

CASE 5365: Appli. of MESA PET. CO
for compulsory pooling, Lea County

CASE No.

5365

Application,
Transcripts,
Small Exhibits

ETC.

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

EXAMINER HEARING

IN THE MATTER OF:)
)
)

Application of Mesa Petroleum Company)
for compulsory pooling, Lea County,)
New Mexico.)

CASE 5365

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

For the Applicant:

Paul Eaton, Esq.
HINKLE, Bondurant, Cox & Eaton
Roswell, New Mexico

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MR. STAMETS: We will call the next Case 5365.

MR. CARR: Case 5365, application of Mesa Petroleum Company for compulsory pooling, Lea County, New Mexico.

MR. EATON: Paul Eaton of the firm of Hinkle, Bondurant, Cox and Eaton, representing the applicant.

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

MR. EATON: We have two witnesses.

MR. STAMETS: They will stand and be sworn, please.

(Whereupon, the witnesses were duly sworn.)

ROBERT H. NORTHINGTON

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

DIRECT EXAMINATION

BY MR. EATON:

Q State your name, please, and your residence?

A Robert H. Northington, Midland, Texas.

Q By whom are you employed, Mr. Northington, and in what capacity?

A Mesa Petroleum Company as the Land Manager, Permian Basin Division.

Q Generally what are your duties as the Land Manager for the Division?

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A To oversee all of the leasing and negotiations, contracts, unit operations from a contractual standpoint.

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

A Yes, I have.

Q Are you familiar with the application of Mesa in this case?

A Yes, sir.

Q Basically what does Mesa seek?

A We seek to have some uncommitted interests pooled through the compulsory-pooling route; pooled under the east half of Section 34 of 16-37, Lea County, or such smaller unit as this Commission may approve for the producing well, if any.

(Whereupon, a discussion was held

off the record.)

BY MR. EATON:

Q Mr. Northington, what type of well does Mesa propose to drill and where?

A We have staked the location in the southeast quarter of the southeast quarter, Section 34.

Q And, what is the objective depth of that well?

A 12,450 feet, Devonian.

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Q That's a Devonian test?

A Yes, sir.

Q Is the location an orthodox location for a Devonian test?

A Well, it depends, yes and no.

Q Would you explain your answer, please?

A In the event of an oil well it would be an orthodox location, and in the event of a gas well at a shallower than the Pennsylvanian age it could probably be a standard location, but in the event of a deep gas well, no, it would be unorthodox.

Q Will there be some geological testimony?

A Yes, there will be at this hearing.

Q With respect to the forced pooling aspect of the application, what is the working-interest ownership under the proposed well location?

A We have a working-interest unit formed for the drilling of this well that includes the acreage in question, plus additional acreage, and this is based on that unit, I can give you the working-interest composition.

Q All right.

A Mesa Petroleum Company 63.96 percent. This is the break down and I can go all the way through it, Mesa

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would be the operator.

Q Let me ask this: Have all of the working-interest owners under the well location agreed to participate in drilling this well?

A All except the interest we seek to pool at this hearing.

Q And, what interest is that?

A That's a mineral interest; it's owned by the Wells Fargo Bank of San Francisco in trust, and it amounts to approximately two percent.

Q Now, is that interest that Wells Fargo Bank as Trustee owns, extend under the entire east half of Section 34?

A Yes, it does; it's undivided interest under the entire section.

Q What efforts have been made to lease the interest of the Wells Fargo Bank?

A Considerable efforts; starting in June of 1972, through September of 1974, letters and telephone conversations.

Q Do you have in the form of an exhibit, the letters that have been sent out to the Wells Fargo Bank?

A Yes, sir, I do. They have been furnished there

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as exhibits. The first letter is dated June 19, 1974, and let me explain -- I said June '72 earlier. It was not until June of '74 that we learned of Wells Fargo's interest specifically. We were earlier corresponding and contacting a bank in New Jersey that, according to the records, appeared to control all of this interest. At a later date, and it was hard to come by, we found that there were other parties in this interest.

Q All right.

A So we have letters then dated June 19, 1974, July 26, 1974, September 10, 1974, and October 15, 1974. They are all kind of stacked on top of each other there, I believe.

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

MR. STAMETS: That's Exhibit No. 1?

MR. EATON: Yes, sir.

MR. STAMETS: And, what would these others be marked as?

MR. EATON: They would be marked as Exhibits 2, 3, and 4.

MR. STAMETS: Okay, and that would be starting with the June letter?

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MR. EATON: Yes, sir.

MR. STAMETS: The June letter would be two, the July letter would be three, the September letter would be four.

BY MR. EATON:

Q As a consequence, Mr. Northington, you have been unable to lease the interest of Wells Fargo Bank?

A Yes, sir.

Q Now, referring to Exhibit No. 1, which is the October letter?

A Yes, sir.

Q You have certain attachments to that exhibit?

A Yes, sir.

Q Would you state what they portray?

A We attached a detailed drilling cost estimate; we also attached land plats, one schematic plat showing the proposed unit, and another picture off of the regular land maps showing ownership. I believe that's all it is.

Q Now, if this well were to be completed as a gas producer, what action would Mesa take?

A Well, should it be a deep horizon gas well, we would ask for a hearing to approve our unorthodox location.

Q And, what would you do insofar as seeking a

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dedication of acreage?

A We would seek dedication of the entire east half of Section 34.

Q Now, I believe you stated that the interest of the Wells Fargo Bank is common, or extends under the entire east half of Section 34?

A Yes.

Q Now, if the well is completed as an oil well, what would Mesa propose to do?

A Well, depending on several unknown factors. At this time we would determine to the best of our ability what area this well would drain, and then seek to have a proration unit approved equivalent to that area.

Q If the second proration unit were in excess of 40 acres, would it lie within the east half?

A Yes, it would.

Q Of Section 34? There was mention made in the application, Mr. Northington, of a two-acre interest of a school district in Section 34, would you explain the purpose of mentioning that interest?

A Okay. That interest from a technical legal standpoint, is also not committed in that it lies in the pasture of Mr. Shipp who has assumed for many years that it

was his, and our lease covering this area from Mr. Shipp, makes no exception, but in later title opinions it was determined that School District 34 had been deeded this two-acre tract some thirty or forty years ago for the purpose of a school and then it never has been a school. Well, there is some question whether there was an automatic reversion or whether technically it still belongs to what is now the Lovington School District.

Q That two-acre tract is located in the extreme northwest corner of the east half of Section 34, is it not?

A Correct.

Q Only if the entire east half of Section 34 were dedicated to this well, would it be necessary to pool whatever interest the School District might have?

A Yes, this is correct, yes.

Q Attached to Exhibit No. 1, Mr. Northington, I believe is an AFE, is that correct?

A Yes, sir.

Q Now, that AFE, I believe, was sent to the Wells Fargo Bank, is that correct?

A Yes, it was.

Q You also have what has been marked for identification as Mesa's Exhibit 5; would you state what that exhibit

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portrays?

A Yes, this is my letter to this Commission recapping our anticipated total cost of a well drilled and completed and fully equipped at that location.

Q Do you consider those charges as supported by the AFE to be reasonable and fair?

A Yes, sir, we do.

Q Have you shown any charge for supervision in Exhibit No. 5?

A Yes.

Q What would you ask that charge to be?

A The total charge would be \$235 per month, and that does include an allocation for the foreman's time and expense.

Q You do ask that Mesa Petroleum Company be the operator of the well?

A Yes, sir.

Q Do you have any further testimony with respect to the charges, including the overhead charges?

A No.

Q Was the AFE prepared at your direction by the Production Department of Mesa Petroleum Company?

A Yes, it was.

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

CROSS EXAMINATION

MR. STAMETS:

Q Mr. Northington, would the Wells Fargo Bank interest, their working interest, share of the AFE, or the cost of the well, differ if the well were completed as a 40-acre oil producer, or as a 160-acre producer, or a 320-acre producer?

A No, sir.

Q Their cost would be exactly the same?

A Yes, sir. If they were to join -- well, yes, it would be anyway whether they joined the unit or just joined on the well.

Q Looking at the plat which is part of your Exhibit No. 1, there is some indication there that there is a difference between the north half of the east half and the south half of the east half in some ownership?

A Yes, sir, there is some difference. Much of it is common.

Q But, since you have a working-interest agreement which covers all of this area which you have outlined in red, these people will be contributing regardless of what

type of well you wind up with?

A Their interest is the same in the northeast quarter as it is in the southeast quarter; their interest is common and undeveloped throughout Section 34.

Q It looks like we have got something just a little over a section-and-a-half in size here which is going to be a working-interest unit?

A Yes, sir.

Q This is a voluntary agreement?

A Yes, it is.

Q If the Wells Fargo Bank -- if you wind up with an oil well on 40 acres, would not the Wells Fargo Bank interest be a 40-acre interest compared to this section-and-a-half size?

A No, not unless they voluntarily came in. They would have to voluntarily agree to spread their interest under the 1,044 acres in our unit, otherwise they would have an inordinately large share as their interest bears to the total unit. Have I made myself clear?

Q No.

A Well, their interest is not under the entire 1000 acres; it would be if they consented to join our unit like all of the other people have. They have agreed to

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pool their various undivided, their divided tracts into an undivided-working-interest unit.

Q Is the Wells Fargo Bank interest a working interest only, or is it a royalty interest?

A It's a mineral interest.

Q A mineral interest?

A Yes.

Q So it would be both working and royalty?

A Well, yes, it could be. It is seven-eighths working and one-eighth royalty is what that means.

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

BY MR. STAMETS:

Q Now, we also have this two acres which you mentioned here as potentially belonging to the Lovington School District. Now, if indeed, the litigation should show this acreage belongs to the Lovington School District, would not their share of the well be different or non-existent if you wound up with a 40-acre dedication or a 160-acre dedication?

A Yes.

Q The only way they could get into the well, the only way they would have any obligation as a working-interest

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owner, and as a royalty owner would be if the east half is dedicated?

A If their two acres come into a proration unit, this is the only way, yes.

Q And, this would necessitate a gas well in the Pennsylvanian or deeper?

A Yes, sir.

MR. STAMETS: Will the next witness talk about a risk factor?

MR. EATON: Yes, sir.

MR. STAMETS: Will the next witness tell us why this well is located in an oil well location?

MR. EATON: Yes, sir.

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

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

DENNIS CROWLY

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

DIRECT EXAMINATION

BY MR. EATON:

Q State your name and residence, please?

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A Dennis Crowley, Midland, Texas.

Q By whom are you employed, and in what capacity?

A Mesa Petroleum as an exploration geologist.

Q Mr. Crowley, have you previously testified before this Commission as an exploration geologist and had your qualifications accepted?

A Yes, I have.

Q Are you familiar with the application of Mesa in this Case?

A Yes, I am.

Q Are you familiar with the geology of the area in which the proposed well is to be drilled?

A Yes, I am.

Q Do you have an exhibit which you desire to testify to?

A Yes, I do.

Q And, is that marked Exhibit No. 6?

A It is.

Q Would you please state what the exhibit portrays, Mr. Crowley?

A Yes, this is a subsurface geological map on top of the Devonian system of the West Knowles prospect area, Lea County, New Mexico. The contour intervals are 100 feet,

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and it was mapped on a scale of one inch to two thousand feet. The map has two sources of control for it, one is through subsurface well control, datums picked on through E-log control and seismic lines which are shown in red, dotted across here. There are two east-west lines numbered Mesa two and three and one north-south line numbered Mesa No. one. All three of these lines cross our prospect area. We used a -- this was shot in 1974, using twelve-fold-stack Dynoseis, and was shot by the Geophysical Service, Incorporated. The seismic data was then subsequently, of course, integrated into the subsurface geologic map. The play, as we see it, and the structure on the top of the Devonian, the key is the north-south trending fault⁺ going through Sections 27 and 34 and 16 South, 37 East, and extending south into Sections 3 and 10 of 17-34 also. Although we used a maximum effort to validate this structure seismically, the position and the delineation of this fault, in fact, even whether the fault exists, is highly interpretive. Our geophysicists admit this, and it is a very risky proposition in that the structure and the play itself is hinged upon the amount of closure that we can tie into the fault. If a fault is not there, and we have no play, then we will have a dry hole.

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Q What are the different color symbols?

A The symbols, the color symbols on here designate production and the various fields near by. Two-and-a-half miles, approximately east of us is the Garrett-Devonian Field which was discovered about three or four years ago, I believe. To the south about two miles is a Knowles Field which has production from the Atoka and the Strawn and Wolfcamp and the Yeso; and just to the west about a mile-and-a-half or so is the eastern fringe of the Lovington-Multi-Pay Field. The easternmost wells, say, there in Section 33, are not color coded because there are so many pays in that Lovington field, but those are all Paddock wells in Section 33, with the exception of the well that is in the -- it would be in the northwest of the southwest quarter, was originally completed from the Pennsylvanian-Strawn and later plugged back and is completed now and producing, I believe, from the Paddock formation.

Q Now, the proposed well location is shown as a red-colored circle in the southeast quarter of Section 34, is that correct?

A That's right.

Q What dictated the location of the well at that point?

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A Well, this is the highest optimum point that we can see by our data, and the most optimum structural point to drill the well in the southeast quarter of that Section 34 as shown by our map. We have about four hundred feet of throw on the fault and we must stay east of the fault and on this apex of our structure anticline as is shown here.

Q What is your opinion, Mr. Crowley, with respect to the risk involved in drilling this well?

A It is very high risk because as I previously stated, the seismic records, the line two and three that Mesa shot across here, the position of that fault, and even the existence of the fault is highly interpretive and is very controversial. Anyone who would look at the records could see that right away. In fact, in line two, as we shot across the Garrett-Devonian Field in here, this field is hardly noticeable on seismic records at all; you can't even see it.

Q What charge for risk do you feel that the Commission should make or allow in this Case?

A I would certainly ask for the maximum risk.

Q Will approval of the application, in your opinion, avoid the drilling of unnecessary wells?

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A Yes, it would.

Q In your opinion will it protect the correlative rights and afford each owner the opportunity to recover his fair share of the oil or gas deposits under whatever size proration unit might be established for the production?

A Yes, it will.

Q Was this Exhibit No. 6 prepared by you or under your supervision?

A Yes, sir, it was.

MR. EATON: We offer Exhibits 1 through 6 into evidence.

MR. STAMETS: Without objection, Exhibits 1 through 6 will be admitted.

(Whereupon, Exhibits 1 through 6 were admitted into evidence.)

MR. EATON: I have no further questions.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Crowley, I don't see a gas well on Exhibit 6.

A There isn't one on Exhibit 6. I believe in the Lovington-Multipay Field to the west of us, I think there is either a Yates or a Queen well that is producing gas, and that is the only gas well that I know of in this entire

area.

Q Well, just based on the closest wells it would appear that if you get anything at all it would be an oil well?

A Yes, sir.

Q And, if you get an oil well that will be on 40 acres, or in all liklihood should you ask for special pool rules it would be what, 160?

A Well, if it was Devonian I imagine it would be 80.

Q Eighty acres?

A Yes, sir.

Q One-hundred-and-sixty would be the maximum?

A Yes, sir.

Q And the ownership, I believe, Mr. Northington's testimony would show that the ownership under the 40 or the 80 or 160 would be identical?

A Yes, I believe that's right.

Q All the acreage we are talking about would be in the southeast quarter, and would not include any acreage in the northeast quarter?

A I don't have a map on that, but I believe that's correct.

MR. STAMETS: Are there any other questions of

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this witness? He may be excused.

Now, I have a question, and, Mr. Eaton, you may either have one of your witnesses answer it or possibly you could answer this.

The Statute requires that each order, referring to compulsory pooling, shall describe the lands included in the unit designated thereby. Earlier it says: When two or more separately owned tracts of land are embraced within a spacing or proration unit and there is no agreement we may force pool. My feeling reading these is that we have to have a unit of specific size that we are pooling. It would appear here that from the testimony, that if we were to pool 40 or 80 or 160 all in the southeast quarter of the section, we would be doing essentially the same thing. The interests are identical, the only difference would be the description of the land. If we get into the northeast quarter there is certainly a great deal of question at this point.

MR. EATON: We will amend our application to drop out the northeast quarter of Section 34.

MR. STAMETS: If an order were issued or entered providing for some administrative procedure for the subsequent establishment of a greater spacing than 40 acres

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in the southeast quarter, would this be satisfactory to the Applicant in this Case?

MR. EATON: Yes, sir.

MR. STAMETS: Is there anything further in this Case? We will take the Case under advisement.

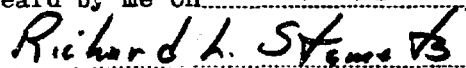
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STATE OF NEW MEXICO)
) SS.
COUNTY OF SANTA FE)

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. 5365, heard by me on 11-13, 1974.


Richard L. Stevens, Examiner
New Mexico Oil Conservation Commission

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OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
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November 19, 1974

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

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

Re: CASE NO. 5365

ORDER NO. R-4920

Applicant:

Mesa Petroleum Company

Dear Sir:

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

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x
Artesia OCC
Aztec OCC

Other Wells Fargo Bank, Trustee, San Francisco, California
and School District No. 34 (Lovington, N.M.)

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. 5365
Order No. R-4920

APPLICATION OF MESA PETROLEUM
COMPANY FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

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

NOW, on this 19th day of November, 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, Mesa Petroleum Company, seeks an order pooling all mineral interests down to and including the Devonian formation underlying the SE/4 of Section 34, Township 16 South, Range 37 East, NMPL, Lea County, New Mexico, or such portion thereof as may subsequently be designated as the standard spacing and proration unit for the well to be drilled thereon.

(3) That the applicant has the right to drill and proposes to drill a well to the Devonian formation at an orthodox oil well location in the SE/4 SE/4 of said Section 34.

(4) That the applicant proposes to initially dedicate the SE/4 SE/4 of said Section 34 to said well.

(5) That the portion of the SE/4 of said Section 34 to be finally dedicated to a completed well thereon will depend upon completion of the well as an oil or gas well and/or subsequent approval by the Commission of special pool rules.

(6) That an administrative procedure should be established whereby the pooled acreage established by this order may be expanded to cover either a standard 80-acre or standard 160-acre proration unit in the SE/4 of said Section 34.

(7) That there are owners of undivided mineral interests throughout the entire proposed proration unit who have not agreed to pool their interests.

(8) 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 hydrocarbons in the pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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

(10) 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.

(11) 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 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(12) 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.

(13) 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.

(14) That \$235.00 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.

(15) 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.

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CASE NO. 5365
Order No. R-4920

(16) 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 March 1, 1975, 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, down to and including the Devonian formation underlying the SF/4 SE/4 of Section 34, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 40-acre oil spacing and proration unit to be dedicated to a well to be drilled at an orthodox location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of March, 1975, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Devonian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of March, 1975, Order (1) of this order shall be null and void and of no effect whatsoever;

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Commission and show cause why Order (1) of this order should not be rescinded.

PROVIDED FURTHER, that upon a showing to the Secretary-Director of the Commission that the standard spacing unit for said well is 80-acres or 160-acres, the Secretary-Director may expand the pooled unit set out in Order (1), above, to the appropriate size and description, all in the SE/4 of said Section 34.

(2) That Mesa Petroleum Company is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 30 days prior to commencing said well, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

CASE NO. 5365
Order No. R-4920

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

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

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

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$235.00 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.

-5-
CASE NO. 5365
Order No. R-4920

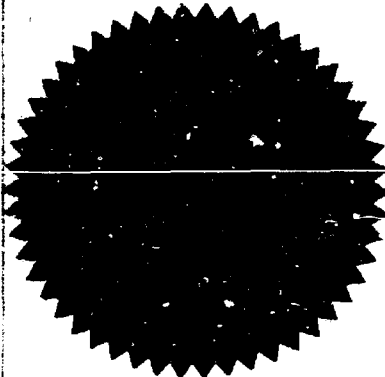
(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

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

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



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member


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

S E A L

jr/

SENDER: Be sure to follow instructions on other side

PLEASE FURNISH SERVICE(S) INDICATED BY CHECKED BLOCK(S)
(Additional charges required for these services)

☐ Show address
where delivered

☐ Deliver ONLY
to addressee

RECEIPT

Received the numbered article described below

REGISTERED NO.

SIGNATURE OR NAME OF ADDRESSEE (Must always be filled in)

CERTIFIED NO.

279257

1

WELLS FARGO BANK

San Francisco

INSURED NO.

SIGNATURE OF ADDRESSEE'S AGENT, IF ANY

B. Boek

DATE DELIVERED

OCT 18 1974

SHOW WHERE DELIVERED (Only if requested, and include ZIP Code)

8

U.S. POSTAL SERVICE
OFFICIAL BUSINESS

PENALTY FOR PRIVATE
USE TO AVOID PAYMENT
OF POSTAGE, \$300



Postmark of Delivering Office

SENDER INSTRUCTIONS

Print in the space below your name, address, including ZIP Code.
• If special services are desired, check block(s) on other side.
• Rejoin gummed ends and attach to back of article.

RETURN
TO

PS Form 3811
June 1973

Mesa Petroleum
Suite 904
Gulf Tower West
MIDLAND, TEXAS 79701

CERTIFIED MAIL
RETURN RECEIPT



BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
CASE NO. 15-843
Submitted by Robert H. Northington
Hearing Date 11-15-74

October 15, 1974

Wells Fargo Bank
P.O. Box 44002
San Francisco, California 94144

Attention: Mr. Terry L. Hanson,
Trust Officer
Estate Department

Re: W. Knowles Unit, 1044.66 acres
Lea County, New Mexico
Mesa OP 843

Gentlemen:

According to information furnished us by Mr. E. B. White, Jr., an Oil & Gas Lease Broker, of this city, Wells Fargo Bank, Trustee under the Last Will and Testament of Mildred M. Eadie, deceased, owns an undivided 15/768 mineral interest in Section 34, Township 16 South, Range 37 East, Lea County, New Mexico. Mr. White also advises that this mineral interest is unleased for oil and gas. Mr. White further advises that he has attempted to acquire an Oil and Gas Lease from you on this interest, but has been unsuccessful in his attempt.

Mesa Petroleum Co., as operator, proposes to drill a 12,450 feet Devonian test well at a location in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 34, Township 16 South, Range 37 East. Mesa plans to commence drilling by November 15, 1974.

As the owner of an unleased mineral interest, Wells Fargo Bank, Trustee, has the right to participate in the cost and risk of drilling this well to the extent of its 15/768 (1.95312%) mineral interest spread over the unit. Accordingly, Wells Fargo Bank, Trustee, is invited to join the working interest unit and to participate in the drilling of the test well. If Wells Fargo Bank, Trustee, desires to participate, please sign and return a copy of the enclosed Drilling Cost Estimate.

With the possibility in mind that Wells Fargo Bank, Trustee, may decline to participate in the drilling of the test well, Mesa has this date instructed its legal counsel to file an application with the New Mexico Oil Conservation Commission for a "forced pooling" order covering the subject interest. Said application will request the maximum penalty of 200% for the risk of drilling the test well. Should it subsequently occur that Wells Fargo Bank, Trustee, decides to commit the interest on some basis before the risk of drilling is incurred, Mesa would withdraw its application.

Very truly yours,

Robert H. Northington

Enclosures: Drilling Cost Estimate
Unit Proposal Letter
Land Plat showing Unit Area

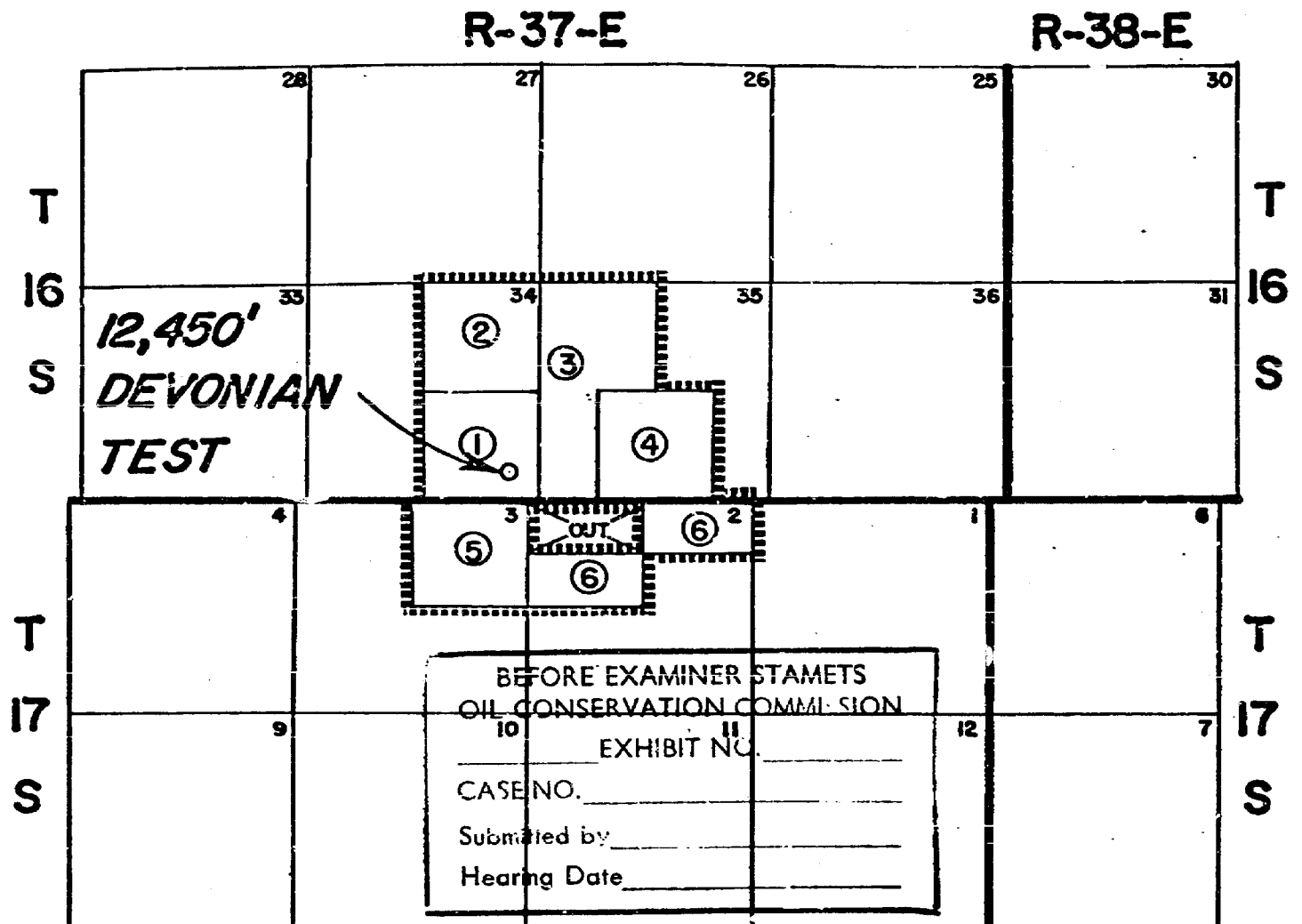
hh

MESA PETROLEUM CO. / GILTS TOWER WEST / SUITE 904 / AC 915 / 683-5391 / MIDLAND, TEXAS 79701

EXHIBIT "A"

Part I (a)

Attached to and made a part of the West Knowles Unit
Operating Agreement dated October 15, 1974, Lea County
New Mexico.



WEST KNOWLES UNIT

<u>Tract No.</u>	<u>Description</u>	<u>Acres</u>
<u>T16S-R37E</u>		
1	Sec. 34: SE $\frac{1}{4}$	160.00
2	Sec. 34: NE $\frac{1}{4}$	160.00
3	Sec. 35: NW $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$	240.00
4	Sec. 35: W $\frac{1}{2}$ SE $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$	160.00
<u>T17S-R37E</u>		
5	Sec. 3: lots 1 & 2, S $\frac{1}{2}$ NE $\frac{1}{4}$	162.27
6	Sec. 2: lots 1 & 2, S $\frac{1}{2}$ NW $\frac{1}{4}$	162.39
Total Acres in Unit		1044.66



November 13, 1974

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

Attention: Mr. A. L. Porter, Jr., Secretary-Director

Re: Case 5365, Docket No. 31-74
Compulsory Pooling Application
#1 West Knowles Unit
Lea County, N.M.

Gentlemen:

In connection with the captioned well and hearing we are pleased to furnish estimated cost information on the Mesa Petroleum Co. #1 W. Knowles Unit to be drilled in SE $\frac{1}{4}$ Section 34-16S-37E, Lea County, N.M.

A recapitulation and estimate of our direct costs attributable to the well follows:

1. Abstracts of Title	350.00
2. Title	1,000.00
3. Surface damages	500.00
4. Estimated cost of drilling, completing & equipping	716,807.00

Total 718,657.00

The overhead estimate for this well is \$235.00 per month, including allocated amount for foreman's time and expense.

Copies of the detailed AFE Cost Estimate are attached.

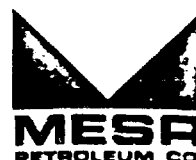
Yours very truly,


Robert H. Northington

RHN:hh

copy: Paul W. Eaton, Jr., Attorney

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
EXHIBIT NO. <u>5</u>
CASE NO. <u>5365</u>
Submitted by <u>Mesa Petroleum Co.</u>
Hearing Date <u>11-13-74</u>



November 13, 1974

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

Attention: Mr. A. L. Porter, Jr., Secretary-Director

Re: Case 5365, Docket No. 31-74
Compulsory Pooling Application
#1 West Knowles Unit
Lea County, N.M.

Gentlemen:

In connection with the captioned well and hearing we are pleased to furnish estimated cost information on the Mesa Petroleum Co. #1 W. Knowles Unit to be drilled in SE $\frac{1}{4}$ Section 34-16S-37E, Lea County, N.M.

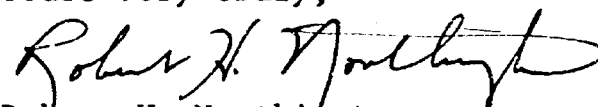
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4. Estimated cost of drilling, completing & equipping	716,807.00
Total	718,657.00

The overhead estimate for this well is \$235.00 per month, including allocated amount for foreman's time and expense.

Copies of the detailed AFE Cost Estimate are attached.

Yours very truly,


Robert H. Northington

RHN:hh

copy: Paul W. Eaton, Jr., Attorney

BEFORE EXAMINER STAMETS OIL CONSERVATION COMMISSION
EXHIBIT NO. <u>5</u>
CASE NO. <u>5365</u>
Submitted by <u>Mesa Petroleum Co.</u>
Hearing Date <u>11-13-74</u>



PERMIAN BASIN DIVISION

Company/Division/Subsidiary

DRILLING COST ESTIMATE

OPERATIONS

Department

RECEIVED Exhibit "A" No. 2

SEP 21 1974

Revised cost estimate

MESA - PERM

Well Name & Location: West Knowles #1, 660' FS & EL, Sec 34, T16S, R37E, Lea Co., New MexicoOP No.: 843Date: Sept. 13, 1974

WILDCAT

CO	AFE	Property	C P	Property Name	Mesa's W.I.%
----	-----	----------	--------	---------------	-----------------

Revised cost estimate to replace cost estimate dated 7-18-74 to drill and complete a 12,450' dual flowing oil-oil well. Revision necessary to reflect updated costs of tubulars.

Account Code	Item Description	Dry Hole Cost	Completion Cost	Producer Total
146	INTANGIBLES			
01	Drilling or Completion Rig - RU and Move In	\$	\$	
	(a) Footage <u>12,450</u> ft. @ \$ <u>13.00</u> / ft.	161,850		
	(b) Daywork <u>10</u> days @ \$ <u>2000</u> / day	20,000	4,900	
	(c) Boiler			
	(d) Camp			
02	Cementing Services and Cement	4,000	4,500	
03	Drilling Fluids: (a) Mud	18,000	500	
	(b) Water	7,500		
	(c) Chemicals & Service		5,000	
04	Location, Roads, Surveys, Airstrips	5,650	800	
05	Well Logging velocity survey & services	26,600	5,000	
06	Labor and Supervision (Personal & Expenses)	3,500	1,400	
07	Rental Equipment and Tools		400	
08	Rock Bits, Hole Openers, Reamers, Stabilizers			
09	Miscellaneous	3,000	500	
12 *	Cost to Abandon (Not Included in Producer Total)	* 5,000		
16	Extra Transportation, Lighterage			
17	Mobilization			
18	Demobilization - Dismantling & Salvage			
19	Supply Boats, Crewboats, Barges, Tugs			
21	Fuel, Lubes, Water	7,500		
23	Shorebase Storage & Office, Dock Fees, Cranes			
24	Aircraft Rentals - Helicopters, Fixed Wing			
25	Mud Logging			
26	Surface Testing and Safety Equipment			
27	Divers and Related Equipment			
28	Floating Equipment			
29	Catering & Camp			
	TOTAL INTANGIBLE COSTS	\$262,600	\$ 23,000	\$ 280,600 *
144/145	TANGIBLES			
10	Tubulars	\$	\$	
	(a) Conductor _____ ft. of _____ " OD			
	(b) Surface <u>400</u> ft. of <u>13 3/8</u> " OD @ \$27.00	10,800		
	(c) Intermediate <u>4900</u> ft. of <u>9 5/8</u> " OD @ \$19.80	97,017		
	(d) Production <u>12,500</u> ft. of <u>7</u> " OD @ \$17.33		216,690	
	(e) Tying <u>21,000</u> ft. of <u>2 3/8</u> " OD @ \$4.10		86,100	
11	Well Head & Guide Structure	4,000	5,000	
13	Sub-surface Production Equipment		2,000	
14	Surface Production Equipment		1,000	
15	Tank Battery & Lease Facilities		13,600	
	TOTAL TANGIBLE COSTS	\$111,817	\$ 324,390	\$ 436,207
	TOTAL WELL COSTS	\$374,417	\$ 347,390	\$ 716,807 *

MESA - Requested

MESA - Approved

Operations Supt.

Title

V. P. - Operations

Title

Sept. 13, 1974

Date

9-15-74

Date

Mesa W.I. unknown at present

Other W.I.:

See also exhibit 5

ANTICIPATED TUBULAR REQUIREMENTS FOR:

West Knowles #1
660' FS & EL
Sec. 34, T16S, R37E
Lea Co., New Mexico

"REVISED COPY"

		FOOTAGE	SIZE	WT/FT	GRADE	THREAD	REMARKS
Surface: (new)	1.	400	13 3/8	48	H-40	ST&C	27.00
	2.						
Intermediate: (new)	1.	4000	9 5/8	36	K-55	ST&C	19.50
	2.	900	9 5/8	40	K-55	ST&C	21.23
	3.						
	4.						
Production: (new)	1.	2900	7	23	N-80	BT&C	17.25
	2.	3000	7	23	N-80	LT&C	16.50
	3.	4000	7	23	S-95	LT&C	17.50
	4.	2600	7	26	S-95	LT&C	18.14
	5.						
Tubing: (new)	1.	21000	2 3/8	4.7	N-80	EUE 8R	4.10
	2.						
	3.						

AGREEMENT TO BE ATTACHED TO DRILLING COST ESTIMATE

WELL AND LOCATION _____

RETURN TO: J. L. Farrell, Mesa Petroleum Co., Box 2009, Amarillo, Texas 79105

Gentlemen:

Due to the current shortage of steel tubular goods causing uncertainties of supply and wide variances of prices, MESA PETROLEUM CO. is unable to furnish the non-operators' casing and tubing requirements for this well at normal mill prices. MESA respectfully requests your exercising one of the two options below. Please return this agreement to J. L. Farrell, Operations Superintendent, Mesa Petroleum Co., Box 2009, Amarillo, Texas 79105. The approved Cost Estimate should be returned to the appropriate Division Office (Exploration Department), Midland/Denver.

(1) _____ agrees to furnish their required tubular requirements in kind.

AGREED AND ACCEPTED THIS _____ DAY OF _____, 197 ..

Items to be furnished
(Please Complete):

		<u>Size</u>	<u>Wt/Ft.</u>	<u>Grade</u>	<u>Thread</u>	<u>Total Footage</u>
Surface: (new)	1.	_____	_____	_____	_____	_____
	2.	_____	_____	_____	_____	_____
Intermediate: (new)	1.	_____	_____	_____	_____	_____
	2.	_____	_____	_____	_____	_____
	3.	_____	_____	_____	_____	_____
	4.	_____	_____	_____	_____	_____
Production: (new)	1.	_____	_____	_____	_____	_____
	2.	_____	_____	_____	_____	_____
	3.	_____	_____	_____	_____	_____
	4.	_____	_____	_____	_____	_____
	5.	_____	_____	_____	_____	_____
Tubing: (new)	1.	_____	_____	_____	_____	_____
	2.	_____	_____	_____	_____	_____
	3.	_____	_____	_____	_____	_____

Your company's contact for information concerning the above materials:

Name _____ Address _____ Phone _____

(2) _____ agrees to be invoiced for tubular goods at the estimated charges shown on the Well Cost Estimate. It is understood that MESA PETROLEUM CO., as a prudent operator, will make every effort to obtain the best market price available but will not guarantee prices lower than those quoted on the Well Cost Estimate. NON-OPERATOR will be informed of any appreciable price increase.

AGREED AND ACCEPTED THIS _____ DAY OF _____, 197

[illegible]

- CASE 5362: Application of Continental Oil Company for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Bell Lake-Morrow Gas Pool, Lea County, New Mexico, to provide for 320-acre spacing rather than 160 acres. In the absence of objection, this pool will be placed on the standard 320-acre spacing for Pennsylvanian gas pools rather than the present 160-acre spacing.
- CASE 5363: Application of Union Oil Company of California for a non-standard oil proration unit and unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the Lovington-Devonian Pool Rules, the formation of a non-standard proration unit comprising the NE/4 SW/4 and NW/4 SE/4 of Section 12, Township 17 South, Range 36 East, Lea County, New Mexico, to be dedicated to applicant's Midway State Unit Well No. 5, proposed to be drilled at an unorthodox location 2310 feet from the South line and 2310 feet from the West line of said Section 12.
- CASE 5364: Application of Morris R. Antweil for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests of Pennsylvanian age or older underlying Lots 1,2,7,8,9,10,15, and 16 of Section 4, Township 21 South, Range 26 East, Undesignated Avalon-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico, to be dedicated to applicant's Western Reserves Federal Well No. 2, 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 the applicant as the operator of the well and a charge for the risk involved in drilling said well.
- CASE 5365: 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 all formations down to and including the Devonian formation underlying the E/2 of Section 34, Township 16 South, Range 37 East, Lea County, New Mexico, or such part thereof as may constitute an approved proration unit for the type of well completed, to be dedicated to a well to be drilled at an unorthodox location for said 320-acre 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 the applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5366: Application of Robert N. Enfield for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Cottonwood Draw Unit Area comprising 3,813.48 acres, more or less, of Federal and fee lands in Township 25 South, Range 27 East, Eddy County, New Mexico.

E. B. WHITE, JR.

P. O. BOX 2082

MIDLAND, TEXAS 79701

June 19, 1974

OFFICE PHONE
(915) 682-4434

RESIDENCE PHONE
(915) 683-1893

Mrs. Grace M. Miller
c/o Mrs. Elizabeth M. Gilroy
346 Chestnut Hill Road
Norwalk, Connecticut 06851

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
EXHIBIT NO.	2
CASE NO.	5365
Submitted by	Messrs. [Signature]
Hearing Date	11-13-74

Commercial Trust Company of New Jersey
15 Exchange Place
Jersey City, New Jersey 07302
Attention: Mr. Frank E. Bevacqua, Asst. Trust Officer

Wells Fargo Bank
464 California Street
San Francisco, California 94104
Attention: Mr. Joseph Ingala, Estate Department-Trust Division

Re. Section 34, Township 16 South, Range 37 East, Lea County,
New Mexico, containing 640 acres of land, more or less

Ladies and Gentlemen:

As evidenced by the enclosed Xerox copy of Mineral Deed dated January 2, 1947, Grace Mackenzie Woglom, Mildred M. Eadie, and the Commercial Trust Company, Trustee (presumably as Trustee under the Last Will and Testament of Hugh R. Mackenzie, deceased), acquired an undivided 5/128 mineral interest (25 net mineral acres) in the captioned land. As the Mineral Deed did not state the division of ownership among the three grantees, and in the absence of any other written agreement to the contrary, it is assumed that the minerals were acquired in equal proportions, i. e., 1/3 to each grantee.

I desire to acquire an Oil and Gas Lease from each of you on your respective mineral interests. The terms offered are \$50.00 per acre lease bonus, 1/8 royalty, \$1.00 per acre annual delay rentals, five year primary term.

Copies of the Last Wills and Testaments of Hugh R. Mackenzie and Mildred M. Eadie have been obtained by this writer. Based on the provisions of these wills, and the assumption that the

above mentioned Mineral Deed conveyed the mineral interest in equal proportions, the subject mineral interest is now owned as follows:

Grace M. Milder 10/768 (8.333 mineral acres)

The Commercial Trust Company of
New Jersey, Trustee for Grace
Mackenzie Miller, under the Last
Will and Testament of Hugh R.

Mackenzie, deceased 5/768 (4.167 mineral acres)

Wells Fargo Bank, Trustee under
the Last Will and Testament of

Mildred M. Eadie, deceased 15/768 (12.5 mineral acres)

The larger interest (15/768) credited to the Wells Fargo Bank, Trustee, results from the testamentary disposition given Mildred M. Eadie in the Last Will and Testament of Hugh R. Mackenzie, and the termination of the Trust as pertained to Mildred M. Eadie upon her death.

I am enclosing to each of you an Oil and Gas Lease covering the subject lands, together with a bank draft for lease bonus in an amount calculated at the rate of \$50.00 per mineral acre owned by each of you. Also enclosed to each of you for your respective counter-part signatures is a Stipulation of Interest agreement indicating the division of ownership of the subject mineral interest.

If you find these enclosures in order, please execute them before a Notary Public, and forward them, together with the bank draft, to the Midland National Bank, Midland, Texas 79701, Attention: Collection Department, for collection and handling.

I am also enclosing to Mrs. Gilroy for her completion and signature before a Notary Public, an Affidavit setting out the dates of death of Harriet E. Mackenzie and Hugh R. M. Eadie, and I ask that she return same to me direct.

Thanking you for your consideration and cooperation, I am,

Sincerely,

EBW:w
encls

E. B. White, Jr.

July 26, 1974

Wells Fargo Bank
P. O. Box 44002
San Francisco, California 94144
Attention: Mr. Terry L. Hanson, Trust Officer

Re. Section 34, Twp. 16 South, Rge. 37 East, Lea County,
New Mexico, containing 640 acres of land, more or less.

Dear Mr. Hanson:

FORSA

Pursuant to our recent conversation, enclosed is a copy of a letter dated July 22, 1974, from my attorney advising how Mildred M. Eadie acquired title to a mineral interest in the subject land. Also enclosed for your files are Xerox copies of the Probate Proceedings of the Estates of Hugh R. Mackenzie and Mildred M. Eadie.

In addition to acquiring an Oil and Gas lease from the bank as Trustee, my attorney advises that the lease should be ratified by the beneficiary of the Trust, Mr. Mackinnon Eadie. His current address is 2226 Durant Ave., Berkeley, California. If you will advise him at such time as the lease is executed by the bank, I will send him a Ratification for his execution.

By copy of this letter I am furnishing Mrs. Elizabeth M. Gilroy, the Connecticut Administratrix of the Estate of Mildred M. Eadie, an Affidavit for her signature relating to the payment of debts and taxes that may have been owed by the Estate. This information is requested in the fourth paragraph of the above referenced letter from my attorney.

Sincerely,

EBW:w
encls

CC: Mr. Elizabeth M. Gilroy
342 Chestnut Hill Road
Norwalk, Connecticut 06851
encls

E. B. White, Jr.

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
EXHIBIT NO.	3
CASE NO.	5365
Submitted by	Mesa Petroleum Co.
Hearing Date	11-13-74

E. B. WHITE, JR.

P. O. BOX 2052

MIDLAND, TEXAS 79701

September 10, 1974

OFFICE PHONE
(915) 682-4434

RESIDENCE PHONE
(915) 683-1593

Wells Fargo Bank
P. O. Box 44002
San Francisco, California 94144
Attention: Mr. Terry L. Hanson, Trust Officer-Estate Department

Commercial Trust Company of New Jersey
15 Exchange Place
Jersey City, New Jersey 07302
Attention: Mr. Frank E. Bevacqua, Trust Officer

Mrs. Grace M. Miller
c/o Mrs. Elizabeth M. Gilroy
346 Chestnut Hill Road
Norwalk, Connecticut 06851

Re. Mineral interests of Hugh R. Mackenzie estate etal, Section
34, Twp. 16 South, Rge. 37 East, Lea County, New Mexico

Dear Ladies and Gentlemen:

Reference is made to my letter of June 19, 1974, and subsequent
correspondence with Wells Fargo Bank and Mrs. Gilroy.

My principal is of the opinion that you have had sufficient
time to consider the offer to acquire Oil and Gas leases, and
that you have been furnished sufficient information to determine
the respective interests owned by each of you.

The offer of June 19, 1974, shall remain open until September
20, 1974, to all or any one or more of you. Unless accepted
by that date, then same shall be considered withdrawn without
further notice.

For the record, an initial offer to lease was made to Commercial
Trust Company of New Jersey on June 20, 1972. It was not until
June, 1974, that the undersigned learned of the ownership of
the other parties.

EBW:w

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
EXHIBIT NO. <u>4</u>
CASE NO. <u>5365</u>
Submitted <u>Mesa Petroleum Co.</u>
Hearing Date <u>11-13-74</u>

Sincerely,

E. B. White, Jr.
E. B. White, Jr.



November 13, 1974

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

Attention: Mr. A. L. Porter, Jr., Secretary-Director

Re: Case 5365, Docket No. 31-74
Compulsory Pooling Application
#1 West Knowles Unit
Lea County, N.M.

Gentlemen:

In connection with the captioned well and hearing we are pleased to furnish estimated cost information on the Mesa Petroleum Co. #1 W. Knowles Unit to be drilled in SE $\frac{1}{4}$ Section 34-16S-37E, Lea County, N.M.

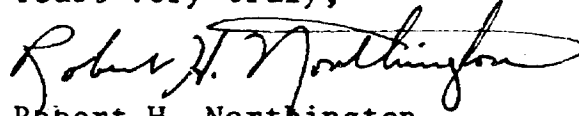
A recapitulation and estimate of our direct costs attributable to the well follows:

1. Abstracts of Title	350.00
2. Title	1,000.00
3. Surface damages	500.00
4. Estimated cost of drilling, completing & equipping	<u>716,807.00</u>
Total	718,657.00

The overhead estimate for this well is \$235.00 per month, including allocated amount for foreman's time and expense.

Copies of the detailed AFE Cost Estimate are attached.

Yours very truly,


Robert H. Northington

RHN:hh

copy: Paul W. Eaton, Jr., Attorney

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
EXHIBIT NO.	<u>5</u>
CASE NO.	<u>5365</u>
Submitted by	<u>Mesa Petroleum Co.</u>
Hearing Date	<u>11-13-74</u>

Case 5365

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

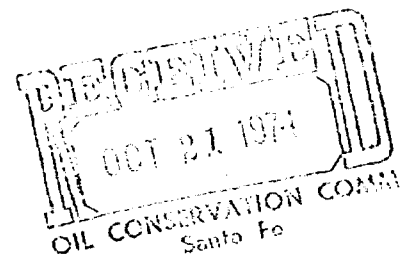
LAW OFFICES
HINKLE, BONDURANT, COX & EATON
600 HINKLE BUILDING
POST OFFICE BOX 10
ROSWELL, NEW MEXICO 88201

TELEPHONE (505) 622-6510

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

October 18, 1974

Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501



Gentlemen:

There is enclosed herewith in triplicate application of Mesa Petroleum Co. for forced pooling involving the E $\frac{1}{2}$ of Section 34, Township 16 South, Range 37 East, Lea County. We desire to have this case set down for hearing on the examiner's docket of November 13.

Yours sincerely,

HINKLE, BONDURANT, COX & EATON

By 
Clarence E. Hinkle

CEH:jg
Enclosures

cc: Mr. Robert H. Northington

DOCKET MAILED

Date 11-1-74

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

APPLICATION OF MESA PETROLEUM COMPANY
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO. APPLICANT SEEKS AN ORDER
POOLING ALL MINERAL INTERESTS IN ALL
FORMATIONS DOWN TO AND INCLUDING THE
DEVONIAN FORMATION UNDERLYING THE
E $\frac{1}{2}$ SECTION 34, TOWNSHIP 16 SOUTH,
RANGE 37 EAST, N.M.P.M., OR SO MUCH
THEREOF AS MAY CONSTITUTE A WELL
SPACING OR PRORATION UNIT APPROVED
BY THE CONSERVATION COMMISSION TO BE
DEDICATED TO A WELL TO BE DRILLED TO
TEST THE DEVONIAN FORMATION AT A DEPTH
OF APPROXIMATELY 12,450 FEET. ALSO TO
BE CONSIDERED WILL BE THE COST OF
DRILLING AND COMPLETING SAID WELL,
THE ALLOCATION OF SUCH COSTS AS WELL
AS OPERATING COSTS, CHARGES FOR
SUPERVISION, TOGETHER WITH A CHARGE
FOR THE RISK INVOLVED IN DRILLING
SAID WELL AND THE DESIGNATION OF
APPLICANT AS OPERATOR.

Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

Comes Mesa Petroleum Company, acting by and through the under-
signed attorneys, and hereby makes application for compulsory pooling,
Lea County, New Mexico. Applicant seeks an order pooling all mineral
interests in all formations down to and including the Devonian
formation underlying the E $\frac{1}{2}$ Section 34, Township 16 South, Range 37
East, N.M.P.M., or so much thereof as may constitute a well spacing
or proration unit approved by the Conservation Commission to be
dedicated to a well to be drilled to test the Devonian formation at
a depth of approximately 12,450 feet. Also to be considered will be
the cost of drilling and completing said well, the allocation of
such costs as well as operating costs, together with a charge for the
risk involved in drilling said well and the designation of applicant
as operator. In support of this application, applicant respectfully
shows:

1. There is attached hereto, made a part hereof and for purposes
of identification marked Exhibit "A", a plat showing the proposed

spacing and drilling unit. Said plat also shows the ownership of all leasehold interests within an area of 2 miles from the proposed drilling unit, together with all wells which have been drilled in the area. The test well will be projected to test the Devonian formation at a depth of approximately 12,450 feet.

2. That the E $\frac{1}{2}$ of Section 34, Township 16 South, Range 37 East, is fee or privately owned land and is within a working interest unit of which applicant is the operator. That all of the mineral and lease owners in the E $\frac{1}{2}$ of said Section 34, except those hereinafter set forth, have agreed to participate in the drilling of a well to be located in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of said Section 34 to test the Devonian formation at a depth of approximately 12,450 feet, and said location is believed to be the most strategic location on account of the geophysical information which is available.

The Wells Fargo Bank, Trustee under the Last Will and Testament of Mildred M. Eadie, deceased, is the owner of an unleased mineral interest covering the entire E $\frac{1}{2}$ of said Section 34 which amounts to 15/768 or 1.95312% interest. Applicant has been unable to obtain a lease covering this interest and has invited said owner to participate in the drilling of the well but so far the owner has not agreed to participate.

There is an outstanding deed made to School District No. 34, Lea County, New Mexico which covers the following tract of approximately 2 acres out of the northwest corner of the E $\frac{1}{2}$ of said Section 34, to-wit:

Beginning at the Northwest corner of the E $\frac{1}{2}$ of Section 34, thence east 92 yards, thence south 91 yards, thence west 92 yards, thence north 91 yards, to the place of beginning.

The purported owners of the minerals underlying the E $\frac{1}{2}$ of said Section 34, with the exception of the interest of Wells Fargo Bank, Trustee, above referred to, have executed oil and gas leases purporting to cover the 2 acres above referred to conveyed to School District No. 34, and it is claimed that the School District no longer has an interest since the property has not been used for school purposes. An effort has been made to clear the title, but so far this has not been completed, and in case the School District does have an interest, it is desired that the forced pooling order to be issued by the Commission shall cover said interest.

3. That in the event said well should be completed as a well capable of producing gas in paying quantities, applicant would make application to the Commission for approval of the unorthodox location and the dedication of the E $\frac{1}{2}$ of said Section 34 to the well. In the event said well should be completed as a well capable of producing oil in paying quantities, depending upon the character of the well,

applicant might want to make application to the Commission for a larger spacing and proration unit than 40 acres to be dedicated to the well on account of the depth of the well if completed in the Devonian formation and the cost thereof. Because of this situation, applicant desires that the forced pooling order to be issued by the Commission cover such spacing and proration unit as may be approved by the Commission if the well is completed as a well capable of producing either oil or gas in paying quantities, except, of course, in the event the well is completed as an oil well and applicant does not desire to make application for a larger spacing unit, the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of said Section 34 would be dedicated to said well.

4. That the compulsory pooling is being sought under the provisions of Section 65-3-14, N.M.S.A., 1953 Comp., and in connection therewith to consider the cost of drilling and completing said well, the proper allocation of the cost thereof, as well as the cost of operating said well and charges for supervision. Also to be considered is the charge for the risk involved in drilling the well and the approval of applicant as operator.

5. That applicant believes that the approval of this application will avoid the drilling of unnecessary wells and would be in the interest of the protection of correlative rights and the prevention of waste.

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

Respectfully submitted,

MESA PETROLEUM COMPANY

By 

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

EXHIBIT

DRAFT

dr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5365

Order No. R-4920

APPLICATION OF MESA PETROLEUM COMPANY FOR
COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

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

NOW, on this day of November, 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, Mesa Petroleum Company,
seeks an order pooling all mineral interests down to and including
the Devonian formation underlying the SE 1/4
of Section 34, Township 16 South, Range 37 East,
NMPM, , Lea County, New
Mexico, or such portion thereof as may
subsequently be designated as the
standard spacing and proration unit
for the well to be drilled thereon.

(3) That the applicant has the right to drill and proposes to drill a well to the Devonian formation at an orthodox oil well location in the SE/4 SE/4 of said Section 34.

(4) That the applicant proposes to initially dedicate the SE/4 SE/4 of said Section 34 to said well.

(5) That the portion of the SE/4 of said Section 34 to be finally dedicated to ~~the well~~ a completed well thereon will depend upon ~~the type of method~~ completion ^{of the well} as an ~~oil~~ oil or gas ~~well~~ and/or a subsequent ^{approval} request by the ^{Commission} ~~operator~~ for special pool rules.

~~(6) That the ownership under the SE/4 of said Section 34 is identical throughout.~~

(6) That an administrative procedure should be established whereby the pooled acreage ~~the~~ established by this order may be expanded to cover either a standard 80-acre or standard 160-acre proration unit in the SE/4 of said Section 34.

(3) That the applicant has the right to drill and proposes to drill a well at an unorthodox location. *throughout the entire*

7 (8) That there are interests ~~owners of undivided mineral~~ ^{owners of undivided mineral} in the proposed proration unit who have not agreed to pool their interests.

8 (9) 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~~ ^{hydrocarbons} in ~~said~~ ^{the} pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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

10 (11) 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.

11 (12) 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 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

12 (13) 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.

13 (14) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

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Case No.
Order No. R

14 ~~(15)~~ That \$235.00 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.

15 ~~(16)~~ 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.

16 ~~(17)~~ 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 March 1, 1974, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, down to SE/4 SE/4 and including the Devonian formation underlying the SE/4 SE/4 of Section 34, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 40-acre ^{oil} spacing and proration unit to be dedicated to a well to be drilled at an orthodox location. Thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of March, 1975, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Devonian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of March, 1975, Order (1) of this order shall be null and void and of no effect whatsoever;

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Case No.
Order No. R-

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Commission and show cause why Order (1) of this order should not be rescinded.

Provided Further, that upon a showing to the Secretary-Director of the Commission that the standard spacing unit for said well is 80-acres or 160-acres, the Secretary-Director of the Commission may expand the pooled unit set out in Order (1) above, ~~to include~~ such acreage, all in the SE 1/4 of said Section 34, ~~to~~ ~~the~~ ~~appropriate~~ size and description, all in the SE 1/4 of ^{section} said Section 34.

... for operating costs but shall not be liable for risk charges.

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

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided

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Case No.
Order No. R-

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

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

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

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$235.00 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 Lea 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.