

CASE 5298: Appli. of GENERAL
AMERICAN OIL CO. OF TEXAS for
compulsory pooling, Eddy County.

CASE No.

5298

Application,

Transcripts,

Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
August 21, 1974

EXAMINER HEARING

IN THE MATTER OF:)
)
)

Application of General American Oil)
Company of Texas for compulsory pooling,)
Eddy County, New Mexico.)
-----)

Case No.
5298

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:

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

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MR. STAMETS: We'll call the next case, Case 5298.

MR. CARR: Case 5298. Application of General American Oil Company of Texas for compulsory pooling, Eddy County, New Mexico.

MR. EATON: Paul Eaton of the firm of Hinkle, Bondurant, Cox & Eaton, representing the Applicant. We have three witnesses.

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

(Witness sworn.)

PAUL THOMPSON

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

DIRECT EXAMINATION

BY MR. EATON:

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

A My name is Paul Thompson, I'm employed by
General American Oil Company of Texas in Dallas, Texas,
and I'm an Exploration Landman, Assistant Secretary of the
Corporation.

Q Have you previously testified before this Commis-
sion?

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A No, I have not.

Q Would you please give us your educational background and your work experience?

A I have a BBA Degree in Petroleum Land Management from the University of Oklahoma in 1966. I have worked with, since 1955 through March '71, with Amerada Petroleum Corporation, later Amerada Hess Corporation. I started as Land Trainee and moved up to Area Landman and served in their Oklahoma City, Tulsa, Williston, North Dakota, and Denver, Colorado, offices. From March of '71 to the present I have worked in my capacity with General American as I stated above.

Q What are your duties or responsibilities as Exploration Landman?

A Primary duty is to supervise and direct all the land functions that involve explorations projects and prospects and ventures in on-shore United States. Included in this would be responsibility for all negotiation farm-in, farm-outs, leasehold purchases, etc., anything having to do with exploration and well drilling.

Q Do you have responsibility for New Mexico for your Company?

A Yes, I do.

MR. EATON: Are the Witness' qualifications acceptable?

MR. STAMETS: They are.

BY MR. EATON:

Q Mr. Thompson, what is General American seeking by its Application?

A We seek to force pool all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 29, 17 South, 29 East, Eddy County, New Mexico, to be dedicated to the well drilling at a standard location in said unit. We also wish to set reasonable well costs as well as actual operating costs and charges for supervision. We seek to designate General American as the operator of the well and also we seek a charge for risk involved in drilling said well.

MR. EATON: Mr. Examiner, I would like to point out that the Application on file here inadvertently limits the formation to the Morrow formation. It was intended to cover the Pennsylvanian formation. The Notice, however, does cover the Pennsylvanian formation, so we would like to amend our Application to extend to the Pennsylvanian formation.

MR. STAMETS: The Application will be so amended.

BY MR. EATON:

Q Mr. Thompson, directing your attention first to Exhibit No. 1, would you state what that Exhibit represents?

A Although Exhibit 1 is styled as a structure map, my only purpose in testifying from this Exhibit is to point out the acreage in question. General American owns the acreage colored in yellow there in Section 29, the location of the well is shown, the spacing unit, east half of 29 is outlined in red, the southeast southeast of that Section, which is not colored in, is 40-acre State-tract lease which is owned by Tenneco Oil Company.

Q Is the rest of the east half of Section 29 in Federal lands?

A Yes. The east half of 29 comprises 320 acres, 280 acres of which is Federal.

Q On which General American has the leases?

A Right.

Q And the white tract is a 40-acre tract which is State land under which Tenneco Oil Company owns the oil and gas leases, is that correct?

A Correct.

Q Have you furnished the State Land Office with the copy or copies of the forced pooling Application and

other information with respect to this forced pooling Application?

A Right. We have furnished the proper State office with various items and information it requires under its Rule 51, which includes, among other things, a copy of the Application, locations, etc., and to the best of my knowledge that has all been submitted.

Q Has the well shown on Exhibit 1 been commenced?

A Yes, it has.

Q Do you know when that was started?

A August the 11th.

Q And that well is located in what, the northeast quarter, southeast quarter of Section 29?

A Yes, sir, the exact location is 1980 feet from the south line and 660 feet line of said Section 29.

Q And it is the east half of Section 29 that is dedicated to that well?

A It is, east half of 29.

Q Why is it that the well has already been commenced?

A The well has been commenced because of the availability of the rig at this point. The contractor that we had contracted with, Aranco, scheduled to commence this well in October, they had a cancellation, and we had to

take the rig or lose the contractor for this well and with the difficulty of obtaining rigs at the present time we felt that it was prudent to go ahead and move the spud date up.

Q All right; now, has Tenneco Oil Company joined with you in the drilling of this well?

A No, they have not.

Q What efforts has General American made to get Tenneco to join in this well?

A Well, Exhibit 2, which is a letter dated May 2nd, 1974, advised Tenneco that we planned to drill a 10,900-foot Morrow test at location, commencing as soon as practical in view of rig and pipe shortages. I told them that we planned to dedicate the east half and asked that they join us. We further asked them that they, because of the shallower zones with potential at locations where we proposed, that we join from the base of the Abo down through the depth drilled in the well.

Q What was Tenneco's response to your offer?

A Our Exhibit No. 3 is a copy of a letter dated June 5th, from Tenneco, wherein they advise us that they would like to defer the drilling of this test until such time that they had drilled their well Morrow test in

Section, in their letter they say northwest of Section 29, I believe they mean northwest of Section 33, and they also indicated that there were some Morrow tests to be drilled in the northeast of 31 and felt like they should wait the outcome of these two wells.

Q All right. Now, what was the next action that your Company took?

A Exhibit 4, June 28th, we wrote to Tenneco and told them that we still felt that we should proceed with the drilling of this well and asked them to join us. We offered to buy their rights below the base of the Abo. We offered to farm-in their 40 acres from the base of the Abo which would provide them with an override and a backend of 50 percent.

Q What was Tenneco's response to that letter?

A Their letter response was July 22nd, our Exhibit No. 5, and they advised, made no reference really to the farm-out proposal, but they advised that their well in Section 33 was drilling and that the No. 5 South Empire Deep Well in Section 32, and I believe that should be 31, was to commence in the near future and Tenneco still advised that they felt it necessary to wait the outcome of these wells. General American is also a working

interest owner in this well in 31.

Q In other words, General American has been unable to get Tenneco to agree to join in the drilling of this well, is that correct?

A That is correct.

Q Are there overriding royalty interests under the proposed proration unit?

A Yes.

Q What is your Company doing to communitize those interests?

A We prepared and circulated communitization agreements to the overriding royalty owners for their ratification.

Q Has that communitization agreement been filed with the USGS?

A Yes, it has.

Q Do you know, has it been approved as of this date?

A As of this date it has not.

Q Do you anticipate that it will be approved by the USGS within the very near future.

A Yes, I do.

Q Does the communitization agreement name General American as operator?

interest owner in this well in 31.

Q In other words, General American has been unable to get Tenneco to agree to join in the drilling of this well, is that correct?

A That is correct.

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Q Do you know, has it been approved as of this date?

A As of this date it has not.

Q Do you anticipate that it will be approved by the USGS within the very near future.

A Yes, I do.

Q Does the communitization agreement name General American as operator?

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CROSS

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A Yes, it does.

Q And I believe you stated you are asking that the Order of this Commission designate your Company as operator, is that correct?

A That is correct.

MR. EATON: I have no further questions of this Witness.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Thompson, will some other witness testify to the depth of the well and expected completion date?

A Yes.

Q Is Tenneco the only other working-interest owner in this east half?

A Of record, that is correct.

Q They are the only ones that have not agreed?

A Yes, sir.

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

MR. BATEMAN: If Mr. Stamets please, may we enter appearances at this time? I am Ken Bateman of White, Koch, Kelly & McCarthy, representing Tenneco.

CROSS EXAMINATION

BY MR. BATEMAN:

Q Mr. Thompson, I have a couple of questions. We can refer to Exhibit 1.

A Yes, sir.

Q Would you identify on those wells, the two wells that are, I believe Tenneco referred to as being either presently drilling or proposed to be drilled in the near future?

A Okay. The well that they mentioned, I believe in Exhibit 3, as being in the northwest of 29 is the well in the northwest of 33, Tenneco No. 1 Federal. I'm not sure of the full name of that well. The other, South Empire Deep No. 5 well is the well that is shown on Section 31 as proposed location.

Q Does General American have an interest in the well in Section 31?

A Yes, we do.

Q When that well is drilled, who will be the operator? Will it be General American?

A No, sir, our well in 31?

Q Yes.

A That is Amoco.

Q Amoco?

A Is the operator of that unit, succeeding Midwest.

Q Now, you have testified concerning correspondence of Tenneco. You have not received, have you, a refusal to join, is that correct?

A At this time I would indicate that we think that the correspondence would indicate that they refuse to join at this time.

Q But you have not received indication from Tenneco of their refusal to join at any time?

A No, sir.

Q You testified that you had previously scheduled the drilling of this well in October. Was that information ever communicated to Tenneco?

A Yes, it was. Several telephone conversations. Actually we have tried to -- October was as early as we hoped to begin -- commence even earlier than that, and that was the best we could come up with.

Q Now, in your testimony concerning your letter of June 28th, you testified concerning an effort to farm in Tenneco, I don't believe you mentioned the proposal to buy the acreage.

A Yes, sir, I don't believe I mentioned the amount.

Q What was that amount?

A \$125 per acre, subject to approval of title and assuming no unusual burdens.

Q Do you think that price is appropriate under the circumstances?

A I think it's a reasonable initial offer based on my experience in the area.

Q You saw some potential for negotiation, is that correct?

A I would think so.

Q Are you familiar enough with the operations of your Company to state whether or not there would have been any monetary lost to General American from delaying the drilling of this well?

A Outside of the tax considerations of getting the well drilled in certain quarters, I can think of none, however I'm not familiar with all of the ramifications of it.

Q Would you feel that the information which might be available from the completion of the off-setting wells might be of assistance to you in determining whether or not this well should be proceeded with?

A If I may I would like to refer that to our geological

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and/or engineering testimony later.

Q Well, do you have any opinion concerning that?

A I think that any additional wells drilled always is beneficial in giving control.

Q Thank you.

MR. BATEMAN: I have no further questions.

MR. STAMETS: Mr. Thompson, if Tenneco's letters don't exactly say that they refuse to join, do they say that they agree to join?

MR. THOMPSON: No, they do not.

MR. STAMETS: Are there other questions of the Witness? He may be excused.

(Witness previously sworn.)

LARRY J. DARNALL

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

DIRECT EXAMINATION

BY MR. EATON:

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

A My name is Larry Darnall, I'm employed as a Petroleum Geologist for General American Oil Company in Dallas.

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

A No, sir, I haven't.

Q Will you please give us your educational background and your work experience?

A Yes, sir. I received a Bachelor of Science degree in geology in 1958 from the University of Texas. I attended graduate school at Louisiana State University and in 1959 was employed by General American. Since that time I have worked in exploration and development geology over many, many areas of the continental United States. For the past five years, or six years, I've handled most of General American's unitization work with regards to geology. I have testified before many other state regulatory agencies, primarily the Louisiana Department of Conservation.

Q Are you a member of any organizations?

A I am an active member of the American Association of Petroleum Geologists and was recognized by them in 1969 as a Certified Petroleum Geologist.

MR. EATON: Are the Witness' qualifications acceptable?

MR. STAMETS: Any questions? They are.

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BY MR. EATON:

Q Mr. Darnall, you are familiar with the Application in this case and what General American is seeking, are you not?

A Yes, sir, I am.

Q Please refer back to Exhibit No. 1 and state in detail what that Exhibit portrays.

A Exhibit No. 1 is a structure contour map on the base of the Morrow section in the South Empire Grayburg Field area of Eddy County, New Mexico, and as Mr. Thompson said, our proposed 320-acre Pennsylvanian Unit is outlined in red, and the location of the unit well is circled in red. And, again as he said, it is an orthodox location scaling 1980 from the south line, 660 from the west line of the Section. As you can see, the structural configuration is a simple southward nosing and no structural closure is indicated.

I would now refer you to the well circled in yellow on this Exhibit. This is the Horizon Oil and Gas No. 2-28 State and its scale is approximately 125 feet east of our location and this well circled in yellow is shown on Exhibit No. 6 as a type log for the area.

Q Okay. Would you refer to Exhibit No. 6?

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A Yes, sir.

Q And state what that Exhibit indicates?

A Yes, sir. As I said, Exhibit No. 6 is a portion Compensated Neutron Formation Density log on the Horizon State No. 2-28. Shown on this Exhibit are several tops, the top of the Pennsylvanian at 8880, the top of the Canyon at 9410, the top of the Strawn at 9738, the top of the Atoka, 10,160, the top of the Morrow, 10,356, the top of the Chester or the Mississippian at 10,846. Now, the perfs of this well is completed from perfs that are shown in red, perforations in the Atoka being 10,327 to 41, and the Morrow being 10,709 to 22. Now, we're asking that our unit be set up to include the Pennsylvanian, and that is the section shown between the red lines from 8880 to 10846 on this Exhibit. You might also note that in the lower Morrow we've labeled four zones, A, B, C, and D, and these zones will be referred to in our next two Exhibits.

Q Okay. Going then to Exhibit No. 7, what does that Exhibit represent?

A Exhibit No. 7 is a net pay isopach to what we refer to as Morrow A and B zones. Morrow production in this area has been entirely dependent on the development of

porosity and permeability. Water hasn't been any problem. As you can see the porosities, and therefore the pays, range from 53 feet in the El Paso Leonard State Well, circled in green, to zero feet in many, many flank wells. We hope to encounter about 30 feet in net pay at our location, but of course, rapid changes do occur throughout the field.

Q All right. What does Exhibit No. 8 show?

A Exhibit No. 8 is another net pay isopach on what we call the lower Morrow D zone, another producing zone in the field. As you can see looking at the Exhibit, D zone porosity has been much more poorly developed than in the A and B and it has been much harder to find, but we do hope to come up with about 10 feet in net pay in our well.

Now, I would like to talk about risk for a minute. As we've shown, structure is not playing any real part in the entrapment of hydrocarbons in the Morrow formation, and permeability development and porosity development, entrapment has been solely dependent on porosity and permeability, and there is no question that this development is extremely hard, if not impossible, to predict.

I would now like to refer you back to Exhibit

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No. 7. Prior to the drilling of the El Paso-Leonard State Well, which I have shown circled in green on this Exhibit, Gulf drilled a Morrow test in Section 24, this well is circled in blue, and resulted in a dry hole. Now, after the drilling of the El Paso-Leonard State discovery, again circled in green, 6 off-sets were drilled to this well in many different directions and all encountered zero porosity in the Morrow. These wells are all shown circled in pink. As you can see, porosity drops from 53 feet in the El Paso No. 1 Leonard State Well circled in green to zero feet in the El Paso No. 2 Leonard State to the west in a matter of only about 1000 feet, so changes are occurring very very rapidly. The H.L. Brown No. 1 Dodd Federal, circled in orange, finally found the Morrow permeability and porosity again.

With regard to the question to Mr. Thompson by Tenneco as to information that we might gain from the Tenneco well in 33, I would answer it this way: Anytime you drill another well you end up with more control, but we think we've utilized the control we've got in a very reasonable manner. You can drill and drill and drill; you probably never are going to have enough control. But, I will say this, if Tenneco makes a well down there, and

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I hope they do, it would in no way discourage me from feeling that our location is a good one. On the other hand, if they make a dry hole, I would feel that we've got the porosity correctly mapped and that it lies to the north, so I don't really see that the Tenneco location matters. It certainly wouldn't discourage me in any way regardless of their wells.

Now, we've estimated the dry-hole costs, and these costs Mr. Crow will get into later, but we've estimated dry-hole costs of \$232,000 and a completed-well cost of \$365,000 for our tests. Then, in view of these high costs, and the tremendously erratic nature of the Morrow porosity development, which does govern accumulation, we can't think of a case where 200 percent risk charge would be more applicable and we therefore respectfully ask that the Commission set the risk charge at 200 percent.

Q Mr. Darnall, did you prepare Exhibits 1, 6, 7 and 8 or were they prepared under your supervision?

A Yes, they were prepared under my supervision.

MR. EATON: We offer these Exhibits as well as Exhibits 2, 3, 4 and 5 to which Mr. Thompson testified as evidence.

MR. STAMETS: Any objections to the admittance

of these Exhibits? They will be so admitted.

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

MR. EATON: I have no further questions of this
Witness.

MR. STAMETS: Are there questions of the Witness?
Mr. Bateman?

MR. BATEMAN: Yes, Mr. Examiner.

CROSS EXAMINATION

BY MR. BATEMAN:

Q Mr. Darnall, I have a couple of questions. Has
the Atoka been any consideration in determining whether
or not to drill this well, the potential for production?

A It certainly has not been something that has
hurt the decision to drill the well. I think we would
have drilled the well regardless of the Atoka discovery,
but I frankly wouldn't have another zone to shoot at.
It helps.

Q Okay. Now, is the Atoka as difficult to predict
as the Morrow as you testified?

A I would say that if you've got one Atoka producer

down here that it would be pretty difficult to predict.

Q Would additional control be of assistance to you?

A On the Atoka additional control would be of assistance, on the Atoka.

Q Let's come back to the question that I had before, is characteristically the Atoka as difficult to predict as the Morrow?

A Well, I would say that in this area you have one Atoka producer. I don't know what's going to come from here. You may find that you're on the edge of something that's easy to predict, I don't know.

Q You testified that the Morrow was -- prediction of the Morrow related solely to the question of permeability, is that correct?

A Permeability and porosity.

Q Porosity. Is that characteristic of the Atoka production?

A Right now it would appear so.

Q Uniformly?

A Uniformly what, we've got one well, I mean I don't, we have one well that is productive from the Atoka. I would say yes, it is hard to predict.

Q I assume from your testimony, however, that Morrow

found in other areas, say the Permian Basin, prediction of Morrow production is as difficult in other areas as it is here, is that correct?

A Well, I don't really think that -- Morrow production is difficult yes, but I would say that we are talking about this area and it's obviously very hard to predict in this area.

Q All right. Now, talking about controls, you made the statement that the result of the Tenneco well in Section 33 would not discourage you. Could it be that the result might encourage you?

A Well, we're encouraged enough now. It might encourage you.

Q I think that's the point of this discussion, frankly. Now, what about the well in 31? You say that according to your Exhibit No. 7 that Tenneco location in Section 33, according to your calculations, doesn't affect the Morrow?

A No, that's not what I said. I didn't say that it doesn't affect the Morrow, I said that it wouldn't affect our desire to drill the well in the location we have proposed, regardless of what the results are. It would certainly affect the Morrow.

Q Okay, we're not arguing that point. The indication of Exhibit 7 is that your location in Section 29 is a better location than Section 33, is that correct?

A That's right.

Q Now, would the information that could be obtained from the well proposed to be drilled in Section 31 have any value to you?

A Any new control has value, but I would say this: I don't think that the information obtained from the well in Section 31 or the well in Section 33 would in any way now alter any plan that we have in drilling the Morrow well where we've shown. I don't think it would.

Q You testified that you think that this is a prime case for 200-percent-risk penalty, but in view of that you have proceeded without an absolute indication that Tenneco's not going to cooperate with you.

A Well, I don't know whether this is my question or Mr. Thompson should be answering it, but our indication to this point has been that Tenneco was not going to cooperate. I mean, we've gotten down to the point the well's drilling and we have gotten no response, so this has been our assumption.

Q Now, you think that at least there is a potential

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for a high return from the well which you located in
Section 29, is that correct?

A Well, we hope so. We wouldn't be drilling it if
we didn't hope so.

Q Fine.

MR. BATEMAN: No further questions.

MR. STAMETS: Will the other witness testify as
to the current drilling data from the estimated completion
date?

MR. DARNELL: Yes, sir.

MR. STAMETS: I have one other question. Since
these two factors may affect the risk factor, will he also
speak to risk factor in that regard?

MR. DARNELL: Yes.

MR. STAMETS: Okay. I have no questions for this
Witness, he may be excused.

(Witness previously sworn.)

ROY CROW

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

DIRECT EXAMINATION

BY MR. EATON:

Q Would you please state your name, by whom you are

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employed, and in what capacity?

A My name is Roy Crow, I'm employed by General American Oil Company of Texas located in Loco Hills, New Mexico. My capacity is District Superintendent, New Mexico-California area.

Q What are your responsibilities in that capacity?

A I'm responsible for all operations in New Mexico, California, production, drilling, all phases of operations of General American.

Q Have you previously testified before this Commission in that capacity?

A I have.

MR. EATON: Are the Witness' qualifications acceptable?

MR. STAMETS: They are.

BY MR. EATON:

Q I assume you are responsible for overseeing the drilling of this Green A No. 3 Well?

A This is true.

Q What is the projected depth of that well?

A The projected depth of Green A No. 3 is 10,900 feet.

Q And I believe Mr. Thompson may already have testified

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to it, but when was that well commenced?

A On August the 11th.

Q Why was it commenced at that time, Mr. Crow?

A Well, as stated before, we tentatively tried to get the well set up for somewhere around this date and the only drilling contract we could firm up was around October the 1st, and later we were advised by the drilling people that we could swap our spot of October 1st for this particular date here and all of our management and people were ready to proceed with the well at this time rather than taking the chance of being even maybe next year before we could sign another rig contract.

Q The Horizon Well in Section 28 is a producing well, is it not?

A Yes, the Horizon 228 is a producing well .

Q And it's offsetting your proposed well?

A This is correct; it is to the east.

Q What is the contemplated completion date of your well?

A Barring any unforeseen difficulties, possibly somewhere around September the 25th.

Q Have you had prepared under your supervision an exhibit which reflects the estimated well costs of

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this well?

A That is correct.

Q Is that Exhibit No. 9?

A Exhibit No. 9 was prepared under my supervision for well costs, both dry hole and completed well, dry hole costs of \$232,000 and completed well for \$365,000. This was based on current wells that we have participated in in recent months and also a well we drilled ourselves in the past few months, so they should be very reasonable.

Q Directing your attention now to Exhibit 10, would you state, Mr. Crow, what this Exhibit is intended to show?

A Exhibit 10 is the COPAS Form for accounting procedures in drill point operations. This Exhibit is intended to point out the drilling cost of \$1350 rate per month and the \$200-per-month-operational-combined-fixed rate for operations in foreman.

Q What are the basis for those supervision figures?

A There figures were compiled by our Accounting Department basing that this is on what they feel it will take to operate the well and prepared figure for operations of the well.

Q From your experience, do you consider these

charges to be reasonable and fair?

A I do, and the fact that we participate in other units in the area, which, with their combined rates of foreman, would be approximately these same figures.

Q Mr. Crow, will approval of General American's Application before this Commission avoid the drilling of additional wells or unnecessary wells in the east half of 29?

A Yes.

Q In your opinion will it protect correlative rights and afford to each owner in the east half of Section 29 the opportunity to recover its fair share of the gas under that unit?

A Yes.

MR. EATON: We offer Exhibits 9 and 10 into evidence.

MR. STAMETS: Any objection? These Exhibits will be admitted into evidence.

(Whereupon, Applicant's Exhibits
9 and 10 were admitted into evidence.)

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

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MR. EATON: We have no further questions.

MR. STAMETS: Mr. Bateman, do you have some questions of the Witness?

MR. BATEMAN: Yes, Mr. Examiner, I do.

CROSS EXAMINATION

BY MR. BATEMAN:

Q You testified that the drilling contractor notified you that you had availability of the rig for August and that you had contracted to begin this well in October, is that correct?

A That is correct.

Q Could you have made the decision to proceed to drill in October rather than in August?

A Well, our particular plans were all finalized at this time and we saw no reason to delay the drilling any longer since the rig availability was now at this particular time.

Q The contractor remained committed to have a rig available in October, is that correct?

A Well I suppose this would have been possible but in our conversation it was more of a swap than it was but there was nothing legal tied to it. It was more a swap of our place in line.

Q Assuming your plans had prohibited drilling in August, you could have proceeded to drill in October, is that correct?

A Well, there would have been no guarantee that the rig availability would have been the exact time; it would have been somewhere in October.

Q Now, referring to Exhibit 10, which is the accounting procedure for joint operations. Is this Exhibit identical to the Exhibit, or the document that has been completed and executed by General American? Has this been made available to Tenneco?

A Not to my knowledge.

Q As a matter of general business would you make it available to me?

A I assume they would.

Q Now, is this Exhibit, Exhibit No. 10, any different than any other accounting procedure of joint operational form that has been executed by your organization in the past?

A Not to my knowledge.

Q I believe you testified that you had Exhibit 9 prepared under your direction?

A That is correct.

Q Has Exhibit No. 9 been forwarded to Tenneco Oil Company for their consideration?

A The total figure was given to Tenneco, not the itemized list. The total cost figure was, the dry hole and total completion cost.

Q Do you know who forwarded that information to Tenneco?

A I believe Mr. Thompson.

MR. BATEMAN: No further questions.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Crow, if the normal Commission forced pooling order were issued relative to this well, the various time limits set out there could result in this well being down before Tenneco would have to determine whether or not they would propose to join in the drilling of the well. Do you have some special time limits that you would propose in the order?

A I believe we are prepared to ask for 30 days from this date. Is this not true, Mr. Eaton?

MR. EATON: Yes, sir. Mr. Examiner, we would request the Commission that in view of the fact that as of today Tenneco has been submitted a schedule of the

estimated well costs as well as the supervision charge, that the order, if and when entered, should provide that Tenneco shall have a certain length of time, maybe 20, 25 days from today, in which to pay its share of the estimated well costs in lieu of paying its cost out of production. We believe that 20 or 25 days from today would give it sufficient time in which to review this schedule, which was Exhibit 9, and make its decision and that decision would be made prior to the estimated completion of the well.

MR. STAMETS: Any of your Witnesses may answer this question. Did anyone notify Tenneco that the well was being commenced back in August?

MR. THOMPSON: Yes. This letter was not submitted, we could make it an Exhibit, but on August 6, a letter, this was after Exhibit No. 5 replied concerning they still wanted to wait; we again ask them to join us, refer to our previous correspondence, tell them that we anticipate the well will be started on or before August 10th, 1974, and that we would like for them to reconsider our proposal, and we again ask them to farm-out and then we ask them reply on or before August 16. and we have had no reply to this letter.

MR. STAMETS: I think that should be an additional Exhibit.

MR. EATON: All right.

MR. STAMETS: Was Tenneco supplied the information on the AFE by telephone or by written communication?

MR. THOMPSON: We have by telephone supplied those costs set out there; we also had given them some previous costs that we had on our original AFE. My initial visit with Tenneco's Mr. Venus in their Denver Office, before any correspondence took place, indicated that they would most likely not join, and for that reason we never went through the task of preparing a formal AFE to send to them, because they're out of date about 30 days after you send one out.

MR. STAMETS: So today is the first day Tenneco or its representatives have seen the AFE here presented?

MR. THOMPSON: Itemized list.

MR. STAMETS: Thank you.

MR. EATON: Mr. Thompson, I refer you to what has been marked for identification as Applicant's Exhibit No. 11. Is this the letter which you have testified to dated August 6th, 1974, which was sent by General

American to Tenneco advising Tenneco that General American had elected to proceed with the drilling of the test, has made application to the Oil Conservation Commission to force pool and that the test would be spudded on or before August 10, 1974, and is this the letter which also says that you would like Tenneco to reconsider your proposal to it?

MR. THOMPSON: Yes, sir.

MR. EATON: We offer Exhibit No. 11.

MR. STAMETS: Is there any objection?

MR. BATEMAN: No objection.

MR. STAMETS: It will be so admitted.

(Whereupon, Applicant's Exhibit

No. 11 was admitted into evidence.)

BY MR. STAMETS:

Q Mr. Crow, what is the current drilling depth of the well in question?

A The current depth was probably approximately 3100 feet this A.M.

Q What is the name of that well?

A Green A No. 3.

MR. STAMETS: Are there other questions of Mr. Crow?

MR. BATEMAN: No further questions.

MR. STAMETS: Do you have any questions of Mr. Thompson? The Witness may be excused. Is there anything further in this Case?

MR. BATEMAN: I would like to make a brief statement if I may.

MR. STAMETS: Yes, Mr. Bateman.

MR. BATEMAN: On behalf of Tenneco, I draw the Commission's attention to the correspondence which in our view indicates not as implied by the Applicant the unwillingness of Tenneco to participate. It implies that Tenneco was making considerations which it believed were prudent and pointing out that two other wells were either, well, two wells, one of which was drilling and the other which was proposed offsetting the proposed location, which it felt would provide, as indicated in Exhibit No. 3, the necessary stratigraphic information of the Morrow upon which it could base an evaluation of the proposed location. There has never been any indication that Tenneco didn't have the intention of proceeding or participating. It merely indicated that on the basis of prudent business operations it felt that additional information would be available in the near future and therefore

should be considered prior to making the decision whether or not to join. Concerning the risk, I think it is quite apparent that the risk is not a consideration to the extreme that Mr. Thompson, I believe, testified to. General American has made its unilateral decision to proceed to finance the drilling of the well and I'm sure on the expectation of high return. Furthermore, I don't believe this is the case in which the forced pooling statute is directed. Cases in which under no circumstances will other working interest owners or royalty interest owners participate. This is merely a case of negotiations which General American on its own volition has broken off by commencing drilling of the well. Obviously, had they waited a little farther in the year, toward the fall, it's quite possible that Tenneco would have made the decision to participate and they could have proceeded even based on the projected date in October that they had rig availability for.

In that regard, therefore, if the Commission determines that the area should be, or the unit should be forced pooled, I do not believe that the Commission should award any penalty whatsoever to General American for its proceeding under the circumstances in this Case. As I

pointed out, I believe that they have unilaterally broken off negotiations and have determined that they are going to go ahead on their own at their own expense and on the expectation of high return.

I think there is one further consideration that should be made by the Commission in determining the question of risk, and that is the terms of the offer made by General American, which are contained in a letter which is Exhibit No. 4. Without elaborating on it, I believe if the Commission analyzes the terms of that offer, I do not believe the Commission should conclude that Tenneco should be criticized or penalized for failing to accept it.

Therefore, in summary, I believe this is a question of continuing negotiations and that no penalty whatsoever should be affixed.

MR. STAMETS: Mr. Eaton.

MR. EATON: The forced pooling statute, as I recall, would apply if parties owning different tracts are unable to agree upon the drilling of a well. General American advised Tenneco on May the 2nd, Exhibit No. 2, of its plan to drill this well and established the exact location, depth, etc. A month later Tenneco responded, Exhibit No. 3, and said neither aye or nay.

On June 28th General American again wrote Tenneco and said, "Please join with us in drilling this well, or if you don't want to join with us then we would be willing to buy your deep rights for a certain price or we would be willing to take a farm out." But again we asked them to join with us in drilling the well. They responded July 22 without saying aye or nay. Obviously they had not agreed to join us in drilling the well. Then, on Exhibit 11 we finally advised Tenneco that we were going to go ahead and drill this well by a certain date and please reconsider our offer, our proposal to join in drilling the well, and they have not done so so I think there is no question on the applicability of the forced pooling statute. The statute does provide for risk. We believe that there is a large risk in drilling this well. Tenneco apparently feels likewise that there is a large risk in drilling this well since it is very hesitant in joining in the drilling of the well. In fact it apparently refuses to join in the drilling of the well up to this point in time. The testimony of Mr. Darnall certainly suggests extreme risk. The existing wells, as reflected on Exhibit No. 7, show that this is a very risky

proposition. Obviously General American thinks that it is going to get production or else it wouldn't drill the well, but a lot of risky wells are drilled. We believe that the application of the 200-percent-risk charge is in point in this particular case.

We do further believe or suggest and request, as I said before, that Tenneco be given 20 or 25 days from today in which to make a decision whether or not it wants to pay its share of the estimated well costs based upon Exhibits 9 and 10, which have been furnished to Tenneco today. We believe that that is a reasonable time under the circumstances, particularly in view of the fact that Tenneco is already drilling in the area and is knowledgeable of the area and it certainly should be able to make a decision in that period of time.

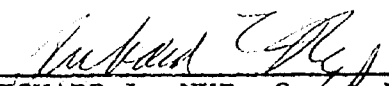
Thank you.

MR. STAMETS: Anything further in this Case?

We will take the Case under advisement.

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

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. 5298, heard by me on Aug. 21, 1974.


Richard L. Nye, Examiner
New Mexico Oil Conservation Commission

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

GENERAL AMERICAN OIL COMPANY OF TEXAS

MEADOWS BUILDING

DALLAS, TEXAS 75206

February 10, 1976

New Mexico Oil & Gas Conservation Commission
P. O. Box 2088
Santa Fe, NM 87501

Attention Mr. A. L. Porter, Manager and Secretary

Tenneco Oil Company
1200 Lincoln Tower Building
Denver, CO 80203

Attention Mr. D. C. Myers, Division Production Manager

RE: Green "A" No. 3 Well,
New Mexico Oil Conservation Commission
Case No. 5298, Order No. R-4846,
Pennsylvanian Formation Compulsory Pooling,
E/2 of Section 29, T-17-S, R-29-E, NMPM,
Grayburg Atoka Field,
Eddy County, New Mexico

Gentlemen:

Pursuant to my previous letter of January 14, 1975, regarding the costs incurred by General American in the drilling, completing and equipping of the referenced well, there are attached hereto two schedules outlining the final costs on this well.

Should there be any questions regarding the attached data, please advise.

Yours very truly,

GENERAL AMERICAN OIL COMPANY

W. T. Patterson

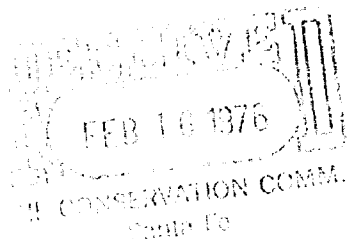
W. T. Patterson
Asst. Vice President, Production

ms

Attachments

cc: N. W. Krouskop
D. C. Apeland
R. L. Crow] With Attachments
W. Moore]

File - PLW, C



*Rich Stamets
Examiner*

W. T. Patterson
2/16/76

Estimated and Actual Well Costs
General American Green "A" #3 Well
Grayburg Atoka Field

SCHEDULE 1

New Mexico Oil Conservation Commission
Case No. 5298, Order No. R-4846
Pennsylvanian Formation Compulsory Pooling
E/2, Sec. 29, T-17-S, R-29-E, NMPH
Eddy County, New Mexico

Item	Estimated Cost - \$			Actual Cost - \$
	Intangibles	Tangibles	Total	
Drill & Test				
Location, Roads & Pits	\$ 5,000	\$	\$ 5,000	\$ 3,670
Drilling - 10,900' @ \$11.30/Ft.	123,170		123,170	122,052
- Daywork - 2 Days @ \$2,300/Day	4,600		4,600	21,065
Surface Casing - 330' - 11-3/4" OD, 42#, H-40 @ \$8.35/Ft.		2,756	2,756	2,573
- Cement, Service, Attachments, Trucking	2,000		2,000	1,702
Intermed. Casing - 2650' - 8-5/8", 24# & 32#, K-55 @ \$7.40/Ft.		19,610	19,610	15,133
- Cement, Service, Attachments, Trucking	3,750		3,750	2,133
Logging - Wireline - DIL, CNL, CDL, Dip Meter & Rig Time	14,600		14,600	16,642
- Mud Logging	6,000		6,000	6,427
Drill Stem Testing - 3 Tests @ \$3,600/Test Including Rig Time	10,800		10,800	6,857
Mud Additive & Water	16,000		16,000	29,726
Casing Head Assembly		2,500	2,500	2,822
Geological & Engineering Supervision	4,000		4,000	4,496
BOP Test	1,000		1,000	463
Rental Equipment	1,500		1,500	1,262
District & General Administration Overhead - 60 Days @ \$45/Day	2,700		2,700	2,352
Taxes & Miscellaneous Contingencies	11,000	1,000	12,000	2,194
Sub-Total Drill & Test	\$ 206,120	\$25,866	\$231,986	\$241,569
Less Actual Cost to Test Non-Pooled Zones (DST's 1-4 and Daywork)				[13,627]
Sub-Total - Actual Drill and Test Costs				\$227,942
Complete & Equip				
Production Casing - 10,900' - 5-1/2", 15.5# & 17#, K-55 & 17#, N-80 @ \$5.30/Ft.		57,770	57,770	37,168
- Cement, Service, Attachments, Trucking	5,500		5,500	5,624
Production Tubing - 10,900' - 2-3/8" EUE, 4.7#, N-80 @ \$1.99/Ft.		21,691	21,691	10,506
Perforating & Stimulation	6,500		6,500	6,608
Packer		1,500	1,500	378
Well Servicing Unit	6,000		6,000	1,895
Tubing Head, Valves & Misc. Conn.		4,000	4,000	10,575
AOF Test	3,000		3,000	859
Heater - Dehydrator Unit		14,000	14,000	38,446
Storage Facilities		3,000	3,000	1,310
Flowline		1,000	1,000	465
Labor, Burden & Benefits	2,000		2,000	4,280
Engineering Supervision	500		500	- 0 -
District & General Administration Overhead - 10 Days @ \$60/Day	600		600	- 0 -
Taxes & Miscellaneous Contingencies	1,500	5,000	6,500	854
Sub-Total Complete & Equip	25,600	107,961	133,561	118,968
Total - Drill, Test, Complete & Equip	\$231,720	\$133,827	\$365,547	\$346,910

Estimated Cost by W. T. Patterson - 8-16-74
Actual Cost by B. Rupe - 1-13-75
and M. Inman - 2-5-76

< > DENOTES CREDIT

GENERAL AMERICAN OIL COMPANY OF TEXAS				A.F.E. DETAIL		Page No. 2	APR No. 40-75009-1
No. of Copies	Acct. Code	GREEN "A" #3 - Eddy County, New Mexico		Cost	\$299,069.00	District	New Mexico
GAO	Purpose	Drill and test through top of Mississippi at approx. 10,900'		Supplement		GAO Interest	
Total 4	APR	D-40-10 EX 74-18		Supplement		Net Profit	
				Supplement		Cost to Date	
DATE	REFERENCE	DESCRIPTION		TANGIBLE *	INTANGIBLE *	BALANCE	
74 SEPT	29677	B. F. Walker, Inc. - 74 jts. 2418' - 5-1/2" 15.50# K-55 ST&C R-2 casing; 94 jts. - 3061' - 5-1/2" 17# K-55 ST&C R-2 casing; 130 jts. 5676' - 5-1/2" 17# N-80 LT&C R-3 casing - Load, check and tally and haul to lease			984.00		
74 SEPT	29710	Baroid Div. - Drilling mud			4,102.00		
74 SEPT	29877	Steve Carter & Son - Transports w/drivers to haul brine water			177.00		
74 SEPT	54	Co. Unit #40-71140 - 1971 Ford 4 x 4 w/Holbar welder - 3 hrs.			11.00		
74 SEPT	54	Co. Unit #40-74141 - 17 hrs. - 1974 Ford winch truck			68.00		
74 SEPT	30054	Moranco - Contract Drilling - Daywork: 189 hrs. @ \$95.8334 p/hr. 18,112.51; 20.75 hrs. @ \$91.6667 p/hr. 1,902.08; Drilling 10,927' TD Less 10' Substructure = 10,917' @ \$10.75 per ft. 117,357.75; 4% Sales Tax 5,494.89; Third Party Charges (Eddins Walcher) 206.70; (Union Supply) 42.67; 143,116.60			143,117.00		204,915.00**
74 OCT	30320	Baroid Div. NL Ind., Inc. - Drilling Mud			6,773.00		
74 OCT	30337	Exploration Services, Inc. - 28 Days Full Crew - Hydrocarbon Well Logging Services 9/1 thru 9/28/74 and Mileage Rig Up & Rig Down Unit			6,427.00		
74 OCT	30339	Halliburton Services - Drill Stem Test #6			1,237.00		
74 OCT	30339	Halliburton Services - Cement, chemicals, 5-1/2" guide shoe, float collar and Centralizers - Cement 5-1/2" long string			4,432.00		
74 OCT	30339	Halliburton Services - Drill Stem Test #5			1,237.00		
74 OCT	30341	I/W Inc. - Haul 270 bbl. fresh water			87.00		
74 OCT	30353	Rector Well Equipment Co., Inc. - Slip Packoff Assy. Rector SP-2A 10" x 5-1/2" OD, Ring Packoff Rector RHO-2A Nom 10" x 5-1/2" OD, Ring Packoff Rector Top DS Nom 10" x 5-1/2" OD, Ring Packoff Rector Ctr DS Nom 10" x 5-1/2" OD, Ring Packoff Rector Btm DS Nom 10" x 5-1/2" OD and Packing Rector S Nom 10" x 5-1/2" OD 2 per pack off		739.00			
74 OCT	30357	Schlumberger Well Services - Logging			14,998.00		
74 OCT	30361	Standard Corp. - Misch. conns.		20.00			
74 OCT	30458	Star Welding Service - Welder and unit to cut off 5 - 3/4" -8" by directions			100.00		
74 OCT	30474	Thrasher Trucking Co. - Furnish service and equipment to load, haul and unload 1 - Shale Shaker on lease			401.00		
74 OCT	30513	Jesse E. Moore - Geological Well Supervision & Expenses August 28 thru October 4, 1974			4,466.00		
74 OCT	30787	A. W. "Red" Johns Welding Service - Cut off 5-1/2" casing and bevel			36.00		
74 OCT	30835	Rector Well Equipment Co., Inc. - Pressure test 5-1/2" Packoff assy. to 2000# and 8-5/8" Packoff assy to 2000#			144.00		
74 OCT	30852	Testers Inc. - 10,000' 2-3/8" Tubing tested to 5000# above slips			850.00		
74 OCT	30924	Hobbs Anchor and Road Boring Service - 4 - 1-1/4" x 8" Tubeco anchors			250.00		
74 OCT	54	Co. Unit #40-136 - 1968 Chev. 3/4 Ton Pickup - 9 hrs.			9.00		
74 OCT	54	Co. Unit #40-71139 - 1970 Chev. tank truck - 2 hrs.			6.00		
74 OCT	54	Co. Unit #40-74141 - 1974 Ford Winch truck - 19 hrs.			76.00		

< > DENOTES CREDIT

GENERAL AMERICAN OIL COMPANY OF TEXAS					A.F.E. DETAIL		Page No. 3		A.F.E. No. 40-75009-1		
No. of Copies	Acct. Code	GREEN "A" #3 - Eddy County, New Mexico Drill and test through top of Mississippi at approx. 10,900' D-40-10 EX 74-18			Cost \$ 299,069.00		District New Mexico				
GAO	Purpose				GAO Interest						
Total 4	of				Net Profit						
	APZ				Cost to Date \$						
DATE	REFERENCE	DESCRIPTION				TANGIBLE *	INTANGIBLE *	BALANCE			
74 OCT	31192	The Western Co. - Acid, chemicals and services to treat well					723.00				
74 OCT	31670	Baker Oil Tools, Inc. - 4-1/2" x 2-3/8 x 1.87 Mod FL on-off sealing connection w/ 2-3/8" EUE 8rd box x pin w/1.87 BFC profile and Service Charge									
74 OCT	31674	Baroid Div. - Credit for drilling mud					877.00				
74 OCT	31684	Dresser Ind., Inc. - Logging					(3,402.00)				
74 OCT	31684	Dresser Ind., Inc. - Perforating					1,644.00				
74 OCT	31703	Lloyd Well Service - Contract labor					2,759.00				
74 OCT	31897	A. D. Kennedy Well Service Co. - 500 bbl. frac tank rental					15.00				
74 OCT	32012	Wallach Concrete Products - 10 Yds. Gravel					120.00				
74 OCT	2	Labor 452.00; Burden 102.00; Benefits 161.00					156.00				
74 OCT	50	M. T. #8 - 1 - 2" FE CIW Type "F" Gate valve 3,000# WP cond. B				350.00					
75 OCT	50	M. T. #16- 13 jts. - 5-1/2" 17# N-80 LT&C Rg. 3 casing 563' cond. A @ 389.00				(2,190.00)					
74 OCT	50	M. T. #19 - 74 jts. 5-1/2" 15.5# K-55 ST&C R-2 casing 2418' cond. A @ 302.79 7,321.00; 94 jts. 5-1/2" 17# K-55 ST&C R-2 casing 3061' cond. A @ 325.30 9,957.00; 130 jts. - 5-1/2" 17# N-80 LT&C Rg. 3 casing 5676' cond. A @ 389.00 22,080.00					39,358.00				
74 OCT	50	M. T. #20 - 1 - Rector RH-2A Casinghead and spool w/valves and chokes					4,186.00				
74 OCT	50	M. T. #21 - 274 jts. 2-3/8" OD 4.7# N-80 EUE 8rd Rg. 2 tubing 8442.92' cond. B @ 91.64 7,737.00; 53 jts. 2-3/8" OD 4.7# N-80 EUE tubing w/turned down cplgs. 1663.95' cond. B @ 107.37 1,787.00; 9,524.00				9,524.00		302,038.00**			
74 NOV	32387	Continental-Emsco Co. - Rental on Totco pit level recorder #413 and rental on Flow Meter recorder #67 from 8/31/74 to 9/30/74					1,161.00				
74 NOV	32514	Petrolite Corp. - Packer fluid					221.00				
74 NOV	32519	Solt Well Service - Double Derrick well servicing unit					1,895.00				
74 NOV	32547	Baker Oil Tools, Inc. - Seals and Packing element for repairs to packer					157.00				
74 NOV	32726	Star Tool Co. - Tool Rental					101.00				
74 NOV	33061	Baroid Div. Nat'l Lead Co. - Rental of Double deck shale shaker 9/19/74 - 9/25/74					504.00				
74 NOV	33061	Baroid Div. Nat'l Lead Co. - Rental of Double deck shale shaker 9/26/74 - 9/28/74					352.00				
74 NOV	33157	Bethlehem Steel Corp. - 2 Pails thread dope					86.00				
74 NOV	33093	I/W Inc. - Haul oil to unit					86.00				
74 NOV	50	M. T. #7 - 3 jts. 2-3/8" OD Tubing 4.7# EUE N-80 smls. 92' cond. A @ 143.16				132.00		306,733.00**			
Drilling Overhead: August, 1974 21/31 Days x \$1,350.00					\$ 915.00						
September, 1974 30/30 days x \$1,350.00					1,350.00						
October, 1974 2/31 days x \$1,350.00					87.00						
					<u>\$2,352.00</u>						
Teneco Portion .1250					<u>\$ 294.00</u>						

< > DENOTES CREDIT

GENERAL AMERICAN OIL COMPANY OF TEXAS				A.F.E. DETAIL		Page No. 4	AFE No. 40-75009-1
No. of Copies	Acct. Code	1712				Est. Cost \$ 299,069.00	Disbur. New Mexico
JI	Purpose	6510-40-02001-1GREEN "A" #3 - Eddy County, New Mexico				Supplement \$	GAO Interest
GAO	of	Drill and test through top of Mississippi at approx. 10,900'				Supplement \$	Net Profit
Total 4	AFE	D-40-10 EX 74-18				Supplement \$	Cost to Date \$
						Supplement \$	
DATE	REFERENCE	DESCRIPTION	TANGIBLE *	INTANGIBLE *	BALANCE		
74 DEC	33532	Standard Corp. - Sleeve couplings for water line	23.00				
74 DEC	34695	The Western Co. - Acid, chemicals and pumping service to treat well		1,991.00			
74 DEC	35110	Nitrogen Oil Well Service Co. - 107,000 S.C.F. N-2 Used to test N-2 lines to 7,000 psi; spearhead acid w/10,000 SCP N2; Nitrify 72 bbls. acid, nitrify 25 bbls. flush		1,262.00			
74 DEC	54	Co. Unit #40-74141 - 1974 Ford winch truck - 3 hrs.		12.00			
74 DEC	2	Co. Labor 26.00; Burden 5.00; Benefits 9.00		40.00			
75 JAN	52	To Clear	(72,619.00)	(237,442.00)	310,061.00**		
75 FEB	37781	Jabo Rowland Constr. Co. - Dozer service to clean up lease		139.00	139.00**		
75 MAR	52	To Clear		(139.00)	.00**		
75 JULY	7-186	The Western Co. - Credit for overcharge on Vo. Ref. 34695, Dec., 1974 & Vo. Ref. 31192, Oct., 1974		(403.00)	(403.00**		
75 AUG	52	To Clear		403.00	.00**		

< > DENOTES CREDIT

GENERAL AMERICAN OIL COMPANY OF TEXAS			A.F.E. DETAIL		Page No.	A.F.E. No. 40-75009-1
No. of Copies	Acct. Code	GREEN "A" #3 - Eddy County, New Mexico Drill and test through top of Mississippi at approx. 10,900' D-40-10 EX 74-18	Oil Cost	\$299,069.00	District	New Mexico
31	Purpose		Supplement	\$	GAO Interest	
GAO	of		Supplement	\$	Net Profit	
Total	A.F.E.		Supplement	\$	Cost to Date \$	
			Supplement	\$		
DATE	REFERENCE	DESCRIPTION	TANGIBLE	INTANGIBLE	BALANCE	
		Balance Forwarded			306,735.00**	
74 SEPT	28916	Halliburton Services - Drill Stem Test #3		(1,094.00)		
74 SEPT	28916	Halliburton Services - Drill Stem Test #2		(1,094.00)		
74 SEPT	28916	Halliburton Services - Drill Stem Test #1		(1,060.00)		
74 SEPT	29262	Halliburton Services - Drill Stem Test #4		(1,135.00)		
74 SEPT	30054	Moranco - Daywork w/drill pipe 92.75 hrs. @ \$95.8334/hr. \$8,888.55		(9,244.00)		
		Plus 4% N. Mex. Tax 355.54		2,352.00	295,458.00	
		Drilling Overhead				

< > DENOTES CREDIT

GENERAL AMERICAN OIL COMPANY OF TEXAS				A.F.E. DETAIL		Page No. 1	AFE No 40-75027-1		
No. of Copies	Acct. Code	1712 - 40-02001-1 GREEN "A" #3 - Eddy County, New Mexico Install surface equipment: heater-separator gas production unit, automatic safety valve and storage tanks for produced condensate. D-40-10; EX 74-18				Original Cost	29,154.00	District	New Mexico
11	Purpose of					Supplement	\$	GAO Interest	100
GAO 4	AFE					Supplement	\$	Net Profit	
Total 4						Supplement	\$	Cost to Date	21,852.00
DATE	REFERENCE	DESCRIPTION	TANGIBLE	INTANGIBLE	BALANCE				
74 OCT	31892	A. W. "red" Johns Welding Service - Fabricating & welding nipple up stack pack to wellhead	192.00						
74 OCT	31955	Production Services Co. - Rental - Flow Recorder 50.00; Rental - Meter Run 35.00; Rental - Back Pressure valve with controller - 50.00; Tax 5.40; 140.40; For period 10/22/74 - 10/27/74 (5 day minimum)	140.00		332.00**				
74 NOV	32371	Axelson, Inc. - Axelson AMW Manumatic w/5,000# WKM SS valve, 13" Actuator, SR #15950; YHP-1 Controller complete w/HI & Lo Pilots, quick bleed pilot, regulator & gauges; Tees, ells, collars, tubing, straights, nipples & etc.	2,424.00						
74 NOV	32520	Standard Corp. - 2 Ball valves and misc. conns.	210.00						
74 NOV	32520	Standard Corp. - 3000# Watter gauge	6.00						
74 NOV	32521	Stevenson-Roach Tank Co. - Labor and equipment to deliver production unit, foundation blocks and test tank on location. Set and aligned unit on blocks. Helped welder install 2" flow line from well to unit. Dug holes and cemented anchors on same line. Laid test line off unit into pit. Re-arranged well head manifold and installed safety valve; Labor and equipment to complete fluid dump line off production unit into test tank	465.00						
74 NOV	32521	Stevenson-Roach Tank Co. - Labor and equipment to transfer 210 bbl. tank, meter run, chart and back pressure valve to yard. Broke out pipe from tank to unit and from unit to meter run and stacked by unit	112.00						
74 NOV	32522	Sweatt Constr. Co. - Dozer to clean up location for pulling unit	91.00						
74 NOV	33124	Stevenson-Roach Tank Co. - 1 - 1MM BTU/HR Gas production unit w/20" x 10' 1,000# 3 phase separator complete with accessories SN 2450 and 2 - 12" x 12" x 5' concrete blocks	15,110.00						
74 NOV	33446	Union Supply Co., Inc. - Valves, connections and fittings to hook up heater-separator	401.00						
74 NOV	33639	West Engineering Co. - Ran 4 Point test	284.00						
74 NOV	33639	West Engineering Co. - Run bottom hole pressure flow & build up	513.00						
74 NOV	33639	West Engineering Co. - Gas Sample & analysis	62.00		20,010.00**				
74 DEC	34154	Frank C. Strech Trucking Co. - Hauling 2 - 10' x 16' Welded C.B. tanks	384.00						
74 DEC	34196	Loyd Well Service - Contract Roustabout Labor	39.00						
74 DEC	35123	Jabo Rowland Constr. Co. - Dozer to work on tank grade and dig pit.	75.00						
74 DEC	54	Co. Unit #40-136 - 1968 Chev. 3/4 T. pickup - 4 hrs.	4.00						
74 DEC	54	Co. Unit #40-71140 - 1971 Ford 4 x 4 w/hobart welder - 11 hrs.	39.00						
74 DEC	54	Co. Unit #40-74141 - 1974 Ford winch truck - 18 hrs.	72.00						
74 DEC	50	M. T. #67 - 2 - 10' x 16' welded tanks size 221 bbl. cone bottom cond. C @ 407.00	814.00						
74 DEC	2	Co. Labor 262.00; Burden 60.00; Benefits 93.00	415.00		21,852.00**				
75 JAN	52	To Clear	(21,852.00)		.00**				

< > DENOTES CREDIT

GENERAL AMERICAN OIL COMPANY OF TEXAS				A.F.E. DETAIL		Page No. 2	AFE No. 40-75027-1
No. of Copies	Acct. Code	1712 - 40-02001-1 GREEN "A" #3 - Eddy County, New Mexico		Total Cost \$29,154.00		District New Mexico	
II	Purpose	Install surface equipment; heater-separator gas production unit, automatic		Supplement \$		GAO Interest 100	
GAO	of	safety valve and storage tanks for produced condensate.		Supplement \$		Net Profit	
Total 3	AFE	D-40-10; EX 74-18		Supplement \$		Cost to Date \$ 23,639.-	
				Amended Net Cost Total \$		Total 30 75	
DATE	REFERENCE	DESCRIPTION	TANGIBLE *	INTANGIBLE	BALANCE		
75 JAN	37059	Standard Corp. - Pressure gauges	15.00				
75 JAN	37059	Standard Corp. - Misl. fittings and conns. to hook up battery	246.00		261.00**		
75 FEB	52	To Clear	(261.00)		.00**		
75 FEB	38681	Industrial Precision Instrument - 4-1/2" O-3000# U.S.G. pressure gauge repairs	21.00		21.00**		
75 MAR	52	To Clear	(21.00)		.00**		
75 MAR	40621	John West Engineering Co. - Ran bottom hole pressure test	114.00				
75 MAR	40945	Jabo Rowland Constr. Co. - Dozer to clean up and backfill caliche pit	382.00		496.00**		
75 APR	52	To Clear	(496.00)		.00**		
75 MAY	54	Co. Unit #40-136 - 1968 Chev. 3/4 Ton pickup - 2 hrs.	2.00				
75 MAY	2	Co. Labor 42.00; Burden 11.00; Benefits 13.00	66.00		68.00**		
75 JUNE	45360	B.F. Walker - Haul 1 Dehydrator SN 2430 miscl. parts, 1 - 16' x 12' Vert. Ash Tower, 1 - 8" stack for re-boiler and 1 - 8" insulated still column from Walker Yard to Texas Tank	71.00				
75 JUNE	45622	Standard Corp. - Paint for tank battery	36.00				
75 JUNE	46131	Standard Corp. - Paint & Thinner	11.00				
75 JUNE	54	Co. Unit #40-135 - 1968 3/4 Ton Chev. pickup - 4 hrs.	4.00				
75 JUNE	54	Co. Unit #40-136 - 1968 Chev. 3/4 Ton pickup - 8 hrs.	8.00				
75 JUNE	2	Co. Labor 128.00; Burden 35.00; Benefits 41.00	204.00		402.00**		
75 JUNE	52	To Clear	(402.00)		.00**		
75 JULY	47938	Jabo Rowland Constr. Co. - Dozer to work on pad for D.H. unit	57.00				
75 JULY	54	Co. Unit #40-136 - 1968 Chev. 3/4 Ton pickup - 4 hrs.	4.00				
75 JULY	48361	Stevenson - Roach Tank Co., Inc. - Labor and equipment to pick up glycol unit complete at Texas Tank Co. in Odessa and transfer to our yard	208.00				
75 JULY	2	Co. Labor 46.00; Burden 12.00; Benefits 15.00	73.00		336.00**		
75 AUG	52	To Clear	(336.00)		.00**		
75 AUG	49808	Gray's Welding Service - Welding connection to hook up battery lines	183.00				
75 AUG	49897	Standard Corp. - Misl. conns. and pressure gauge	20.00		203.00**		
75 SEPT	52	To Clear	(203.00)		.00**		

< > DENOTES CREDIT

< > DENOTES CREDIT

GENERAL AMERICAN OIL COMPANY OF TEXAS

MEADOWS BUILDING
DALLAS, TEXAS 75206

August 28, 1974

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. A. L. Porter
Secretary & Director

Re: Estimated Well Costs
General American Green "A" #3 Well
Grayburg-Morrow Field
Eddy County, New Mexico

*File
Case 5298*

Gentlemen:

Order No. 4846 pooled the E/2 of Section 29, Township 17 South, Range 29 East, NMPM in as far as the Pennsylvanian Formation is concerned. Pursuant to this Order No. 4846, General American hereby submits to the New Mexico Oil Conservation Commission the estimated cost to drill, test, complete and equip the Green "A" #3 Well.

Also attached is a copy of a letter to Tenneco Oil, the only other working interest owner in the E/2 of Section 29, advising them of these well costs.

Should there be any questions regarding these costs, please advise.

Yours very truly,

Bill Patterson

Bill Patterson
Engineer, Production Department

BP:jm
Attachments

cc: N. W. Krouskop
P. M. Thompson
L. J. Darnall
R. L. Crow

File (2), C-1, PLW-1

Estimated Well Cost
General American Green "A" #3 Well
10,900' Morrow Test
Grayburg Morrow Field

Exhibit 9
August 21, 1974 Examiner Hearing
New Mexico Oil Conservation Commission
Case No. 5298
Pennsylvanian Formation Compulsory
Pooling Hearing - E/2, Sec. 29, T17S,
R29E, NMPM, Eddy County, New Mexico

Item	Cost - \$		
	Intangibles	Tangibles	Total
<u>Drill & Test</u>			
Location, Roads & Pits	5,000		5,000
Drilling - 10,900' @ \$11.30/Ft.	123,170		123,170
- Daywork-2 Days @\$2,300/Day	4,600		4,600
Surface Casing-330'-11-3/4" OD, 42#, H40 @\$8.35/Ft.		2,756	2,756
-Cement, Service, Attachments, Trucking	2,000		2,000
Intermed. Casing-2650'-8-5/8", 24# & 32#, K55 @\$7.40/Ft.		19,610	19,610
- Cement, Service, Attachments, Trucking	3,750		3,750
Logging-Wireline - DIL, CNL, CDL, Dip Meter & Rig Time	14,600		14,600
-Mud Logging	6,000		6,000
Drill Stem Testing - 3 Tests @ \$3,600/Test Including Rig Time	10,800		10,800
Mud Additive & Water	16,000		16,000
Casing Head Assembly		2,500	2,500
Geological & Engineering Supervision	4,000		4,000
BOP Test	1,000		1,000
Rental Equipment	1,500		1,500
District & General Administration Overhead-60 Days @\$45/Day	2,700		2,700
Taxes & Miscellaneous Contingencies	11,000	1,000	12,000
Sub-Total Drill & Test	206,120	25,866	231,986
<u>Complete & Equip</u>			
Production Casing - 10,900'-5 1/2", 15.5# & 17#, K55 & 17#, N-80 @ \$5.30/Ft.		57,770	57,770
- Cement, Service, Attachments, Trucking	5,500		5,500
Production Tubing - 10,900'-2-3/8" EUE, 4.7#, N80 @\$1.99/Ft.		21,691	21,691
Perforating & Stimulation	6,500		6,500
Packer		1,500	1,500
Well Servicing Unit	6,000		6,000
Tubing Head, Valves & Misc. Conn.		4,000	4,000
AOF Test	3,000		3,000
Heater - Dehydrator Unit		14,000	14,000
Storage Facilities		3,000	3,000
Flowline		1,000	1,000
Labor, Burden & Benefits	2,000		2,000
Engineering Supervision	500		500
District & Gen. Admin. Overhead-10 Days @\$60/Day	600		600
Taxes & Miscellaneous Contingencies	1,500	5,000	6,500
Sub-Total Complete & Equip	25,600	107,961	133,561
Total - Drill, Test, Complete & Equip	231,720	133,827	365,547

Prepared By: Bill Patterson
Date: 8-16-74

GENERAL AMERICAN OIL COMPANY OF TEXAS

MEADOWS BUILDING

DALLAS, TEXAS 75206

August 28, 1974

CERTIFIED MAIL/RETURN RECEIPT REQUESTED

Tenneco Oil Company
1200 Lincoln Tower Building
Denver, Colorado

Attention Mr. D. D. Myers, Division Production Manager

Re: Estimated Well Cost
General American's Green "A" #3 Well
Grayburg-Morrow Field
Eddy County, New Mexico

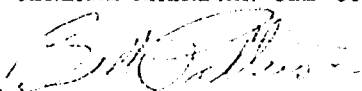
Gentlemen:

New Mexico Oil Conservation Commission Order No. 4846 pooled the Pennsylvania Formation underlying the east half of Section 29, Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico. Pursuant to this Order, General American hereby submits its estimated cost to drill, test, complete, and equip the Green "A" #3 Well. This data was also submitted as Exhibit #9 in the August 21, 1974 Examiner's Hearing and is submitted again to Tenneco to comply with the terms of Order No. 4846.

Should you have any questions regarding these costs, please advise.

Yours very truly,

GENERAL AMERICAN OIL COMPANY


Bill Patterson
Engineer
Production Department

ms

cc: Mr. Paul Eaton
Hinkle, Bondurant, Cox & Eaton
P. O. Box 10
Roswell, NM 88201
New Mexico Oil Conservation Commission
Attention Mr. A. L. Porter
P. O. Box 2088
Santa Fe, NM 87501

GENERAL AMERICAN OIL COMPANY OF TEXAS

MEADOWS BUILDING
DALLAS, TEXAS 75206

January 14, 1975

New Mexico Oil & Gas Conservation Commission
P. O. Box 2088
Santa Fe, NM 87501

Attention Mr. A. L. Porter, Manager and Secretary

Tenneco Oil Company
1200 Lincoln Tower Building
Denver, CO 80203

Attention Mr. D. C. Myers, Division Production Manager

RE: Green "A" No. 3 Well
Unnamed Atoka Field
Eddy County, New Mexico

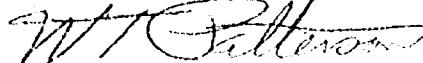
Gentlemen:

Pursuant to ordering paragraph 5 of New Mexico Oil Conservation Commission Order No. R-4846, attached is an itemized schedule of the actual well costs for the above mentioned well. These costs are shown in two schedules--the first being an itemized cost by type of expenditure. This data is presented on Schedule 1 which also shows the original estimated cost, as submitted to the Commission and Tenneco Oil Company with my letters of August 28, 1974. Secondly, the cost information is shown by invoice on General American's AFE detail form which is attached hereto as Schedule 2. Please note that the cost of running drill stem tests Nos. 1-4 including the day work charges have been deducted from the actual cost of drilling the well. Drill stem tests Nos. 1-4 were in zones above the pooled formation.

In addition to the monies expended to date, additional expenditures of approximately \$40,000 are anticipated in installing a dehydrator, two storage tanks, and laying some 10,000 feet of flow line to the prospective gas purchaser. As soon as they are available, we will advise Tenneco and the New Mexico Oil Conservation Commission of these and any other incidental future actual costs.

Yours very truly,

GENERAL AMERICAN OIL COMPANY



W. T. Patterson
Engineer
Production Department

ms
Attachments

SCHEDULE 1

Estimated and Actual Well Costs
General American Green "A" #3 Well
Unnamed Atoka Field

New Mexico Oil Conservation Commission
Case No. 5298, Order No. R-4846
Pennsylvanian Formation Compulsory Pooling
E/2, Sec. 29, T17S, R29E, NMPM
Eddy County, New Mexico

Item	Estimated Cost - \$			Actual Cost - \$
	Intangibles	Tangibles	Total	
Drill & Test				
Location, Roads & Pits	5,000		5,000	3,162
Drilling - 10,900' @ \$11.30/Ft.	123,170		123,170	122,052
- Daywork-2 Days @ \$2,300/Day	4,600		4,600	21,065
Surface Casing-330'-11-3/4" OD, 42#, H40 @ \$8.35/Ft.		2,756	2,756	2,573
-Cement, Service, Attachments, Trucking	2,000		2,000	1,702
Intermed. Casing-2650'-8-5/8", 24# & 32#, K55 @ \$7.40/Ft.		19,610	19,610	15,133
-Cement, Service, Attachments, Trucking	3,750		3,750	2,133
Logging-Wireline - DIL, CNL, CDL, Dip Meter & Rig Time	14,600		14,600	16,642
-Mud Logging	6,000		6,000	6,427
Drill Stem Testing - 3 Tests @ \$3,600/Test Including Rig Time	10,800		10,800	6,857
Mud Additive & Water	16,000		16,000	29,726
Casing Head Assembly		2,500	2,500	2,822
Geological & Engineering Supervision	4,000		4,000	4,496
BOP Test	1,000		1,000	463
Rental Equipment	1,500		1,500	1,402
District & General Administration Overhead-60 Days @ \$45/Day	2,700		2,700	2,352
Taxes & Miscellaneous Contingencies	11,000	1,000	12,000	2,194
Sub-Total Drill & Test	206,120	25,866	231,986	241,201
Less Actual Cost to Test Non-Pooled Zones (DST's 1-4 and Daywork)				(13,627)
Sub-Total - Actual Drill and Test Costs				227,574
Complete & Equip				
Production Casing - 10,900'-5 1/2", 15.5# & 17#, K55 & 17#, N-80 @ \$5.30/Ft.		57,770	57,770	37,168
- Cement, Service, Attachments, Trucking	5,500		5,500	5,624
Production Tubing - 10,900'-2-3/8" EUE, 4.7#, N80 @ \$1.99/Ft.		21,691	21,691	10,506
Perforating & Stimulation	6,500		6,500	3,758
Packer		1,500	1,500	378
Well Servicing Unit	6,000		6,000	1,895
Tubing Head, Valves & Misc. Conn.		4,000	4,000	8,812
AOF Test	3,000		3,000	859
Heater - Dehydrator Unit		14,000	14,000	15,703
Storage Facilities		3,000	3,000	496
Flowline		1,000	1,000	465
Labor, Burden & Benefits	2,000		2,000	2,585
Engineering Supervision	500		500	-0-
District & General Administration Overhead-10 Days @ \$60/Day	600		600	-0-
Taxes & Miscellaneous Contingencies	1,500	5,000	6,500	91
Sub-Total Complete & Equip	25,600	107,961	133,561	88,340
Total - Drill, Test, Complete & Equip	231,720	133,827	365,547	315,914

Estimated Cost By Bill Patterson
8-16-74
Actual Cost By B. Rupe 1-13-75

SCHEDULE 1

Estimated and Actual Well Costs
General American Green "A" #3 Well
Unnamed Atoka Field

New Mexico Oil Conservation Commission
Case No. 5298, Order No. R-4846
Pennsylvanian Formation Compulsory Pooling
E/2, Sec. 29, T17S, R29E, NMPM
Eddy County, New Mexico

Item	Estimated Cost - \$			Actual Cost - \$
	Intangibles	Tangibles	Total	
Drill & Test				
Location, Roads & Pits	5,000		5,000	3,162
Drilling - 10,900' @ \$11.30/Ft.	123,170		123,170	122,052
- Daywork-2 Days @ \$2,300/Day	4,600		4,600	21,065
Surface Casing-330'-11-3/4" OD, 42#, H40 @\$8.35/Ft.		2,756	2,756	2,573
-Cement, Service, Attachments, Trucking	2,000		2,000	1,702
Intermed. Casing-2650'-8-5/8", 24# & 32#, K55 @\$7.40/Ft.		19,610	19,610	15,133
-Cement, Service, Attachments, Trucking	3,750		3,750	2,133
Logging-Wireline - DIL, CNL, CDL, Dip Meter & Rig Time	14,600		14,600	16,642
-Mud Logging	6,000		6,000	6,427
Drill Stem Testing - 3 Tests @ \$3,600/Test Including Rig Time	10,800		10,800	6,857
Mud Additive & Water	16,000		16,000	29,726
Casing Head Assembly		2,500	2,500	2,822
Geological & Engineering Supervision	4,000		4,000	4,496
BOP Test	1,000		1,000	463
Rental Equipment	1,500		1,500	1,402
District & General Administration Overhead-60 Days @\$45/Day	2,700		2,700	2,352
Taxes & Miscellaneous Contingencies	11,000	1,000	12,000	2,194
Sub-Total Drill & Test	206,120	25,866	231,986	241,201
Less Actual Cost to Test Non-Pooled Zones (DST's 1-4 and Daywork)				(13,627)
Sub-Total - Actual Drill and Test Costs				227,574
Complete & Equip				
Production Casing - 10,900'-5½", 15.5# & 17#, K55 & 17#, N-80 @ \$5.30/Ft.		57,770	57,770	37,168
- Cement, Service, Attachments, Trucking	5,500		5,500	5,624
Production Tubing - 10,900'-2-3/8" EUE, 4.7#, N80 @\$1.99/Ft.		21,691	21,691	10,506
Perforating & Stimulation	6,500		6,500	3,758
Packer		1,500	1,500	378
Well Servicing Unit	6,000		6,000	1,895
Tubing Head, Valves & Misc. Conn.		4,000	4,000	8,812
AOF Test	3,000		3,000	859
Heater - Dehydrator Unit		14,000	14,000	15,703
Storage Facilities		3,000	3,000	496
Flowline		1,000	1,000	465
Labor, Burden & Benefits	2,000		2,000	2,585
Engineering Supervision	500		500	-0-
District & General Administration Overhead-10 Days @\$60/Day	600		600	-0-
Taxes & Miscellaneous Contingencies	1,500	5,000	6,500	91
Sub-Total Complete & Equip	25,600	107,961	133,561	88,340
Total - Drill, Test, Complete & Equip	231,720	133,827	365,547	315,914

Estimated Cost By Bill Patterson
8-16-74
Actual Cost By B. Rupe 1-13-75

SCHEDULE 2

Page 1

GENERAL AMERICAN OIL COMPANY OF TEXAS			A.F.E. DETAIL		Page No. 1	AFE No. 40-75009-1
No. of Copies	Acct. Code	Purpose	DESCRIPTION	TANGIBLE *	INTANGIBLE *	BALANCE
11		GREEN "A" #3 - Eddy County, New Mexico				
GAO		Drill and test through top of Mississippi at approx. 10,900'				
Total	AFE	D-40-10 EX. 74-18				
74 AUG	27211	Rector Well Equipment Co., Inc. - Wellhead		2,801.00		
74 AUG	27274	Falcon Equipment Co. - Furnish labor and material to line pit w/reinforced plastic			1,186.00	
74 AUG	27440	Man Welding Service - Welding to spot collars and shoe on 10-3/4" string			73.00	
74 AUG	50	M. T. #10 - 30 jts. 8-5/8" OD casing 24# K-55 ST&C 1341.15' cond. A @ 577.19 7,741.00; 1 jt. 8-5/8" OD casing 32# J-55 ST&C 8rd 40.50' cond. A @ 513.58 208.00; 40 jts. 8-5/8" OD casing 32# K-55 ST&C smls. 1288.62' cond. A @ 551.91 7,112.00	15,061.00			
74 AUG	50	M. T. #11 - 11 jts. 11-3/4" Casing 42# H-40 ST&C RG. 2 345.50' cond. A @ 744.78	2,573.00			
74 AUG	2	Labor 527.00; Burden 110.00; Benefits 201.00			838.00	
74 AUG	28000	Man Welding Service - Cut off 8-5/8" casing			58.00	
74 AUG	28000	Man Welding Service - Cut off casing and weld head on; cut threads out of collar			87.00	
74 AUG	28261	Standard Corp. - Ells for water line	21.00			
74 AUG	28261	Standard Corp. - Misl. supplies			15.00	
74 AUG	28302	Steve Carter & Son - Haul salt water to rig			415.00	
74 AUG	28473	Yellow Jacket Tools - Service, Inc. - Pressure test blowout preventer			463.00	
74 AUG	54	Co. Unit #40-135 - 1968 3/4 Ton pickup - 6 hrs.			6.00	
74 AUG	54	Co. Unit #40-136 - 1968 Chev. 3/4 Ton pickup - 15 hrs.			15.00	
74 AUG	54	Co. Unit #40-71140 - 1971 Ford 4 x 4 w/Hdbar welder - 2 hrs.			7.00	
74 AUG	54	Co. Unit #40-74141 - 1974 Ford winch truck - 19 hrs.			76.00	
74 AUG	28360	Halliburton Services - 8-5/8" Cement guide shoe, insert float valve & Centralizers			269.00	
74 AUG	28360	Halliburton Services - Cement, chemicals, 8-5/8" Rubber Plug & pump services to cement 8-5/8" Inter. casing			1,719.00	
74 AUG	28360	Halliburton Services - Cement, chemicals, 11-3/4" Wooden plug and pumping services to cement 11-3/4" surface casing			1,447.00	
74 AUG	28360	Halliburton Services - 11-3/4" cement guide shoe & centralizer			182.00	
74 AUG	28455	Sweatt Constr. Co. - Level and caliche pad 190' x 250'. Caliche approx. 200 x 12' wide turn out roads			1,976.00	29,288.00**
74 SEPT	28650	Bethlehem Steel Corp. - 2400 Sample bags			212.00	
74 SEPT	28667	Steve Carter & Son - Hauling brine water for drilling			59.00	
74 SEPT	28667	Steve Carter & Son - Hauling brine water for drilling			236.00	
74 SEPT	28761	Rector Well Equipment Co., Inc. - Price adjustment on Cash. Voucher Ref. 27211, August, 1974 - Additional Charge	21.00			
74 SEPT	28895	Baroid Div., NL Ind., Inc. - Drilling mud			12,622.00	
74 SEPT	28916	Halliburton Services - Drill Stem Test #3			1,094.00	
74 SEPT	28916	Halliburton Services - Drill Stem Test #2			1,094.00	
74 SEPT	28916	Halliburton Services - Drill Stem Test #1			1,060.00	
74 SEPT	29242	Baroid Div., NL Ind., Inc. - Drilling mud			8,657.00	
74 SEPT	29262	Halliburton Services - Drill Stem Test #4			1,135.00	
74 SEPT	2	Labor 618.00; Burden 141.00; Benefits 219.00			978.00	

< > DENOTES CREDIT

SCHEDULE 2

Page 2

GENERAL AMERICAN OIL COMPANY OF TEXAS			A.F.E. DETAIL		Page No. 2	AFE No. 40-75009-1
No. of Copies	Acct. Code	Purpose	DESCRIPTION	TANGIBLE *	INTANGIBLE *	BALANCE
II		GREEN "A" #3 - Eddy County, New Mexico				
GAO		Drill and test through top of Mississippi at approx. 10,900'				
Total	AFE	D-40-10 EX 74-18				
74 SEPT	29677	B. F. Walker, Inc. - 74 jts. 2418' - 5-1/2" 15.50# K-55 ST&C R-2 casing; 94 jts. - 3061' - 5-1/2" 17# K-55 ST&C R-2 casing; 130 jts. 5676' - 5-1/2" 17# N-80 LT&C R-3 casing - Load, check and tally and haul to lease			984.00	
74 SEPT	29710	Baroid Div. - Drilling mud			4,102.00	
74 SEPT	29877	Steve Carter & Son - Transports w/drivers to haul brine water			177.00	
74 SEPT	54	Co. Unit #40-71140 - 1971 Ford 4 x 4 w/Holbar welder - 3 hrs.			11.00	
74 SEPT	54	Co. Unit #40-74141 - 17 hrs. - 1974 Ford winch truck			68.00	
74 SEPT	30054	Moranco - Contract Drilling - Daywork: 189 hrs. @ \$95.8334 p/hr. 18,112.51; 20.75 hrs. @ \$91.6667 p/hr. 1,902.08; Drilling 10,927' TD Less 10' Substructure = 10,917' @ \$10.75 per ft. 117,357.75; 4% Sales Tax 5,494.89; Third Party Charges (Eddins Walcher) 206.70; (Union Supply) 42.67; 143,116.60			143,117.00	204,915.00**
74 OCT	30320	Baroid Div. NL Ind., Inc. - Drilling Mud			6,773.00	
74 OCT	30337	Exploration Services, Inc. - 28 Days Full Crew - Hydrocarbon Well Logging Services 9/1 thru 9/28/74 and Mileage Rig Up & Rig Down Unit			6,427.00	
74 OCT	30339	Halliburton Services - Drill Stem Test #6			1,237.00	
74 OCT	30339	Halliburton Services - Cement, chemicals, 5-1/2" guide shoe, float collar and Centralizers - Cement 5-1/2" long string			4,432.00	
74 OCT	30339	Halliburton Services - Drill Stem Test #5			1,237.00	
74 OCT	30341	I/W Inc. - Haul 270 bbl. fresh water			87.00	
74 OCT	30353	Rector Well Equipment Co., Inc. - Slip Packoff Assy. Rector SP-2A 10" x 5-1/2" OD, Ring Packoff Rector RHO-2A Nom 10" x 5-1/2" OD, Ring Packoff Rector Top DS Nom 10" x 5-1/2" OD, Ring Packoff Rector Ctr DS Nom 10" x 5-1/2" OD, Ring Packoff Rector Btm DS Nom 10" x 5-1/2" OD and Packing Rector S Nom 10" x 5-1/2" OD 2 per pack off	739.00			
74 OCT	30357	Schlumberger Well Services - Logging			14,998.00	
74 OCT	30361	Standard Corp. - Misch. connns.	20.00			
74 OCT	30458	Star Welding Service - Welder and unit to cut off 5 - 3/4" -8" by directions			100.00	
74 OCT	30474	Thrasher Trucking Co. - Furnish service and equipment to load, haul and unload 1 - Shale Shaker on lease			401.00	
74 OCT	30513	Jess E. Moore - Geological Well Supervision & Expenses August 28 thru October 4, 1974			4,466.00	
74 OCT	30787	A. W. "Red" Johns Welding Service - Cut off 5-1/2" casing and bevel			36.00	
74 OCT	30835	Rector Well Equipment Co., Inc. - Pressure test 5-1/2" Packoff assy. to 2000# and 8-5/8" Packoff assy to 2000#			144.00	
74 OCT	30852	Testers Inc. - 10,000' 2-3/8" Tubing tested to 5000# above slips			850.00	
74 OCT	30924	Hobbs Anchor and Road Boring Service - 4 - 1-1/4" x 8' Tubeco anchors			250.00	
74 OCT	54	Co. Unit #40-136 - 1968 Chev. 3/4 Ton Pickup - 9 hrs.			9.00	
74 OCT	54	Co. Unit #40-71139 - 1970 Chev. tank truck - 2 hrs.			6.00	
74 OCT	54	Co. Unit #40-74141 - 1974 Ford Winch truck - 19 hrs.			76.00	

< > DENOTES CREDIT

Page 3

< > DENOTES CREDIT

GENERAL AMERICAN OIL COMPANY OF TEXAS			A.F.E. DETAIL		Page No. 4	AFE No. 40-75009-1
No. of Copies	Acct. Code	GREEN "A" #3 - Eddy County, New Mexico Drill and test through top of Mississippi at approx. 10,900' D-40-10 EX 74-18	Net Cost	\$ 299,069.00	District New Mexico	
II	Purpose		Supplement	\$	GAO Interest	
GAO	of		Supplement	\$	Net Profit	
Total	AFE		Supplement	\$	Cost to Date \$	
			Approved by	\$		
			Cost Total	\$		
DATE	REFERENCE	DESCRIPTION	TANGIBLE *	INTANGIBLE *	BALANCE	
74 DEC	33932	Standard Corp. - Sleeve couplings for water line	23.00			

< > DENOTES CREDIT

SCHEDULE 2

Page 5

GENERAL AMERICAN OIL COMPANY OF TEXAS				A.F.E. DETAIL		Page No.	AFE No. 40-71209-1
No. of Copies	Acct. Code	Purpose		Oil Cost	\$299,069.00	Dist. New Mexico	
JL		GREEN "A" #3 - Eddy County, New Mexico		Supplement	\$	GAO Interest	
GAO		Drill and test through top of Mississippi at approx. 10,900'		Supplement	\$	Net Profit	
Total	APZ	D-40-10 EX 74-18		Supplement	\$	Cost to Date	
DATE	REFERENCE	DESCRIPTION		TANGIBLE	INTANGIBLE	BALANCE	
		Balance Forwarded				306,733.00**	
74 SEPT	28916	Halliburton Services - Drill Stem Test #3			(1,094.00)		
74 SEPT	28916	Halliburton Services - Drill Stem Test #2			(1,094.00)		
74 SEPT	28916	Halliburton Services - Drill Stem Test #1			(1,060.00)		
74 SEPT	29262	Halliburton Services - Drill Stem Test #4			(1,135.00)		
74 SEPT	30054	Moranco - Daywork w/drill pipe 92.75 hrs. @ \$95.8334/hr. \$8,888.55					
		Plus 4% N. Mex. Tax 355.54			(9,244.00)		
		Drilling Overhead			2,352.00	295,458.00	

< > DENOTES CREDIT

SCHEDULE 2

Page 6

GENERAL AMERICAN OIL COMPANY OF TEXAS				A.F.E. DETAIL		Page No. 1	AFE No. 40-75027-1
No. of Copies	Acct. Code	1712 - 40- GREEN "A" #3 - Eddy County, New Mexico		Cost		29,154.00	District New Mexico
GAO 4	Purpose of	Install surface equipment: heater-separator gas production unit, automatic safety valve and storage tanks for produced condensate.		Supplement \$			GAO Interest 100
Total 4	AFE	D-40-10; EX 74-18		Supplement \$			Net Profit
				Supplement \$			Cost to Date \$
				Approved Tot			
				Cost Total \$			
DATE	REFERENCE	DESCRIPTION	TANIGIBLE	INTANGIBLE	BALANCE		
74 OCT	31892	A. W. "red" Johns Welding Service - Fabricating & welding nipple up stack pack to wellhead	192.00				
74 OCT	31955	Production Services Co. - Rental - Flow Recorder 50.00; Rental - Meter Run 35.00; Rental - Back Pressure valve with controller - 50.00; Tax 5.40; 140.40; For period 10/22/74 - 10/27/74 (5 day minimum)	140.00		332.00**		
74 NOV	32371	Axelson, Inc. - Axelson AMW Manumatic w/5,000# WKM SS valve, 13" Actuator, SR #15950; YHP-1 Controller complete w/HI & Lo Pilots, quick bleed pilot, regulator & gauges; Tests, ells, collars, tubing, straights, nipples & etc.	2,424.00				
74 NOV	32520	Standard Corp. - 2 Ball valves and misc. conns.	210.00				
74 NOV	32520	Standard Corp. - 3000# Watter gauge	6.00				
74 NOV	32521	Stevenson-Roach Tank Co. - Labor and equipment to deliver production unit, foundation blocks and test tank on location. Set and aligned unit on blocks. Helped welder install 2" flow line from well to unit. Dug holes and cemented anchors on same line. Laid test line off unit into pit. Re-arranged well head manifold and installed safety valve; Labor and equipment to complete fluid dump line off production unit into test tank	465.00				
74 NOV	32521	Stevenson-Roach Tank Co. - Labor and equipment to transfer 210 bbl. tank, meter run, chart and back pressure valve to yard. Broke out pipe from tank to unit and from unit to meter run and stacked by unit	112.00				
74 NOV	32522	Sveatt Constr. Co. - Dozer to clean up location for pulling unit	91.00				
74 NOV	33124	Stevenson-Roach Tank Co. - 1 - IMM BIU/HR Gas production unit w/20" x 10' 1,000# 3 phase separator complete with accessories SN 2450 and 2 - 12" x 12" x 5' concrete blocks	15,110.00				
74 NOV	33446	Union Supply Co., Inc. - Valves, connections and fittings to hook up heater-separator	401.00				
74 NOV	33639	West Engineering Co. - Ran 4 Point test	284.00				
74 NOV	33639	West Engineering Co. - Run bottom hole pressure flow & build up	513.00				
74 NOV	33639	West Engineering Co. - Gas Sample & analysis	62.00		20,010.00**		
74 DEC	34154	Frank C. Strech Trucking Co. - Hauling 2 - 10' x 16' Welded C.B. tanks	384.00				
74 DEC	34196	Loyd Well Service - Contract Roustabout Labor	39.00				

< > DEBIT CREDIT

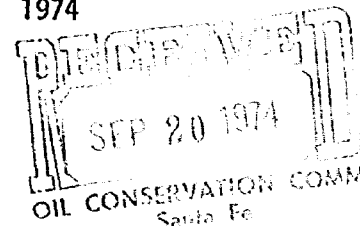
Tenneco Oil
A Tenneco Company

Suite 1200
Lincoln Tower Building
Denver, Colorado 80203
(303) 292-9920



September 13, 1974

Case 5298



General American Oil Company of Texas
Meadows Building
Dallas, Texas 75206

RE: Tenneco's Non-participation in
General American's Green "A" #3
Grayburg-Morrow Field
Eddy County, New Mexico

Gentlemen:

On August 30, 1974 Tenneco received your well cost estimate (submitted in compliance with NMOCC Order No. 4846) to drill and equip the Green "A" #3 well. Please be advised that Tenneco elects not to participate in the drilling of this well, there by allowing our interests to be pooled as provided under the terms of the NMOCC Order No. 4846 for non-participating parties.

Tenneco, however, would appreciate receiving from General American timely drilling reports and copies of any drill stem tests, mechanical or mud logs run to evaluate the Green "A" #3 well. These reports and logs should be sent to the attention of A. D. Rial at the above address.

Yours very truly,

TENNECO OIL COMPANY

B. L. S.

D. D. Myers
Division Production Manager

MWB:d

cc: New Mexico Oil Conservation Commission
Attention Mr. A. L. Porter
P. O. Box 2088
Santa Fe, New Mexico 87501

Case 5298

GENERAL AMERICAN OIL COMPANY OF TEXAS

MEADOWS BUILDING

DALLAS, TEXAS 75206

August 28, 1974

CERTIFIED MAIL/RETURN RECEIPT REQUESTED

Tenneco Oil Company
1200 Lincoln Tower Building
Denver, Colorado

Attention Mr. D. D. Myers, Division Production Manager

Re: Estimated Well Cost
General American's Green "A" #3 Well
Grayburg-Morrow Field
Eddy County, New Mexico

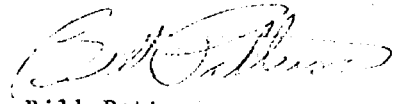
Gentlemen:

New Mexico Oil Conservation Commission Order No. 4846 pooled the Pennsylvania Formation underlying the east half of Section 29, Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico. Pursuant to this Order, General American hereby submits its estimated cost to drill, test, complete, and equip the Green "A" #3 Well. This data was also submitted as Exhibit #9 in the August 21, 1974 Examiner's Hearing and is submitted again to Tenneco to comply with the terms of Order No. 4846.

Should you have any questions regarding these costs, please advise.

Yours very truly,

GENERAL AMERICAN OIL COMPANY


Bill Patterson
Engineer
Production Department

ms

cc: Mr. Paul Eaton
Hinkle, Bondurant, Cox & Eaton
P. O. Box 10
Roswell, NM 88201

New Mexico Oil Conservation Commission
Attention Mr. A. L. Porter
P. O. Box 2088
Santa Fe, NM 87501

BR

Estimated Well Cost
General American Green "A" #3 Well
10,900' Morrow Test
Grayburg Morrow Field

Exhibit 9
August 21, 1974 Examiner Hearing
New Mexico Oil Conservation Commission
Case No. 5298
Pennsylvanian Formation Compulsory
Pooling Hearing - E/2, Sec. 29, T17S,
R29E, NMPM, Eddy County, New Mexico

Item	Cost - \$		
	Intangibles	Tangibles	Total
<u>Drill & Test</u>			
Location, Roads & Pits	5,000		5,000
Drilling - 10,900' @ \$11.30/Ft.	123,170		123,170
- Daywork-2 Days @ \$2,300/Day	4,600		4,600
Surface Casing-330'-11-3/4" OD, 42#, H40 @ \$8.35/Ft.		2,756	2,756
-Cement, Service, Attachments, Trucking	2,000		2,000
Intermed. Casing-2650'-8-5/8", 24# & 32#, K55 @ \$7.40/Ft.		19,610	19,610
- Cement, Service, Attachments, Trucking	3,750		3,750
Logging-Wireline - DIL, CNL, CDL, Dip Meter & Rig Time	14,600		14,600
-Mud Logging	6,000		6,000
Drill Stem Testing - 3 Tests @ \$3,600/Test Including Rig Time	10,800		10,800
Mud Additive & Water	16,000		16,000
Casing Head Assembly		2,500	2,500
Geological & Engineering Supervision	4,000		4,000
BOP Test	1,000		1,000
Rental Equipment	1,500		1,500
District & General Administration Overhead-60 Days @ \$45/Day	2,700		2,700
Taxes & Miscellaneous Contingencies	11,000	1,000	12,000
Sub-Total Drill & Test	206,120	25,866	231,986
<u>Complete & Equip</u>			
Production Casing - 10,900'-5 1/2", 15.5# & 17#, K55 & 17#, N-80 @ \$5.30/Ft.		57,770	57,770
- Cement, Service, Attachments, Trucking	5,500		5,500
Production Tubing - 10,900'-2-3/8" EUE, 4.7#, N80 @ \$1.99/Ft.		21,691	21,691
Perforating & Stimulation	6,500		6,500
Packer		1,500	1,500
Well Servicing Unit	6,000		6,000
Tubing Head, Valves & Misc. Conn.		4,000	4,000
AOF Test	3,000		3,000
Heater - Dehydrator Unit		14,000	14,000
Storage Facilities		3,000	3,000
Flowline		1,000	1,000
Labor, Burden & Benefits	2,000		2,000
Engineering Supervision	500		500
District & Gen. Admin. Overhead-10 Days @ \$60/Day	600		600
Taxes & Miscellaneous Contingencies	1,500	5,000	6,500
Sub-Total Complete & Equip	25,600	107,961	133,561
Total - Drill, Test, Complete & Equip	231,720	133,827	365,547

Prepared By: Bill Patterson
Date: 8-16-74



OIL CONSERVATION COMMISSION

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

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

August 27, 1974

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

Re: CASE NO. 5298
ORDER NO. R-4846

Applicant:
General American Oil Co. of Texas

Dear Sir:

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

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC X
Artesia OCC X
Aztec OCC

Other Mr. Ken Bateman and Tenneco Oil Company, Box 2410,
Capital Life Building, Denver, Colorado 80203

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. 5298
Order No. R-4846

APPLICATION OF GENERAL AMERICAN OIL
COMPANY OF TEXAS 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 August 21, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 27th day of August, 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, General American Oil Company of Texas, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 29, Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico.

(3) That the applicant has the right to drill and is drilling its Green A Well No. 3 at a standard location for said unit in the NE/4 SE/4 of said Section 29.

(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.

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CASE NO. 5298
Order No. R-4846

(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 190 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 \$200.00 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.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the E/2 of Section 29, Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to applicant's Green A Well No. 3, drilling at a standard location for said unit in the NE/4 SE/4 of said Section 29.

PROVIDED HOWEVER, 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.

-3-

CASE NO. 5298
Order No. R-4846

(2) That General American Oil Company of Texas is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order 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 15 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Commission and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

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

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 15 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, 190 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 15 days from the date the schedule of estimated well costs is furnished to him.

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CASE NO. 5298
Order No. R-4846

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

(9) That \$200.00 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.

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

ALBA J. ARMISTE, Member

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

S E A L

jr/

Docket No. 24-74

Dockets Nos. 25-74 and 26-74 are tentatively set for hearing on September 4 and September 18. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 21, 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

- CASE 5294: Application of Shenandoah Oil Corporation for a buffer zone allowable, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the assignment of a special buffer zone allowable to its Gissler "A" Wells Nos. 1 and 3, located 430 feet from the North line and 1720 feet from the West line, and 1320 feet from the North line and 2310 feet from the West line, respectively, of Section 23, Township 17 South, Range 30 East, Grayburg Jackson Pool, Eddy County, New Mexico. These wells offset an active waterflood project and have received an apparent response to water injection.
- CASE 5295: Application of Amoco Production Company for a non-standard proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 480-acre non-standard gas proration unit comprising the N/2 and SE/4 of Section 24, Township 20 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its Gillully Federal Gas Com Well No. 4 and its Gillully "A" Federal Well No. 7 located in Units B and O, respectively, of said Section 24.
- CASE 5296: Application of Texaco Inc. for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Vacuum-Upper Pennsylvanian production with the presently commingled North Vacuum-Abo and North Vacuum-Wolfcamp production in the wellbore in its New Mexico "Q" State Well No. 4 located in Unit P of Section 25, Township 17 South, Range 34 East, Vacuum Field, Lea County, New Mexico.
- CASE 5297: Application of Exxon Corporation for a non-standard proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 160-acre non-standard gas proration unit comprising the NE/4 of Section 35, Township 20 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its Eumont Gas Com 3 Well No. 1 and its Popeano Federal A/C Well No. 7, located in Units A and G, respectively, of said Section 35.
- CASE 5298: Application of General American Oil Company of Texas for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 29, Township 17 South, Range 29

Docket No. 23-74

DOCKET: COMMISSION HEARING - MONDAY - AUGUST 19, 1974

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

CASE 5262: (DE NOVO)

Application of Petro-Lewis Corporation for pool contraction, creation, and special pool rules, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the Media-Entrada Oil Pool by the deletion of the NW/4 of Section 22, Township 19 North, Range 3 West, Sandoval County, New Mexico, and the creation of a new pool for Entrada production comprising said lands. Applicant further seeks the promulgation of special rules for said pool, including a provision for 160-acre proration units and the establishment of a special depth bracket allowable for said pool of up to 750 barrels per day.

Upon application of Petro-Lewis Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 5152: (Reopened) Continued from July 24, 1974 Examiner Hearing

In the matter of Case No. 5152 being reopened pursuant to the provisions of Order No. R-4713, which order established a special depth bracket allowable for the Media-Entrada Oil Pool, Sandoval County, New Mexico. All interested parties may appear and show cause why said special depth bracket allowable should not be rescinded.

ir/

(Case 5298 continued from Page 1)

East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location for said unit. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5299: Application of Coquina Oil Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 23, Township 22 South, Range 25 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location for said unit. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5300: Application of Mesa Petroleum Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp formation underlying the SE/4 of Section 7, Township 16 South, Range 36 East, North Shoe Bar-Wolfcamp Pool, Lea County, New Mexico, to be dedicated to a well to be drilled 555 feet from the South line and 2085 feet from the East line of said Section 7. 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 5301: Application of Cleary Petroleum Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Quarry Unit Area comprising 5177 acres, more or less, of Fee and Federal lands in Township 22 South, Range 32 East, Lea County, New Mexico.

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION

EXHIBIT NO. 2

CASE NO. 5298

Submitted by Applicant

Hearing Date _____

May 2, 1974

Tenneco Oil Company
1200 Lincoln Tower Building
1860 Lincoln Street
Denver, Colorado 80203

Attention: Mr. M. B. Venus

Re: Grayburg Morrow Area
Eddy County, New Mexico

Gentlemen:

General American plans to drill a 10,900-foot Morrow test at a legal location in the NE/4 SE/4 Section 29, T-17-S, R-29-E, Eddy County, New Mexico, commencing as soon as practical in view of rig and pipe shortages. We plan to dedicate the E/2 of Section 29 as the spacing unit for such test and inasmuch as you own the lease covering the SE/4 SE/4 Section 29, T-17-S, R-29-E, we request that you give consideration to joining us in this test.

As you are aware, Morrow gas is being produced in Section 28, offsetting us to the East. Also, a Wolfcamp test was recently completed to the South in Section 32. Therefore, we think that it is prudent that we commence our well as soon as possible. We recognize that you have plans for a Morrow test in Section 33, T-17-S, R-29-E, but do not feel such test has any bearing on our proposed well.

Inasmuch as our proposed well has definite possibilities in the Wolfcamp formation as well as the Morrow, we recommend and propose that Tenneco and General American cross-assign working interest in the E/2 Section 29 so that General American would own 7/8ths and Tenneco 1/8th of said 320 acres. This would eliminate the problem of different spacing rules for

Exhibit 2

Tenneco Oil Company

-2-

May 2, 1974

the separate zones. Such cross-assignment would cover all depths below the base of the Abo formation and each of us would be responsible for the royalty, overriding royalties and other burdens on our respective leases.

Please give the above your early consideration. If you need additional information, please so advise.

Very truly yours,



Paul M. Thompson
Land Department

PMT:gcm

Tenneco Oil
A Tenneco Company

Suite 1200
Lincoln Tower Building
Denver, Colorado 80203
(303) 292-9920



June 5, 1974

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
EXHIBIT NO. 3
CASE NO. 5298
Submitted by Applicant
Hearing Date _____

General American Oil Company of Texas
Meadows Building
Dallas, Texas 75206

Attention: Mr. Paul M. Thompson

Re: Proposed Morrow Test
E/2 Section 29, T17S, R29E
Grayburg Jackson Area
Eddy County, New Mexico

Gentlemen:

Tenneco would like to defer the drilling of the proposed 10,900 ft. Morrow sand Development well as proposed in your letter of May 2, 1974. In addition to our Morrow well in NW/4 Section 29, T17S, R29E, Midwest has proposed a Morrow test located in NE/4 Section 31, T17S, R29E. Both of these wells will provide necessary stratigraphic information of the Morrow from which to base an evaluation of the proposed location.

Please address all future correspondence related to this well to my attention.

Yours very truly,

TENNECO OIL COMPANY

D. D. Myers
Division Production Manager

ADR/mlw

Copy to: Harry Frank
Norm O'Dell
J. W. Reynolds
Bill Patterson
(6-10-74)

Exhibit 3

June 28, 1974

Tenneco Oil Company
Suite 1200
Lincoln Tower Building
Denver, Colorado 80203

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
EXHIBIT NO.	<u>4</u>
CASE NO.	<u>5298</u>
Submitted by	<u>Applicant</u>
Hearing Date	

Attention: Mr. D. D. Myers
Division Production Manager

Re: Proposed Morrow Test
E/2 Section 29, T-17-S, R-29-E
Eddy County, New Mexico

Gentlemen:

With reference to your letter dated June 5, 1974, wherein you advise that Tenneco would prefer to delay the drilling of the Morrow test proposed in our letter of May 2, 1974, please be advised that General American still is of the opinion that the well should be commenced as soon as possible. Therefore, we hereby respectfully request that you consider doing one of the following things:

1. Join with us in drilling said well as proposed in our May 2, 1974, letter or

2. Sell us your rights below the base of the Abo formation in the SE/4 SE/4 for consideration of \$125.00 per net acre (subject to approval of title and assuming no unusual burdens) or

3. Farmout on the following terms:

- a. General American agrees to drill the 10,900-foot Morrow well at a location in the NE/4 SE/4 Section 29-17S-29E, Eddy County, New Mexico, at its sole risk and cost.

Exhibit 4

Tenneco Oil Company

-2-

June 28, 1974

- b. If the test well is completed as a commercial producer below the base of the Abo formation, you agree to assign us all your interest in the SE/4 SE/4 Section 29-178-29E, Eddy County, New Mexico, subject to your reservation of an overriding royalty equal to the difference between existing royalty and overrides and 25% (75% net revenue to General American). At payout of such well, you would have the option to convert such override to a 50% working interest, proportionately reduced.
- c. Spacing unit for the Morrow formation to be the E/2 Section 29 and either the E/2 SE/4 (80-acre spacing) or the SE/4 (160-acre spacing) Section 29 for the Wolfcamp formation.

Because of the difficulty in obtaining a drilling rig, we sincerely hope that you will give early consideration to this matter and reply to us by July 21. If you have any questions or if clarification is needed, please call me collect at Area Code 214, 368-5811.

Very truly yours,


Paul M. Thompson
Land Department

PMT:scm

Tenneco Oil
A Tenneco Company

Suite 1700
Lincoln Tower Building
Denver, Colorado 80203
(303) 292-9920



July 22, 1974

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
EXHIBIT NO.	<u>5</u>
CASE NO.	<u>5298</u>
Submitted by	<u>Applicant</u>
Hearing Date	_____

General American Oil Company of Texas
Meadows Building
Dallas, Texas 75206

Attention: Mr. Paul M. Thompson
Land Department

RE: Your Proposed Morrow Test
NE $\frac{1}{4}$ SE $\frac{1}{4}$ Section 29, T17S, R29E
Eddy County, New Mexico
TOC 30411

Gentlemen:

In reply to your June 28th, 1974 letter please be advised that Tenneco, DEPCO and Husky are now drilling a joint Morrow test in the NW $\frac{1}{4}$ Section 33, T17S, R29E (#33-1 Federal-Com) and the Unit Operator has proposed drilling the #5 South Empire Deep Unit well in Section 32, T17S, R29E in the near future, in which Tenneco is also a working interest owner.

In view of the foregoing, we feel we should await the outcome of these two wells, for what we believe is necessary additional well control, on the Morrow Formation.

Very truly yours,

TENNECO OIL COMPANY

N. B. Venus
Senior Landman

NBV/fv

Exhibit 5

Estimated Well Cost

General American Green "A" Well
10,900' Morrow Test
Grayburg Morrow Field

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
EXHIBIT NO. 9
CASE NO. 5298
Submitted by Applicant
Hearing Date _____

Exhibit

August 21, 1974 Examiner Hearing
New Mexico Oil Conservation Commission
Case No. 5298
Pennsylvanian Formation Compulsory
Pooling Hearing - E/2, Sec. 29, T17S,
R29E, NMPM, Eddy County, New Mexico

Item	Cost - \$		
	Intangibles	Tangibles	Total
<u>Drill & Test</u>			
Location, Roads & Pits		5,000	5,000
Drilling - 10,900' @ \$11.30/Ft.	123,170		123,170
- Daywork-2 Days @\$2,300/Day	4,600		4,600
Surface Casing-330'-11-3/4" OD, 42#, H40 @\$8.35/Ft.		2,756	2,756
-Cement, Service, Attachments, Trucking	2,000		2,000
Intermed. Casing-2650'-8-5/8", 24# & 32#, K55 @\$7.40/Ft.		19,610	19,610
- Cement, Service, Attachments, Trucking	3,750		3,750
Logging-Wireline - DIL, CNL, CDL, Dip Meter & Rig Time	14,600		14,600
-Mud Logging	6,000		6,000
Drill Stem Testing - 3 Tests @ \$3,600/Test Including Rig Time	10,800		10,800
Mud Additive & Water	16,000		16,000
Casing Head Assembly		2,500	2,500
Geological & Engineering Supervision	4,000		4,000
BOP Test	1,000		1,000
Rental Equipment	1,500		1,500
District & General Administration Overhead-60 Days @\$45/Day	2,700		2,700
Taxes & Miscellaneous Contingencies	11,000	1,000	12,000
Sub-Total Drill & Test	206,120	25,866	231,986
<u>Complete & Equip</u>			
Production Casing - 10,900'-5 1/2", 15.5# & 17#, K55 & 17#, N-80 @ \$5.30/Ft.		57,770	57,770
- Cement, Service, Attachments, Trucking	5,500		5,500
Production Tubing - 10,900'-2-3/8" EUE, 4.7#, N80 @\$1.99/Ft.		21,691	21,691
Perforating & Stimulation	6,500		6,500
Packer		1,500	1,500
Well Servicing Unit	6,000		6,000
Tubing Head, Valves & Misc. Conn.		4,000	4,000
AOF Test	3,000		3,000
Heater - Dehydrator Unit		14,000	14,000
Storage Facilities		3,000	3,000
Flowline		1,000	1,000
Labor, Burden & Benefits	2,000		2,000
Engineering Supervision	500		500
District & Gen. Admin. Overhead-10 Days @\$60/Day	600		600
Taxes & Miscellaneous Contingencies	1,500	5,000	6,500
Sub-Total Complete & Equip	25,600	107,961	133,561
Total - Drill, Test, Complete & Equip	231,720	133,827	365,547

Prepared By: Bill Patterson
Date: 8-16-74

Exhibit 9

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
EXHIBIT NO. 10
CASE NO. 5298
Submitted by App/15277
Hearing Date

EXHIBIT " "

ACCOUNTING PROCEDURE JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

"Joint Account" shall mean the account showing the charges and credits accruing because of the Joint Operations and which are to be shared by the Parties.

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall be defined as set forth under the subparagraph selected below:

- A. ☒ Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.
- B. ☐ Material which is ordinarily so classified and controlled by Operator in the conduct of its operations. List shall be furnished Non-Operators upon request.

2. Statements and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of costs and expenses for the preceding month. Such bills will be accompanied by statements reflecting the total charges and credits as set forth under the subparagraph selected below:

- A. ☐ Statement in detail of all charges and credits to the Joint Account.
- B. ☐ Statement of all charges and credits to the Joint Account, summarized by appropriate classifications indicative of the nature thereof.
- C. ☒ Statement of all charges and credits to the Joint Account, summarized by appropriate classification indicative of the nature thereof, except that items of Controllable Material and unusual charges and credits shall be detailed.

3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of ten per cent (10%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of the Joint Property as provided for in Section VII.

5. Audits

A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the accounting hereunder for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

6. Approval by Non-Operators

Where an approval or other agreement of Non-Operators is expressly required under Paragraphs 5A, 5B, 6A and 8 of Section II, Section III, Section V, Section VI, and Paragraph 4 of Section VII, of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, the Operator shall notify all Non-Operators and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

2. Labor

- A. (1) Salaries and wages of Operator's employees directly employed on the Joint Property in the conduct of Joint Operations.
- (2) Salaries of first-level supervisors in the field if such charges are excluded from overhead rates in Option A of Section III.
- (3) Salaries and wages of technical employees temporarily assigned to and directly employed on the Joint Property if such charges are excluded from overhead rates in Option B of Section III.
- (4) Salaries and wages of technical employees either temporarily or permanently assigned to and directly employed in the operation of the Joint Property if such charges are excluded from overhead rates in Option C of Section III.
- B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to the employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1A of Section III; except that in the case of those employees only a pro rata portion of whose salaries and wages are chargeable to the Joint Account under Paragraph 1A of Section III, not more than the same pro rata portion of the benefits and allowances herein provided for shall be charged to the Joint Account. Cost under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1A of Section III. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
- C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's labor cost of salaries and wages chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1A of Section III.
- D. Reasonable personal expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and for which expenses the employees are reimbursed under Operator's usual practice.

3. Employee Benefits

Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1A of Section III shall be chargeable as indicated in the subparagraph selected below:

- A. ☐ Operator's actual cost.
- B. ☒ Operator's actual cost not to exceed fifteen per cent (15%).

4. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. So far as it is reasonably practical and consistent with efficient and economical operation, only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use; and the accumulation of surplus stocks shall be avoided.

5. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

- A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by Operator and Non-Operators.
- B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by Operators and Non-Operators. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by Operator and Non-Operators.
- C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking costs of \$100 or less.

6. Services

- A. The cost of contract services and utilities procured from outside sources other than services covered by Paragraph 8 of this Section II and Paragraph 1B of Section III. The cost of professional consultant services shall not be charged to the Joint Account unless agreed to by Operator and Non-Operators.
- B. Use and service of equipment and facilities furnished by Operator as provided in Paragraph 5 of Section IV.

7. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except to the extent that the damage or loss could have been avoided through the exercise of reasonable diligence on the part of Operator. Operator shall furnish Non-Operators written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

8. Legal Expense

All costs and expenses of handling, investigating, and settling litigation or claims arising by reason of the Joint Operations or necessary to protect or recover the Joint Property, including, but not limited to, attorney's fees, court costs, cost of investigation or procuring evidence and amounts paid in settlement or satisfaction of any such litigation or claims; provided, (a) no charge shall be made for the services of Operator's legal staff or other regularly employed personnel (such services being considered to be Administrative Overhead under Section III), unless agreed to by Operator and Non-Operators, and (b) no charge shall be made for the fees and expenses of outside attorneys unless the employment of such attorneys is agreed to by Operator and Non-Operators.

9. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

10. Insurance

Net premiums paid for insurance required to be carried on the Joint Property for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge therefor on the following basis:

11. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator for the necessary and proper conduct of the Joint Operations.

III. INDIRECT CHARGES

Operator may charge the Joint Account for indirect costs either by use of an allocation of district expense items plus the rate for administrative overhead, and plus the warehousing charges, all as provided for in Paragraph 1 of this Section III or by combining all three of said items under the rates provided for in Paragraph 2 or 3 of this Section III, as indicated next below:

OPERATOR SHALL CHARGE INDIRECT COSTS TO THE JOINT ACCOUNT UNDER THE TERMS OF:

- ☐ Paragraph 1. (District Expense, Administrative Overhead and Warehousing)
☒ Paragraph 2. (Combined Rates - Well Basis)
☐ Paragraph 3. (Combined Rates - Percentage Basis)

The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by Operator and Non-Operators as a direct charge to the Joint Account.

THE OVERHEAD RATES PROVIDED FOR IN ANY OF THE PARAGRAPHS SELECTED ABOVE

- A. ☒ shall ☐ shall not include salaries and personal expenses of first-level supervisors in the field.
 B. ☐ shall ☒ shall not include salaries, wages and personal expenses of technical employees temporarily assigned to and directly employed on the Joint Property.
 C. ☒ shall ☐ shall not include salaries, wages and personal expenses of technical employees either temporarily or permanently assigned to and directly employed in the operation of the Joint Property.

I. District Expense, Administrative Overhead and Warehousing**A. District Expense**

Operator shall charge the Joint Account with a pro rata portion of the salaries, wages and expenses of Operator's production superintendent and other employees serving the Joint Property and other properties of the Operator in the same operating area, whose time is not allocated directly to the properties, and a pro rata portion of the cost of maintaining and operating a production office known as Operator's

..... office located at or near
 (or a comparable office if location changed); and necessary sub-offices (if any), maintained for the convenience of the above-described office, and all necessary camps, including housing facilities for employees if required, used in connection with the operations of the Joint Property and other properties in the same operating area. The expense of, less any revenue from, such facilities may, at the option of Operator, include depreciation of investment or a fair monthly rental in lieu of depreciation. Such charges shall be apportioned to all properties served on some equitable basis consistent with Operator's accounting practice.

B. Administrative Overhead

Operator shall charge administrative overhead to the Joint Account at the following rates, which charge shall be in lieu of the cost and expense of all offices of the Operator not covered by Paragraph 1A of this Section III, including salaries, wages and expenses of personnel assigned to such offices. Such charge shall be in addition to the salaries, wages and expenses of employees of Operator authorized to be charged direct as provided in Paragraphs 2 and 8 of Section II. Such charge shall be made on the basis indicated below, either (1) well basis or (2) percentage basis, at the rates shown thereunder.

(1) ☐ Well Basis

RATE PER WELL PER MONTH

Well Depth	DRILLING WELL RATE (Use Total Depth)	PRODUCING WELL RATE (Use Current Producing Depth)		
	Each Well	First Five	Next Five	All Wells Over Ten
.....
.....
.....
.....

(2) ☐ Percentage Basis

PERCENTAGE BASIS**Development:**

..... Percent (%) of the cost of development of the Joint Property exclusive of costs provided under Paragraph 8 of Section II and all salvage credits.

Operating:

..... Percent (%) of the cost of operating the Joint Property exclusive of costs provided under Paragraphs 1 and 8 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

C. Operator's Warehouse Operating and Maintenance Expense

- [] Included in district expense
 [] No charge either direct or indirect
 [] Percentage basis (describe fully)

2. Combined Rates - Well Basis

Operator shall charge the Joint Account for the services covered by Paragraph 1 of this Section III on the basis indicated below:

Well Depth	RATE PER WELL PER MONTH			
	DRILLING WELL RATE (Use Total Depth) Each Well	PRODUCING WELL RATE (Use Current Producing Depth)		
		First Five	Next Five	All Wells Over Ten
ALL	1350	200		

3. Combined Rates - Percentage Basis

Operator shall charge the Joint Account for the services covered by Paragraph 1 of this Section III on the basis indicated below:

PERCENTAGE BASIS

A. Development:

..... Percent (%) of the cost of development of the Joint Property exclusive of costs provided under Paragraph 8 of Section II and all salvage credits.

B. Operating:

..... Percent (%) of the cost of operating the Joint Property exclusive of costs provided under Paragraphs 1 and 8 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

4. Application of Administrative Overhead or Combined Rates - Well Basis

The following limitations, instructions and charges shall apply in the application of the rates as provided under either Paragraph 1B (1) or Paragraph 2 of this Section III.

- A. Charges for drilling wells shall begin on the date each well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during the suspension of drilling operations for fifteen (15) or more consecutive days.
- B. The status of wells shall be as follows:
- (1) Producing gas wells, injection wells for recovery operations, water supply wells utilized for waterflood-ing operations and salt water disposal wells shall be considered the same as producing oil wells.
 - (2) Wells permanently shut down but on which plugging operations are deferred shall be dropped from the well schedule at the time the shutdown is effected. Any well being plugged or produced during any portion of the month shall be considered as a producing well for the entire month.
 - (3) Wells being plugged back, drilled deeper, converted to a source or input well, or which are undergoing any type of workover that requires the use of a drilling rig or workover rig capable of drilling shall be considered the same as drilling wells.
 - (4) Temporarily shut-down wells, which are not produced or worked upon for a period of a full calendar month, shall not be included in the well schedule, provided however, wells shut in by governmental regulatory body shall be included in the well schedule only in the event the allowable production is transferred to some other well or wells on the Joint Property. In the event of a unit allowable, shut-in wells shall be counted in determining the charge hereunder for such month if said wells contribute allowable production that is actually produced during such month from one or more unit wells as a result of allowable transfer, inclusion in the unit allowable or other circumstances, but the total shut-in well count shall be limited to the minimum number of shut-in wells necessary to provide the contributed allowable actually produced during the month.
 - (5) Gas wells shall be included in the well schedule if directly connected to a permanent sales outlet even though temporarily shut in due to overproduction or failure of purchaser to take the allowed production.
 - (6) Wells completed in multiple horizons, shall be considered as a producing well for each separately producing horizon, providing each completion is considered a separate well by governmental or other state-wide regulatory authority.
- C. The well rates for producing wells shall be applied to the individual leases; provided that, whenever leases covered by this agreement are operated as a unitized project, the well rates shall be applied to the total number of producing wells, irrespective of individual leases.
- D. The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian Index as published by the Dominion Bureau of Statistics, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

5. Application of Administrative Overhead or Combined Rates - Percentage Basis

For the purpose of determining charges on a Percentage Basis under Paragraph 1B (2) or Paragraph 3 of this Section III, Development shall include all costs in connection with drilling, redrilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when well is not completed as a producer; and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 6 of this Section III. All other costs shall be considered as Operating

6. Major Construction Overhead

For the construction of compressor plants, water stations, secondary recovery systems, drilling and production platforms, salt water disposal facilities, and other such projects, as distinguished from the more usual drilling

and producing operations, Operator in addition to the Administrative Overhead or Combined Rates provided for in Paragraph 1, 2 or 3 of this Section III shall either negotiate a rate prior to beginning of construction or shall charge the Joint Account with an additional overhead charge as follows:

- A. Total cost less than \$25,000, no charge.
- B. Total cost more than \$25,000, but less than \$100,000, ³ % of total cost.
- C. Total cost of \$100,000 or more, ³ % of the first \$100,000 plus ² % of all over \$100,000 of total cost.

Total cost shall mean the total gross cost of any one project. For the purpose of this paragraph the component parts of a single project shall not be treated separately and the cost of drilling wells shall be excluded.

7. Amendment of Rates

The specific rates provided for in this Section III may be amended from time to time by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. BASIS OF CHARGES TO JOINT ACCOUNT

Subject to the further provisions of this Section IV, Operator will procure all Material and services for the Joint Property. At the Operator's option, Non-Operators may supply Material or services for the Joint Property.

1. Purchases

Material purchased and service procured shall be charged at the price paid by Operator after deduction of all discounts actually received.

2. Material furnished from Operator's Warehouse or Other Properties

A. New Material (Condition "A")

- (1) Tubular goods, except line pipe, shall be priced on a maximum carload and/or barge load weight basis regardless of quantity transferred and equalized to the lowest prevailing price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available effective at date of transfer.
- (2) Line pipe shall be priced at the current replacement cost effective at date of transfer from a reliable supply store nearest the Joint Property where such Material is normally available if the movement is less than 30,000 pounds. If the movement is 30,000 pounds or more, it shall be priced on the same basis as casing and tubing under Subparagraph (1) of this paragraph.
- (3) When the Operator has equalized actual hauling costs as provided for in Paragraph 5 of Section II, Operator is permitted to include ten cents (10¢) per hundred-weight on all tubular goods furnished from his stocks in lieu of loading and unloading costs sustained.
- (4) Other Material shall be priced at the current replacement cost of the same kind of Material, effective at date of movement and f.o.b. the supply store or railway receiving point nearest the Joint Property where Material of the same kind is normally available.
- (5) The Joint Account shall not be credited with cash discounts applicable to prices provided for in this Paragraph 2 of Section IV.

B. Used Material (Condition "B" and "C")

- (1) Material in sound and serviceable condition and suitable for reuse without reconditioning, shall be classified as Condition "B" and priced at seventy-five per cent (75%) of the current price of new Material.
- (2) Material which is not suitable for its original function until after reconditioning shall be furnished to the Joint Account under one of the two methods defined below:
 - (a) Classified as Condition "B" and priced at seventy-five per cent (75%) of the current price of new Material. The cost of reconditioning shall be absorbed by the Operator of the transferring property.
 - (b) Classified as Condition "C" and priced at fifty per cent (50%) of current price of new Material. The cost of reconditioning also shall be charged to the receiving property, provided Condition "C" value, plus cost of reconditioning, does not exceed Condition "B" value.
- (3) Obsolete Material or Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose.
- (4) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at prices specified in Paragraphs 1 and 2 of this Section IV because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in procuring such Material, in making it suitable for use, and in moving it to the Joint Property, provided, that notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within 10 days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

5. Equipment and Facilities Furnished by Operator

- A. Operator shall charge the Joint Account for use of equipment and facilities at rates commensurate with cost of ownership and operation. Such rates shall include cost of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed six per cent (6%) per annum, provided such rates shall not exceed those currently prevailing in the immediate area within which the Joint Property is located. In lieu of rates based on costs of ownership and operation of equipment, other than automotive, Operator may elect to use commercial rates prevailing in the area of the Joint Property less 20%; for automotive equipment, rates as published by the Petroleum Motor Transport Association may be used. Rates for laboratory services shall not exceed those currently prevailing if performed by

outside service laboratories. Rates for trucks, tractors and well service units may include wages and expenses of operator.

- B. Whenever requested, Operator shall inform Non-Operators in advance of the rates it proposes to charge.
- C. Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

V. DISPOSAL OF MATERIAL

The Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus Condition "A" or "B" Material. The disposition of surplus Controllable Material, not purchased by Operator, shall be agreed to by Operator and Non-Operators, provided Operator shall dispose of normal accumulations of junk and scrap Material either by transfer or sale from Joint Property.

1. Material Purchased by the Operator or Non-Operators.

Material purchased by either the Operator or Non-Operators shall be credited by the Operator to the Joint Account for the month in which the Material is removed by the purchaser.

2. Division in Kind

Division of Material in kind, if made between Operator and Non-Operators, shall be in proportion to the respective interests in such Material. The Parties will thereupon be charged individually with the value of the Material received or receivable. Proper credits shall be made by the Operator to the Joint Account.

3. Sales to Outsiders

Sales to outsiders of Material from the Joint Property shall be credited by Operator to the Joint Account at the net amount collected by Operator from vendee. Any claim by vendee related to such sale shall be charged back to the Joint Account if and when paid by Operator.

VI. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

Material purchased by either Operator or Non-Operators or divided in kind, unless agreed to by Operator and Non-Operators shall be priced on the following basis:

1. New Price Defined

New price as used in this Section VI shall be the price specified for new Material in Section IV.

2. New Material

New Material (Condition "A"), being new Material procured for the Joint Property but never used, at one hundred per cent (100%) of current new price (plus sales tax if any).

3. Good Used Material

Good used Material (Condition "B"), being used Material in sound and serviceable condition, suitable for reuse without reconditioning:

- A. At seventy-five per cent (75%) of current new price if Material was charged to Joint Account as new, or
- B. At sixty-five per cent (65%) of current new price if Material was originally charged to the Joint Account as secondhand at seventy-five per cent (75%) of new price.

4. Other Used Material

Used Material (Condition "C"), at fifty per cent (50%) of current new price, being used Material which:

- A. Is not in sound and serviceable condition but suitable for reuse after reconditioning, or
- B. Is serviceable for original function but not suitable for reconditioning.

5. Bad-Order Material

Material (Condition "D"), no longer suitable for its original purpose without excessive repair cost but usable for some other purpose at a price comparable with that of items normally used for such other purpose.

6. Junk Material

Junk Material (Condition "E"), being obsolete and scrap Material, at prevailing prices.

7. Temporarily Used Material

When the use of Material is temporary and its service to the Joint Property does not justify the reduction in price as provided for in Paragraph 3B of this Section VI, such Material shall be priced on a basis that will leave a net charge to the Joint Account consistent with the value of the service rendered.

VII. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Reconciliation of inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable to Non-Operators only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special Inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

4. Expense of Conducting Periodic Inventories

The expense of conducting periodic inventories shall not be charged to the Joint Account unless agreed to by Operator and Non-Operators.

August 6, 1974

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
EXHIBIT NO.	11
CASE NO.	5298
Submitted by	
Hearing Date	

Tenneco Oil Company
Suite 1200
Lincoln Tower Building
Denver, Colorado 80203

Attention: Mr. N. B. Venus

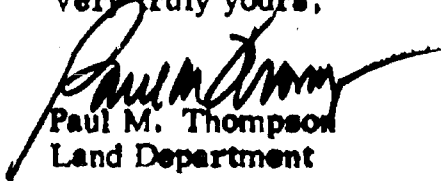
Re: Proposed Morrow Test
NE/4 SE/4 Section 29-17S-29E
Eddy County, New Mexico
(Our File Nos. L-1488-2 & 1487-1)

Gentlemen:

We are in receipt of your letter dated July 22, 1974, wherein you advise that you do not wish to farm out or join in the captioned well as proposed in our letter dated June 28, 1974. This is to advise that General American has elected to proceed with the drilling of this test and has made application with the Oil Conservation Commission of New Mexico to force pool the Morrow formation in the E/2 Section 29-17S-29E. It is anticipated that the test will be spudded on or before August 10, 1974.

Again, we would like for you to reconsider our proposal as set out in the July 22nd letter. If you still are opposed to joining with us or to farming out below the base of the Abo formation, please consider farming out the Morrow formation only on the same basis as outlined in such letter. If you are willing to farm out the Morrow formation, please reply at your earliest convenience, but no later than August 16, 1974. Please give me a call at A/C 214 368-5811 if you have any questions or need clarification.

Very truly yours,


Paul M. Thompson
Land Department

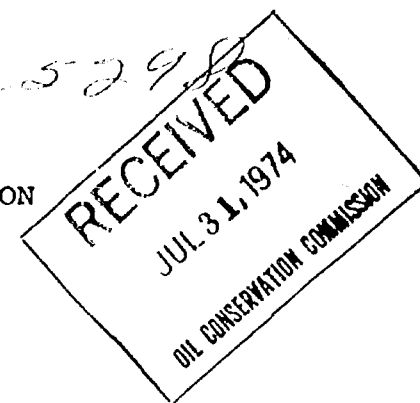
PMT:lm

Bcc: M. E. Wilson, Jr., Bill Patterson, J. T. Reynolds, Roy Crow,
N. W. Krouskop

Case 5298

BEFORE THE OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

APPLICATION OF GENERAL OIL COMPANY OF)
TEXAS FOR COMPULSORY POOLING, EDDY)
COUNTY, NEW MEXICO)



General American Oil Company of Texas, by its undersigned attorneys, hereby makes application for an order pooling all mineral interests in the Morrow formation underlying the E $\frac{1}{2}$ of Section 29, Township 17 South, Range 29 East, N.M.P.M., Eddy County, New Mexico, and in support thereof would show:

1. Applicant is the owner of oil and gas leases covering the NE $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$ Section 29, Township 17 South, Range 29 East, N.M.P.M. Tenneco Oil Company is the owner of an oil and gas lease covering the SE $\frac{1}{4}$ SE $\frac{1}{4}$ Section 29, Township 17 South, Range 29 East. There is attached hereto as Exhibit "A" a list of the owners of overriding royalty or production payment interests underlying said E $\frac{1}{2}$ Section 29 insofar as known to applicant.

2. Applicant proposes to drill a well 1980 feet from the South line and 660 feet from the East line of said Section 29 to test the Morrow formation and seeks to dedicate the E $\frac{1}{2}$ of said Section 29 to the well. Applicant has requested Tenneco Oil Company to join in drilling of the well, but it has so far refused to do so.

3. The pooling of the leasehold interests and the non-operating interests in the E $\frac{1}{2}$ of said Section 29 will avoid the drilling of unnecessary wells, prevent waste and protect correlative rights.

4. Applicant requests that the Oil Conservation Commission consider the cost of drilling and completing said well, the proper allocation of said costs as well as actual operating costs, charges for supervision and charges for the risk involved in

drilling the well. Applicant also requests that it be designated as operator of the well.

5. Applicant requests that this matter be heard at the last examiner's hearing in August 1974.

HINKLE, BONDURANT, COX & EATON

By Paul M. Eaton, Jr.
P. O. Box 10
Roswell, New Mexico 88201
Attorneys for General American
Oil Company of Texas

EXHIBIT "A"

1. Overriding royalty and production payment interests under NE $\frac{1}{4}$, N $\frac{1}{4}$ SE $\frac{1}{4}$ Section 29, Township 17 South, Range 29 East, N.M.P.M.

Harry H. Walker -----	1.875%
Leah F. McDonald -----	3.750%
Billie L. Kruse, Trustee under Barbara Frankenfield Trust Agreement dated October 20, 1966 -----	.625%
Jimmie Marie Joy, Trustee under Sandra Leigh Worley Trust Agree- ment dated November 16, 1972 -----	.625%
Jimmie Marie Joy, Trustee under Susan Lynn Terry Trust Agreement dated November 16, 1972 -----	.625%

2. Overriding royalty and production payment interests under SW $\frac{1}{4}$ SE $\frac{1}{4}$ Section 29, Township 17 South, Range 29 East, N.M.P.M.

Devisees of J. W. Berry, deceased -----	2.500000%
Lambert J. Acree -----	.625000%
Wilbur John Acree -----	.089286%
Chester J. Acree -----	.089286%
Lucile Mock -----	.089286%
Chester J. Doyle -----	.089286%
Wona Smith -----	.089286%
Pearl Roll -----	.089285%
Robert E. Downer -----	.089285%
Mildred M. Dexter -----	.416667%
Robert F. Dexter -----	.520833%
Carol Jean Dexter Purcell -----	.117188%
Robert Christian Dexter -----	.117187%
Dolores J. Thomas -----	.078125%

DRAFT

Expedite
But don't sign until transcription.

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. 5298

Order No. R-4846

APPLICATION OF GENERAL AMERICAN OIL
COMPANY OF TEXAS 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 August 21, 1974
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this _____ day of August, 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, General American Oil Company of Texas,
seeks an order pooling all mineral interests in the Pennsylvanian
formation underlying the E/2
of Section 29, Township 17 South, Range 29 East,
NMPM, _____, Eddy County, New
Mexico.

dr/

*Should
call
Gen
American
When order
approved.
They need
to know
about
order
384*

[Signature]

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Case No.
Order No. R-

(3) That the applicant has the right to drill ~~and proposes~~ *and is drilling*
its Green A #3
~~to drill a well at a standard location for said unit~~ *in the NE 1/4*
of said Section 29.

(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 190 ~~percent~~ *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.

Case No.
Order No. R

(11) That \$200.00 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 _____, 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 E/2 of Section 29, Township 17 South, Range 29 East, NMPM, _____, Eddy County, New Mexico,

are hereby pooled to form a standard 320 acre gas spacing and proration unit to be dedicated to Applicant's Green A well ~~at a standard location for said unit~~ drilling at a standard location for said unit in the NE 1/4 SE 1/4 of said Section 29.

~~PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the _____ day of _____, 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 _____ day of _____, 1974, Order (1) of this order shall be null and void and of no effect whatsoever;~~

PROVIDED ^{However} ~~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 General American Oil Company/ ^{of Texas} is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order ~~and 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 ¹⁵~~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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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 ¹⁵~~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, 190⁰⁰ ^{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 ¹⁵~~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 \$ 200.⁰⁰ 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.

Application of General American
Oil Company of Texas for
Compulsory Pooling Eddy County,
New Mexico.

Applicant, in the above styled cause,
~~seeks~~ an order pooling all mineral
interests in the Pennsylvanian Formation
underlying the E/2 of Section 29,
Township 17 South, Range 29 East,
Eddy County, New Mexico to be dedi-
cated to a well to be drilled at a
standard location for said unit.
Also to be considered etc

Called in by Paul Eaton.

He will bring in the application
on Wed July 31.

copy of docket to Tennard.

DOCKET MAILED

Date _____