needs to be executed by all parties, or may be ratified or consented to by separate instruments, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

OPERATOR:

Harvey E. Yates
Harvey E. Yates

Louise D. Yates
Louise D. Yates

LESSEES OF RECORD: HUMBLE OIL & REFINING COMPANY

By Bill A. Payne
Agent and Attorney in Fact

ATTEST:

LANDA OIL COMPANY

By _____
President

TEXACO, INC.

By _____
Attorney in Fact

APPROVED
Date
Accts
Int.
Term
Wdg.
Prod.
Trade

no one of which needs to be executed by all parties, or may be ratified or consented to by separate instruments, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

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OPERATOR:

Harvey E. Yates
Harvey E. Yates

Louise D. Yates
Louise D. Yates

LESSEES OF RECORD: HUMBLE OIL & REFINING COMPANY

By _____
Attorney in Fact

ATTEST:

21 Q. Q.
JCC

LANDA OIL COMPANY

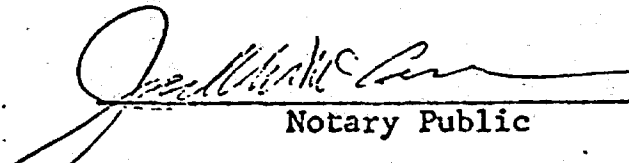
By T. J. J. J. J.
President

TEXACO, INC.

By _____
Attorney in Fact

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this 24th
day of March, 1968, by HARVEY E. YATES and LOUISE D. YATES, his
wife.


Notary Public

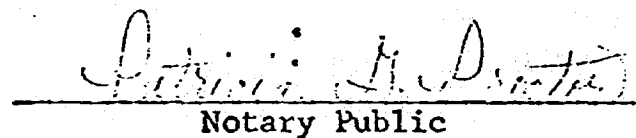
My commission expires:

December 15, 1971

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this 2nd
day of April, 1968, by Bill R. Payne, as Agent and, Attorney in
Delaware
Fact on behalf of HUMBLE OIL & REFINING COMPANY, a corporation.




Notary Public

My commission expires:

June 1, 1969

STATE OF TEXAS)
COUNTY OF DALLAS) ss.

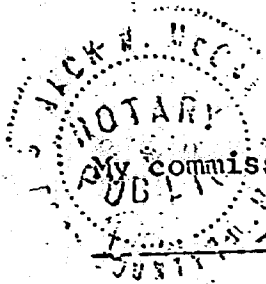
The foregoing instrument was acknowledged before me this _____
day of _____, 1968, by _____, President
of LANDA OIL COMPANY, a corporation, on behalf of said corporation.

Notary Public

My commission expires:

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this 21st
day of March, 1968, by HARVEY E. YATES and LOUISE D. YATES, his
wife.



[Signature]
Notary Public

My commission expires:

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____
day of _____, 1968, by _____, Attorney in
Fact on behalf of HUMBLE OIL & REFINING COMPANY, a corporation.

Notary Public

My commission expires:

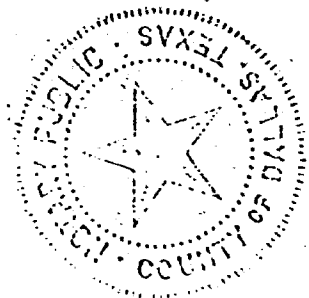
STATE OF TEXAS)
COUNTY OF DALLAS) ss.

The foregoing instrument was acknowledged before me this 29
day of March, 1968, by R. Frank Paul, President
of LANDA OIL COMPANY, a corporation, on behalf of said corporation.

[Signature]
Notary Public

My commission expires:

June 1, 1969



230780-1

192335-1

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 1st
day of April, 1968, by W. F. Sullivan, Attorney in
Fact on behalf of TEXACO INC., a corporation.

Richard L. Higgins
Notary Public

My commission expires:

6-1-69

230730-1

192505-1

EXHIBIT "A"

Attached to and made a part of that Communitization Agreement dated April 1, 1968 by and between Harvey E. Yates, Louise D. Yates, Humble Oil & Refining Company, Landa Oil Company and Texaco Inc., covering the E/2 Section 15, Township 21 South, Range 27 East, Eddy County, New Mexico.

Operator of Communitized Area:

Company: Harvey E. Yates

Description of Leases Committed:

Company: Humble Oil & Refining Company

Tract No. 1

Lessor:

State of New Mexico acting by and through its Commissioner of Public Lands

Lessee of Record:
Serial No. of Lease:
Date of Lease:
Description of Lands
Committed:
No. of Acres:

Humble Oil & Refining Company
OG-2427
April 15, 1958
SE/4 SE/4, Section 15
40

Humble Oil & Refining Company

Tract No. 2

Lessor:

State of New Mexico acting by and through its Commissioner of Public Lands

Lessee of Record:
Serial No. of Lease:
Date of Lease:
Description of Lands
Committed:
No. of Acres:

Humble Oil & Refining Company
OG-6027
October 20, 1959
W/2 NE/4, SE/4 NE/4, Section 15
120

Tract No. 3

Lessor:

State of New Mexico acting by and
through its Commissioner of Public
Lands

Lessee of Record:
Serial No. of Lease:
Date of Lease:
Description of Lands
Committed:
No. of Acres:

Humble Oil & Refining Company
OG-2426
April 15, 1958
W/2 SE/4, Section 15
80

Texaco Inc.

Tract No. 4

✓ Lessor:

State of New Mexico acting by and
through its Commissioner of Public
Lands

Lessee of Record:
Serial No. of Lease:
Date of Lease:
Description of Lands
Committed:
No. of Acres:

Texaco Inc.
OG-5809
August 18, 1959
NE/4 SE/4, Section 15
40

Tract No. 5

Lessor:

State of New Mexico acting by and
through its Commissioner of Public
Lands

Lessee of Record:
Serial No. of Lease:
Date of Lease:
Description of Lands
Committed:
No. of Acres:

Harvey E. Yates and Landa Oil
Company
K-3977
March 17, 1964
NE/4 NE/4, Section 15
40

RECAPITULATION

<u>TRACT NO.</u>	<u>No. of Acres Committed</u>	<u>Percentage of Interest in Communitized Area</u>
Lease No. 1	40	12.5%
Lease No. 2	120	37.5%
Lease No. 3	80	25.0%
✓ Lease No. 4	40	12.5%
Lease No. 5	40	12.5%
	<u>320 acres</u>	<u>100.0%</u>

Case no. 5182

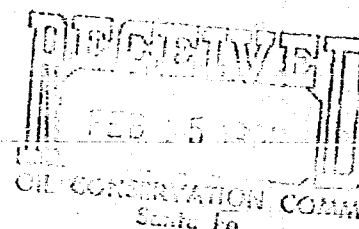
CLARENCE E. HINKLE
W. E. BONDURANT, JR.
LEWIS C. COX, JR.
PAUL W. EATON, JR.
CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.
STUART D. SHANOR
C. D. MARTIN
PAUL J. KELLY, JR.

LAW OFFICES
HINKLE, BONDURANT, COX & EATON
600 HINKLE BUILDING
POST OFFICE BOX 10
ROSWELL, NEW MEXICO 88201

TELEPHONE (505) 622-6510

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

February 14, 1974



Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

We enclose in triplication application of Perry R. Bass for force pooling the mineral interests in the Pennsylvanian formation underlying the W $\frac{1}{2}$ Section 15, Township 21 South, Range 27 East, Eddy County.

We would appreciate your placing this on the examiner's docket for March 13.

Yours very truly,

HINKLE, BONDURANT, COX & EATON

By

CEH:cs
Enc.
cc: Mr. Bill Seltzer

DOCKET MAILED

Date 3-1-74

*Docket to Refuse also -
Midland*

Case No. 5182

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

APPLICATION OF PERRY R. BASS FOR
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO. APPLICANT SEEKS AN
ORDER POOLING ALL MINERAL INTERESTS
IN FORMATIONS OF PENNSYLVANIAN AGE
UNDERLYING THE W $\frac{1}{2}$ SECTION 15, TOWNSHIP
21 SOUTH, RANGE 27 EAST, N.M.P.M. TO
BE DEDICATED TO A WELL TO BE DRILLED
BY APPLICANT AT A STANDARD LOCATION.
ALSO TO BE CONSIDERED WILL BE THE
COST OF DRILLING AND COMPLETING SAID
WELL, THE ALLOCATION OF SUCH COSTS
AS WELL AS OPERATING COSTS, CHARGES
FOR SUPERVISION, TOGETHER WITH A CHARGE
FOR THE RISK INVOLVED IN DRILLING SAID
WELL AND THE DESIGNATION OF APPLICANT
AS OPERATOR.

Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

Comes Perry R. Bass, acting by and through the undersigned attorneys, and hereby makes application for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests in formations of Pennsylvanian age underlying the W $\frac{1}{2}$ Section 15, Township 21 South, Range 27 East, N.M.P.M. to be dedicated to a well to be drilled by applicant at a standard location. Also to be considered will be the cost of drilling and completing said well, the allocation of such costs as well as operating costs, charges for supervision, together with a charge for the risk involved in drilling said well and the designation of applicant as operator, and in support thereof respectfully shows:

1. There is attached hereto, made a part hereof and for purposes of identification marked Exhibit "A", a plat showing the proposed spacing and drilling unit. Said plat also shows the ownership of all leasehold interests within an area of 2 miles from the proposed drilling unit, together with all wells which have been drilled in the area. The test well will be projected to test the Morrow formation of Pennsylvanian age.

Case No. 5182

2. That the W $\frac{1}{2}$ said Section 15 is state land covered by leases issued by the State of New Mexico acting by and through its Commissioner of Public Lands, which to the best of applicant's knowledge and belief are owned by the following:

Perry R. Bass
Harvey E. Yates Company, Inc.
~~Exxon Company U.S.A.~~
Texaco Inc.
Hilton Oil & Gas Corporation
Donald B. Anderson
George M. Yates

3. All of the owners of interests in the oil and gas leases have indicated their willingness to communitize their respective interests to create a standard well spacing or drilling unit comprised of the W $\frac{1}{2}$ said Section 15 except Texaco Inc.

4. Applicant believes that the entire W $\frac{1}{2}$ Section 15 will prove productive of gas in paying quantities from the Pennsylvanian formation and that the pooling of the leasehold interests covering said half section will avoid the drilling of unnecessary well, prevent waste and protect correlative rights. Applicant seeks compulsory pooling to form a standard spacing and proration unit as provided by Section 65-3-14 N.M.S.A. 1953 Comp. and in connection therewith to consider the cost of drilling and completing said well, the proper allocation of the cost thereof, as well as the cost of operating said well and charges for supervision. Also to be considered is the charge for the risk involved in drilling the well and the approval of applicant as operator.

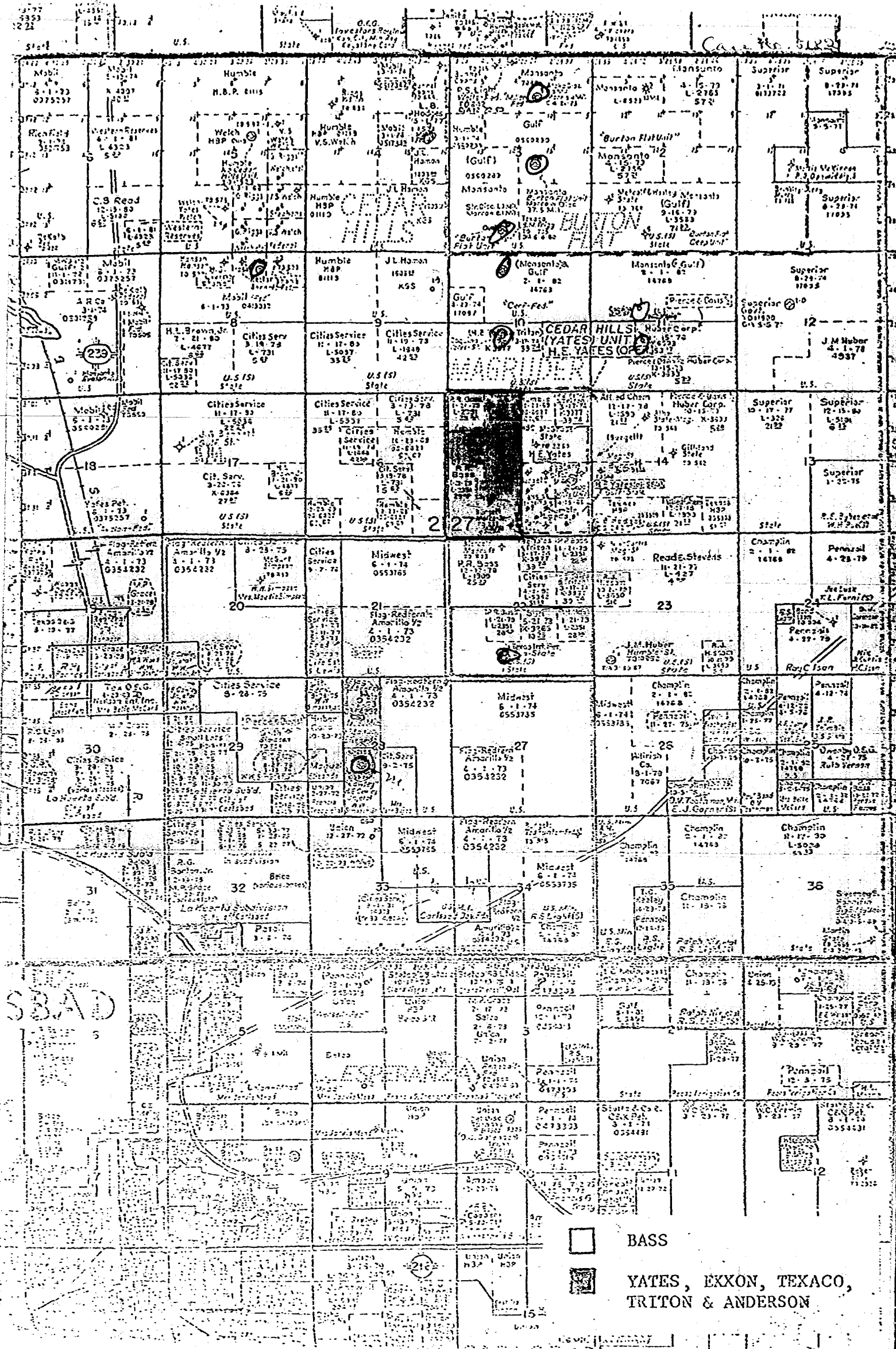
5. Applicant requests that this matter be set down for the examiner's hearing to be held on March 13, 1974.

Respectfully submitted,

PERRY R. BASS

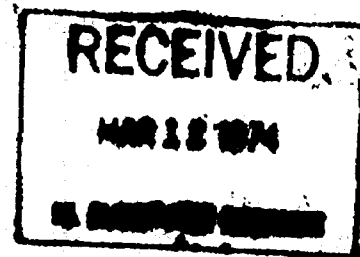
By 

HINKLE, BONDURANT, COX & EATON
Attorneys for Applicant
Box 10
Roswell, New Mexico 88201



BASS

YATES, EXXON, TEXACO,
TRITON & ANDERSON



BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF PERRY R. BASS FOR COMPULSORY
POOLING, W/2, SECTION 15, TOWN-
SHIP 21 SOUTH, RANGE 27 EAST, EDDY
COUNTY, NEW MEXICO.

CASE NO. _____

ANSWER TO APPLICATION

COMES NOW, TECACO, INC., and in response to the Applica-
tion of PERRY R. BASS for compulsory pooling, respectfully
states:

I. Article 65-3-14, N.M.S.A. as amended, provides for
the forced pooling of required acreage for a proration unit
in the event, interalia, the owners of separate interest
in the proposed proration unit "cannot agree" to pool their
interest voluntarily. The applicant has proposed to drill
a well to the Pennsylvanian formation in the west half of
Section 14, Township 21 South, Range 27 East, N.M.P.M. and
has brought this application, having failed to obtain the
required consent of the owners of the separate interests in
the proposed proration unit.

II. TEXACO does not agree that the west half of Section
15 is a proper gas drilling and spacing unit for the proposed
well, and contends that the gas drilling and spacing unit
dedicated to the well should be the north half, rather than
the west half of said Section 15; and that the gas drilling
and spacing unit comprising the north half is necessary to
avoid the drilling of unnecessary wells, to protect correla-
tive rights, and to afford the owner of each interest the
opportunity to recover or receive his just and fair share of
the gas in the Pennsylvanian formation underlying said drill-

ing and spacing unit.

III. TEXACO desires, in any event, to participate in the cost of drilling of a well to test the Pennsylvanian formation, said well to be drilled at a location approved by the Commission in a proration unit consisting of the north half of Section 15, Township 21 South, Range 27 East, N.M.P.M., Eddy County, New Mexico.

WHEREFORE, TEXACO prays that upon hearing the Commission enter its order approving all mineral royalty and working interests to the Pennsylvanian formation underlying the north half of said Section 15, Township 21 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, to form a standard spacing and drilling unit to be dedicated to the well to be drilled at a standard location.

Accordingly, TEXACO prays that PERRY R. BASS be denied any charges for supervision and risk in connection with the drilling and completing of the well.

TEXACO, INC.

BY: *Benjamin Phillips*
Of White, Koch, Kelly & McCarthy
PO Box 787
Santa Fe, New Mexico 87501

DRAFT

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. 5182

Order No. R- 4151

APPLICATION OF PERRY R. BASS FOR
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

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

NOW, on this day of March, 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 applicant, Perry R. Bass,
seeks an order pooling all mineral interests in the
Pennsylvanian formation underlying the W/2
of Section 15, Township 21 South, Range 27 East,
NMPM, adjacent to the Burton Flats Field, Eddy County, New
Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at a standard location in the W/2 of said Section 15.

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

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

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

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

(8) That any non-consenting working interest owner 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 ~~100~~ ^{140 percent} thereof as a reasonable charge for the risk involved in the drilling of the well.

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

(10) That following determination of reasonable well costs, any non-consenting working interest owner 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 \$165.00 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.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before July 1, 1974, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the W/2 of Section 15, Township 21 South, Range 27 East, NMPM, adjacent to the Burton Flats Field, Eddy County, New Mexico, are hereby pooled to form a standard 320- acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location in the W/2 of said Section 15.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of July, 1974, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of July, 1974, Order (1) of this order shall be null and void and of no effect whatsoever;

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 Perry R. Bass is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and ^{within} ~~at least~~ 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

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 Perry R. Bass is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and ^{within} ~~at least~~ 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

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Case No.
Order No. R-

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

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

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

(B) As a charge for the risk involved in the drilling of the well, 140 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$165.00 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.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy 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.

(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.