

CASE 5436: WILLIAM G. ROSS FOR COMPUL-
SORY POOLING AND AN UNORTHODOX GAS WELL
LOCATION, EDDY COUNTY, NEW MEXICO.

CASE No.

5436

Application,
Transcripts,
Small Exhibits

ETC.

Called Mr. Hinkle's secretary and had her give me the people being forced pooled in Case 5436 - following is the list:

Yates Petroleum Corporation
207 South 4th
Artesia, New Mexico 88210

Amoco Production Company
Post Office Box 591
Tulsa, Oklahoma 74102

Texaco Inc.
P. O. Box 3109
Midland, Texas 79701

Chevron Oil Company
Post Office Box 599
Denver, Colorado 80201

Chevron Oil Company
Post Office Box 1660
Midland, Texas 79701

Felmont Oil Corporation
Post Office Box 1855
Midland, Texas 79701

David Fasken
608 First National Bank Building
Midland, Texas 79701

Reading & Bates Oil & Gas Company
3800 First Place
Tulsa, Oklahoma 74103

Hanson Oil Company
Petroleum Building
Roswell, New Mexico 88201

DOCKET MAILED

Date

2-20-75

Ida

February 14, 1975

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 5, 1975

EXAMINER HEARING

IN THE MATTER OF:

Application of William G. Ross for
compulsory pooling and an unorthodox
gas well location, Eddy County, New
Mexico.

Case No.
5436

BEFORE: Richard L. Stamets, Examiner.

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil
Conservation Commission:

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

For the Applicant:

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

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Marked

Admitted

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MR. STAMETS: We call the next case, 5436.

MR. CARR: Case 5436. Application of William G. Ross for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico.

MR. HINKLE: Clarence Hinkle, Hinkle, Bondurant, Cox & Eaton, appearing on behalf of Bill Ross. We have two witnesses I would like to have sworn.

MR. STAMETS: Are there other appearances?

MR. COOTER: Paul Cooter with Atwood and Malone in Roswell, appearing on behalf of Reading and Bates.

MR. STAMETS: Would all the Witnesses stand and be sworn at this time, please.

(Witnesses sworn.)

EDWARD K. DAVID

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

DIRECT EXAMINATION

BY MR. HINKLE:

Q State your name, your residence?

A Edward K. David, Roswell, New Mexico.

Q Are you a Consulting Geologist?

A Yes, sir.

Q Employed in this case by Bill Ross, the Applicant?

A Yes.

Q Have you previously testified before the Commission?

A Yes, I have.

Q And your qualifications as a Petroleum Geologist are a matter of record for the Commission?

A That is correct.

Q Have you made a study of the pool that is involved in this Case?

A Yes, I have made a study of the Atoka Pennsylvanian Gas Pool.

MR. HINKLE: Are the Witness' qualifications acceptable?

MR. STAMETS: They are.

BY MR. HINKLE:

Q Are you familiar with the Application of Mr. Ross in this Case?

A Yes, I am.

Q What is he seeking to accomplish?

A He's seeking an application for an unorthodox gas well location and compulsory in Eddy County, New Mexico. He seeks an exception to the Atoka Pennsylvanian Gas Pool Rules for the drilling of a gas well 660 feet from the south and

east lines of Section 3, Township 18 South, Range 26 East, or, in the alternative, 990 feet from the south line and 660 feet from the east line.

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

A Yes, there has.

Q The ones you've prepared are Exhibits 1, 2, and 3?

A That is correct.

Q Refer to Exhibit 1 and explain what this is and what it shows.

A This is a structure map. It is to the scale of 1 inch equals 4000 feet and contour interval of 50 feet; it is contoured on the Morrow B-1 shale. This is a shale zone that I have identified on the cross section which occurs immediately above the two main pays in the field. The map shows that there is a regional southeast dip with no structure closure, however, there are occasional structure noses, and the proposed location is in the East Half of Section 3, and it's shown to be on the south flank of the gentle eastward plunging structure nose at the Morrow level.

Q Does this show all of the wells that have been completed in the Atoka Pennsylvania Pool?

A In the immediate area, that is correct. On the west edge, it's not up to date, but in the immediate area of concern it is up to date.

Q What are the different colorings there that you have indicated?

A I have designated the different sands; the Morrow A would be the uppermost sand which would occasionally pay in the area and the Morrow B-1 and B-2 -- the B-1 is shown in green and the B-2 is shown in lavender -- these are the main pays, main sands in this particular area of the field, and Morrow C, which is shown in blue is the lowermost sand and is occasional pay, so, Morrow A, B, and C extend and descend in order in the Morrow section.

Q These are also referred to on your subsequent Exhibit, which is a cross section?

A That's correct; I show these particular zones and identify them as such on the cross section.

Q Now, refer to Exhibit 2 and explain what this shows.

A This is an isopach of the Morrow B interval. This is the interval the main portion of the Atoka-

Pennsylvania Pool. The sands that occur within the Morrow B interval are the Morrow B-1 and Morrow B-2 sands. The cross section is cross section A and extends from the north to southeast.

Q Well, now, that is the cross section that is referred to on Exhibit 2, is it not, showing the wells it goes through?

A That is correct.

Q That's the index to the cross section?

A Right, that is correct, and the isopach shows this thickness and identified and interpreted this area to be an area of channel sand deposition, and from this study it was found that when you have a thick overall interval in the Morrow B that your chances of getting thick productive sand are increased, where when you have a thin section of Morrow B the chances of having a dry hole are increased. For example, if we look at Section 11 in the Southwest Quarter of the Southwest Quarter we see the Filmont Well encountered 126 feet of Morrow B. This is one of the best wells in this portion of the field and encountered both the B-1 and B-2 sands, whereas when you get thinner sections in the B, such as in the Northwest Quarter of 3, the Fasken Well, which is found as A-2 on the

DAVID-DIRECT

cross section, it had 84 feet and was a dry hole. So, the idea is that if you can encounter a thick overall section in the B you have a good chance of encountering the channel sands in the B Section and our proposed location is in a location where we feel it has the best chance of encountering the thicker sands in the B.

Q The Application is for an alternate location of 660, 660, or 990 and 660. What do you recommend, from your Exhibit here, that the location be?

A I feel either well would be productive. However, by locating 660 and 660 out of the south and east that the chances would be improved for having a thicker sand and a better potential.

Q In your opinion, from your study and all would all of the east half of 3 be productive of gas?

A Yes, it would.

Q Is there anything else you have with regard to Exhibit No. 2?

A No, sir.

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

A This is a cross section which extends from the north to the southeast. The northernmost well is identified

in the upper left-hand corner of the cross section as Well A-1 and is also shown on my maps as A-1. Moving south along the cross section the numbers increase until we get to the southernmost well, which is identified as A-6, and this particular cross section is hung on the Morrow B-1 shale, which is also the contour horizon on our structure map and the B-1 shale is identified as a shale zone which overlies the first principal sand pay in this area, which is the B-1 sand. On the right portion of the cross section, which is Well A-4, A-5 and A-6, these are shown as Morrow gas wells. These wells are interpreted to be in the Morrow B channel, whereas the wells on the left and to the north and west, which are A-1, A-2, and A-3, are dry holes, these wells are interpreted to be out of the channel. If you will notice the easternmost well, Well A-6, the Mobil well in Section 11, is interpreted to be on the eastern edge of this channel. It had to be fraced to become a producer, whereas Well A-5, a Filmont well, has thick B interval and thick corresponding B sands and pays, and this is one of the best wells in the area, and in a little over a year it has already produced one and a half billion cubic feet of gas. Moving further to the west, Well A-4 is the Fasken No. 1 Rodgers.

It encountered both of the sands, the B sands and the Morrow B interval, however there is some thinning of these sands moving to the west, whereas when you go further to the west you have thinner B sections and dry holes in A-1, A-2, and A-3.

Q Do you have any further comment on this Exhibit?

A The only other comment I have is I might draw your attention to Well A-1, the Hansen Well, the well that blew out; this zone is interpreted to be from the C sand, which is an occasional pay, and based on the testing in that well, subsequent drill stem testing, it was found to be a limited reservoir, where the other wells to the south, A-4, A-5, and A-6, are in the B sections and are considered principal and better pays in this portion of the field.

Q Mr. David, in regard to this well, should this well prove to be productive in pay quantities, in your opinion will it effectively and efficiently drain all the east half of the 3?

A Yes, it will.

MR. HINKLE: We would like to offer into evidence Exhibits 1, 2, and 3.

MR. STAMETS: Without objection Exhibits 1 through 3 will be admitted.

DAVID-DIRECT
CROSS

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(Whereupon, Applicant's
Exhibits 1 through 3 were admitted
into evidence.)

BY MR. HINKLE:

Q There is one other question I believe I would
like to ask you: In your opinion would the unorthodox
location in this Case be in the interests of conservation,
prevention of waste, and tend to protect correlative
rights?

A Yes, sir, it would.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. David, referring back to Exhibit No. 2, I
believe this Exhibit tends to show that your Morrow B
sands, as you depicted them, covers essentially all of the
east half of Section 3?

A Yes, sir.

Q So, the east half, as far as your interpretation
goes, should be productive?

A That's correct.

Q Now, is the information that you have shown here
on Exhibit 2 the same information that you used to determine
the 660 location would be better than the 660, 990 location?

DAVID-CROSS
ROSS-DIRECT

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A Yes, it is, coupled with the fact that based on the dry holes of production found to the south and east where to the north and west and southwest there are dry holes. So, I feel that with this interpretation and knowing where the producers are, that by moving south and to the east you will be moving toward production and also you will be moving toward the thicker portions of the channel.

Q If you catch this channel in a better position, have a better well, it will drain longer and more effectively drain the east half than a poorer well that catches the channel at a tight spot?

A That is correct.

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

MR. HINKLE: I'd like to call Mr. Ross.

(Witness previously sworn.)

WILLIAM G. ROSS

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

DIRECT EXAMINATION

BY MR. HINKLE:

Q Your name is William G. Ross?

A Yes, sir.

Q You're the Applicant in this Case?

A Yes, sir.

Q Have you prepared or has there been prepared under your direction Exhibits for introduction in this Case which have been marked Exhibits 4 and 5?

A Yes, sir.

Q Refer to Exhibit 4 and explain what this is and what it shows.

A This is a plat of the immediate area involved and it shows, of course, the East Half of 3 that we are interested in as well as the offset lease ownership and also producing wells and dry holes in the area.

Q When you filed this Application, or after filing this Application, did you give all the offset owners notice?

A Yes, sir, they were all contacted and all given not only verbal notice but written notice.

Q And copies of the Application?

A Yes, sir, and copies of the Application and maps.

Q Have you had any protests from any offset owners?

A I have not, so far. I might go ahead and add

that the Hansen Oil Company, who is involved, has indicated that they would join in the well. Reading and Bates have a representative here, Mr. John Mahaffey; I talked to him this morning and he said that his Company had not reached a decision as to what they would do, whether they would join or go on a non-consent basis. Texaco, Inc., has still got this under advisement; they have a 7-acre interest in there and have indicated that they would join. That is the last I have heard from them. Chevron has advised that they have recommended to their Denver office that they farm their interest out to me on an override with an option to come back in after the pay-out.

Q Refer to Exhibit 5. Does this Exhibit show the ownership?

A Yes, sir, it shows ownership in the East Half of 3, the people involved and their net acre interest -- lease owners involved, I should say, and their net acre interest. I have done this rather than show fractions because people are inclined a little bit to more clearly understand their net-acre interest in an area then they do a fractional part.

Q I believe you have already indicated in your testimony as to the contact with each one of these owners

and their position in the Case?

A Yes, sir, that's right.

Q It would seem at the present time that you do not have any problem as far as compulsory pooling and as far as the working-interest owners, is that correct?

A No, not to my knowledge, other than, as I said, the Bates have not made their interest to a reading basis what they intend to do.

Q Now, this is all fee acreage, is it not?

A It is all fee, yes, sir.

Q Now, what about the royalty owners, mineral owners; do you have the consent of all the mineral owners to setting up this proposed unit, the East Half of 3?

A The leases involved in the East Half of 3 all contain pooling clauses, with the exception of the Chevron Oil Company leases, those owned by the Chevron Oil Company. As it was in the well that Mr. Fasken and I drilled down in Section 10, we have secured, or are securing, ratification to pooling agreements by all the mineral owners under the Chevron Oil Company leases.

Q You do not anticipate any trouble then as far as mineral owners where the Chevron leases are concerned?

A No.

Q And there is a pooling agreement in the leases as far as all of the rest is concerned?

A That's right, all the rest contain pooling agreements, and I have those here today if you would like to have copies of them.

Q What, in your opinion, would be the cost of drilling this well, a dry hole and then as producer?

A Well, I know that this sounds silly, but I have an estimate made up to the Henry Engineering Company on a well that Mr. Fasken intends to drill in the southwest, northeast of Section 2, which is east of this proposed location of mine. This is dated January the 14th, 1975. The total drilling costs on this are \$265,470. Probably there would be an additional amount on this should it be a dry hole as to the plugging cost.

The completion cost would be \$198,250, making a total cost of \$463,720. In the early part, or in May I should say, of 1973, I had an estimate on the drilling of this well in the Southeast Quarter of Section 10, which is now the Fasken No. 10 Rogers, turn into line at \$176,000, but I would like to show how much drilling costs have increased, which is going on about pipe and contractors and so forth. I have a copy of this estimate

prepared by Henry Engineering, should anybody desire a copy of it.

Q I believe that you testified that you do not anticipate any problem as far as compulsory pooling is concerned; it looks like everybody will get together?

A That's right.

Q In case something should happen that one or more do not consent, what would you consider be a proper risk factor in connection with this Case?

A Well, I hate to be in a position of asking what time it is when telling you how to make a watch, but I would like to point this out: In 21, 33 -- there is a well deal working over there that I am involved in, which a company in Midland is preparing to drill -- they have set this up on an operating agreement at non-consent at 300 percent. This well is going to cost somewhere around 6 or 700,000 dollars. Aztec, who is involved, is asking for 400 percent. Now, I think -- to get back to answer your question -- that the maximum amount the Commission allows would be fair because of the risk involved and the cost of this well.

Q Is it your opinion that drilling Morrow wells is risk?

A It is definitely a risk, as we know that there is a well on the west side of this field that was drilled by Yates Petroleum Company, that -- Mr. David knows of the well -- that was completed for 80,000,000 cubic feet on its potential and a direct north offset, which was a quarter mile as I remember, and it was a dry hole. There is definitely a risk factor in it.

Q Now, in the event it does become necessary for compulsory pooling of anyone, have you given any consideration as to what would be a fair and reasonable overhead factor?

A Yes, sir, I have a figure here. The administration cost on that would probably run around \$165 per well per month, plus all the other charges such as production performance, proportionate share of the salary, and all work conducted on the well at a cost-plus basis.

Q When do you anticipate you might start the drilling of this well?

A As soon as I can receive a decision on this from the Commission and as soon as the well and pipe can be obtained.

Q Drilling contractor?

A Yes, sir, drilling contractor rig and pipe can be

obtained. Pipe, as we all know, has been very very scarce. I understand it is loosening up some, to some extent, which caused part of this increased cost on this well that I mentioned. Rigs, so far, don't seem to be too much -- too, too many of them available, to loose, but in our area, in Midland or West Texas area, there seemed to be a lot of wells that were anticipated to be drilled and have now been cancelled because of the decision handed down in Washington by the Court as to the price of oil. I know one case in Roswell where a man went to the Bank in Albuquerque to get money to drill these three wells and he said he intended to pay it back on a basis of \$11 oil and they said they'd better wait and see what was going to happen, as you may end up \$5.50 a barrel. So, to get back to your direct question, I would like to start as soon as possible, but this all depends on what when you can get pipe and a drilling rig.

MR. HINKLE: We would like to offer Exhibits 4 and 5.

MR. STAMETS: Exhibits 4 and 5 will be admitted.

(Whereupon, Applicant's
Exhibits 4 and 5 were admitted into
evidence.)

MR. HINKLE: I believe that is all on direct.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Ross, even though you do have indications that these interests will join or farm out at the present time this has not been done, and as far as you know you will need a forced pooling order, is that correct.

A There is a possibility that I might, yes, sir.

Q Normally when a forced pooling order such as this is issued there is a 90-day requirement in which the well must be commenced after the date of the order. Do you anticipate that more than 90 days might be required to start the well?

A I hope not, but it is possible, for the reason I mentioned as to obtaining drilling rig and pipe.

Q Would a provision for an administrative extension of this 90-day period alleviate that situation?

A It would certainly help, yes, sir.

Q Mr. Ross, do you think that this well is any riskier than any other Morrow well?

A Well, sir, I believe it is; it's as risky as any and maybe more so than some because I'm considering an outside location and an edge well.

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

MR. HINKLE: One other question.

REDIRECT EXAMINATION

BY MR. HINKLE:

Q Mr. Ross, which of the locations set forth in the Application, do you prefer to drill, the 660, 660 location or the 660, 990.

A Oh, definitely the 660 by 660 because we would like to get as close to that corner as possible.

Q As you have indicated then, no protests or indication of an objection to that location?

A No, sir, other than the conversation that I had with Mr. Mahaffey.

MR. STAMETS: Are there any other questions of Mr. Ross?

MR. COOTER: Yes, please, Mr. Examiner.

RECROSS EXAMINATION

BY MR. COOTER:

Q Mr. Ross, insofar as it may relate to the risk factor, you talked about your opinion of the drilling costs with which you were faced. You have not as yet prepared an AFE for your proposed well?

A That's right, sir. Pardon me, sir, in partial answer to this, When I obtained this letter, when I found out that I was going to get into the drilling of this test, that's when I obtained this information that I received from Henry Engineering, who probably is as well acquainted with the cost in that area as anybody that I know of -- of course I got it from Mr. Brooks, not Henry, who handles the David Fasken business -- and I do sincerely hope that this price will drop, but at that time it was the only thing I had to base it on and until I get to the point where I am prepared to go ahead why there is no use in preparing an AFE because it fluctuates.

Q Were you acquainted with the fact that the Hansen well, which I think is marked as A-1 on the Exhibit 3 referred to by Mr. David, had an AFE just before completion of just under \$334,000?

A No, I didn't, but would you mind telling me when that well was drilled?

Q The AFE I have is dated June 12, 1974.

A Well, see, as I said in my testimony, that went up from May of 1973 from \$176,000 to \$463,000, so you are dealing there with a better than six-month period, which does make a difference I think.

Q Okay. Were you furnished the copy of the Yates Petroleum AFE for their proposed well which was to be drilled in the South Half Unit, a proposed AFE of drilling and completion of \$275,000?

A This one was what started me off. I wasn't ready to go ahead and drill a well in there until Yates' boys attempted to get their 160 acres in the Southwest of 3, which is between the two dry holes as you'll see on the map, to join that with the Southeast corner of Section 3. The only AFE I got was one -- I have it filed here someplace.

Q And that was back in September of last year?

A Yes, and you couldn't even come close to doing that than the man-in-the-moon, which is evidenced by Hansen's location on their well at 300 and some odd thousand that you quoted in June, which was three or four months before.

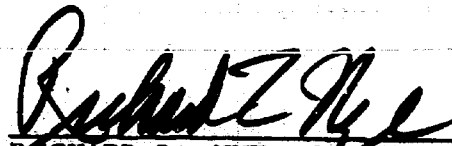
MR. COOTER: That's all, thank you.

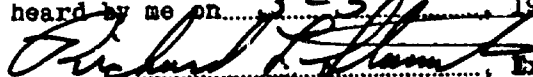
MR. STAMETS: Any questions of this Witness?

He may be excused. 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 be-
fore 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. 5436
heard by me on 3-5-75 1975
, Examiner
New Mexico Oil Conservation Commission



OIL CONSERVATION COMMISSION

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

March 11, 1975

I. R. TRUJILLO
CHAIRMAN

LAND COMMISSIONER
PHIL R. LUCERO
MEMBER

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

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

Re: CASE NO. 5436
ORDER NO. R-4980

Applicant:
William G. Ross

Dear Sir:

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

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC X
Artesia OCC X
Aztec OCC

Other Mr. Paul Cooter, Roswell; Yates Petroleum, Artesia;
Amoco Production, Tulsa; Texaco Inc., Midland; Chevron, Midland;
Chevron, Denver; Felmont Oil Corp., Midland; David Fasken,
Midland; Reading & Bates, Tulsa; Hanson Oil Co., Roswell

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. 5436
Order No. R-4980

APPLICATION OF WILLIAM G. ROSS FOR
COMPULSORY POOLING AND AN UNORTHODOX
GAS WELL LOCATION, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 5, 1975, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 11th day of March, 1975, 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, William G. Ross, seeks an order pooling all mineral interests in formations of Pennsylvanian age underlying the E/2 of Section 3, Township 18 South, Range 26 East, NMPM, Atoka-Pennsylvanian Gas Pool, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at an unorthodox location 660 feet from the South line and 660 feet from the East line, or in the alternative 990 feet from the South line and 660 feet from the East line of said Section 3.

(4) That a well at either of said unorthodox locations will better enable applicant to produce the gas underlying the proration unit.

(5) That no offset operator objected to the proposed unorthodox locations.

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

(7) 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.

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

(9) 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.

(10) 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.

(11) 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.

(12) 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.

(13) That \$165.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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Case No. 5436
Order No. R-4980

(14) 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.

(15) 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 June 15, 1975, the order pooling said unit should become null and void and of no effect whatsoever.

(16) That an administrative procedure should be established to permit a delay in the required date of commencement set forth in Finding No. (15) above for good cause shown.

(17) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the E/2 of Section 3, Township 18 South, Range 26 East, NMPM, Atoka-Pennsylvanian Gas Pool, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox location 660 feet from the South line and 660 feet from the East line or in the alternative 990 feet from the South line and 660 feet from the East line of Section 3.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of June, 1975, 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 15th day of June, 1975, Order (1) of this order shall be null and void and of no effect whatsoever.

PROVIDED FURTHER, that for good cause shown, the Secretary-Director of the Commission may grant an extension of time in which to commence said well of up to 90 days.

-4-

Case No. 5436
Order No. R-4980

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

(2) That William G. Ross is hereby designated the operator of the subject well and unit.

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

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

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

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

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

- (A) The pro rata share of reasonable well costs 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 \$165.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

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

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

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

-6-
Case No. 5436
Order No. R-4980

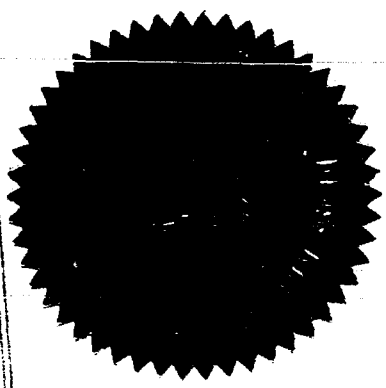
DONE at Santa Fe, New Mexico, on the day and year
hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

I. R. TRUJILLO, Chairman

Phil R. Lucero
PHIL R. LUCERO, Member

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



S E A L

dr/

[illegible]

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION

5436 EXHIBIT NO. 5
CASE NO. 5436
Submitted by Wm G Ross
Hearing Date 3-5-75

E/2 SECTION 3-TOWNSHIP 18-SOUTH, RANGE 26-EAST
(ALSO KNOWN AS LOT 1 & 2 & S/2 NE/4 & SE/4)
CONTAINING 320.37 ACRES, MORE OR LESS

TEXACO, INC.
Roadway 7AC

Lot 2 - 40.21 Ac.	Lot 1 - 40.16 Ac.
HANSON OIL ETAL Exp. 7-13-78 1/6th royalty 56.37 Acres 56.37	READING & BATES - - - 91.05 Exp. 4-1-76 Hanson Oil & Gas etal 5.95 A Total 97.00
Lease described as the West 941.2 feet of the NE/4	Lease described as the East 1,603 feet of the NE/4 Both leases 3/16th royalty
3	
<p>READING & BATES, INC. - 40.0000 NET AC. EXPIRES 4-8-1976</p> <p>WM. G. ROSS - 52.4520 NET AC. EXPIRES 4-8-1976</p> <p>CHEVERON OIL - 67.5480 NET AC. EXPIRES - HBP</p> <p>TOTAL 160.0000 ACRES</p>	

CLARENCE E. HINKLE
W. E. BONDURANT, JR. (914-1973)
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.

JAMES H. DOZARTH
ANDREW ALLEN
RONALD O. HARRIS
JAMES H. ISBELL

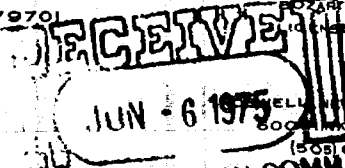
LAW OFFICES
HINKLE, BONDURANT, COX & EATON

521 MIDLAND TOWER
MIDLAND, TEXAS 79701

TELEPHONE (915) 683-4691

ONLY MESSRS COFFIELD, MARTIN,

DOZARTH & ISBELL
ARE LICENSED IN TEXAS



NEW MEXICO OFFICE
800 ANGLE BUILDING
(505) 622-6510

June 3, 1975 CONSERVATION COMM.
Santa Fe

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

Attention: Daniel S. Nutter, Chief Engineer

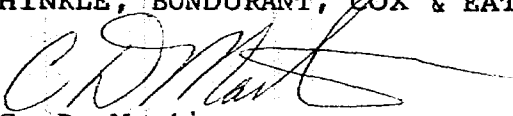
Gentlemen:

I am in receipt of your letter of May 20, 1975, advising me that a request made by me on May 13, 1975 on behalf of our client, Mr. William G. Ross, for an additional 30 days in which to commence drilling a well in the E $\frac{1}{2}$ of Section 3, Township 18 South, Range 26 East, N.M.P.M., Atoka-Pennsylvanian Gas Pool, Eddy County, New Mexico, pursuant to the provisions of Commission Order No. R-4980, had been presented to the Commission and was approved, extending said deadline from June 15, 1975, to July 15, 1975.

By way of xerox copy of this letter, I am herewith enclosing copies of your letter of May 20, 1975, to all of the interest owners.

Sincerely yours,

HINKLE, BONDURANT, COX & EATON


C. D. Martin

CDM:lw

xc: Mr. William G. Ross
P. O. Box 86
Midland, Texas 79701

Mr. John T. Mahaffey
Reading & Bates Oil & Gas Co.
3800 First Place
Tulsa, Oklahoma 74103

*File
5436*

Oil Conservation Commission
Page -2-

June 3, 1975

xc: Mr. E. R. Jones
Chevron Oil Company
Western Division
P. O. Box 599
Denver, Colorado 80201

Mr. Earl Masdon
Chevron Oil Company
Wall Towers East
Midland, Texas 79701

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

- CASE 5431: Application of David C. Collier for an unorthodox well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of his Kersey Well No. 1-Y, to be drilled 1980 feet from the South line and 2330 feet from the West line of Section 33, Township 18 South, Range 28 East, Artesia Pool, Eddy County, New Mexico.
- CASE 5432: Application of American Quasar Petroleum Co. of New Mexico for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Robinia Draw Unit Area, comprising 4,739 acres, more or less, of State and Federal lands in Townships 22 and 23 South, Ranges 23 and 24 East, Eddy County, New Mexico.
- CASE 5433: Application of Southern Union Gas Company for suspension and amendment of certain provisions of Rules 14(A), 15(A), and 15(B), of the General Rules and Regulations for the prorated gas pools of Southeastern New Mexico as applied to the Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks suspension for a period of one year from April 1, 1975, of those provisions of Rules 14(A), 15(A), and 15(B), of the General Rules and Regulations for the prorated gas pools of Southeastern New Mexico promulgated by Order No. R-1670, as amended, that provide for the cancellation of underproduction and the shutting-in of overproduced wells as applied to the Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico.
- CASE 5434: Application of Amoco Production Company for a pilot pressure maintenance project, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pilot pressure maintenance project by the injection of gas through its Navajo Tribal "U" Wells Nos. 3 and/or 8, located, respectively, in Units M and F of Section 16, Township 26 North, Range 18 West, Tocito Dome-Pennsylvanian "D" Oil Pool, San Juan County, New Mexico.
- CASE 5435: Application of Mesa Petroleum Co. for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Nash Unit Well No. 1, located in Unit H of Section 13, Township 23 South, Range 29 East, Eddy County, New Mexico, in such a manner as to produce gas from the Strawn formation through tubing and gas from the Morrow formation through the casing-tubing annulus by means of a cross-over assembly.
- CASE 5436: Application of William G. Ross for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in formations of Pennsylvanian age or older underlying the E/2 of Section 3, Township 18 South, Range 26 East, Atoka-Pennsylvanian Gas Pool, Eddy County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the South and East lines, or in the alternative 990 feet from the South line and 660 feet from the East line of said Section 3. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs as well as actual operating costs and charges for supervision. Also to be considered is the designation of the applicant as the operator of the well and a charge for the risk involved in drilling said well.

Docket No. 6-75

Dockets Nos. 7-75 and 8-75 are tentatively set for hearing on March 19 and April 2, 1975. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 5, 1975

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 5425: (Continued and Readvertised)

Application of Continental Oil Company for an unorthodox location and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of a non-standard 480-acre gas proration unit, comprising the W/2 of Section 13 and the E/2 E/2 of Section 14, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to its Lockhart B Wells Nos. 4 and 8, located at unorthodox locations in Units H and P, respectively, of Section 14, and to its Lockhart B Well No. 7, at an unorthodox location in Unit D of said Section 13.

CASE 5408: (Continued from the February 5, 1975, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit W. E. Medlock and Reliance Insurance Company and all other interested parties to appear and show cause why the Queen Ridge No. 1 Well located in Unit M of Section 36, Township 10 South, Range 26 East, Chaves County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5414: (Continued and Readvertised)

Application of Continental Oil Company for an unorthodox gas well location and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a non-standard 360-acre gas proration unit comprising the SE/4 and E/2 SW/4 of Section 28 and the N/2 NE/4 and NE/4 NW/4 of Section 33, both in Township 20 South, Range 37 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its Meyer B-28 A Com Acct. 2 Wells Nos. 2 and 3, located, respectively, in Unit O of said Section 28 and in Unit C of said Section 33.

CASE 5429: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Charles M. Goad and United States Fidelity & Guaranty Company and all other interested parties to appear and show cause why the Charles M. Goad, State No. 1 Well located in Unit M of Section 28, Township 2 South, Range 26 East, De Baca County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

Examiner Hearing - Wednesday - March 5, 1975

Docket No. 6-75
-5-

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

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM
SECTION 31: N/2

(n) EXTEND the Forty Niner Ridge-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 30 EAST, NMPM
SECTION 21: N/2

(o) EXTEND the Kennedy Farms-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 26 EAST, NMPM
SECTION 27: N/2

(p) EXTEND the La Rica-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM
SECTION 33: All

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

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM
SECTION 18: S/2

(r) EXTEND the Todd Wolfcamp Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANGE 35 EAST, NMPM
SECTION 27: NE/4

(s) EXTEND the Tubb Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
SECTION 2: SE/4

Examiner Hearing - Wednesday - March 5, 1975

Docket No. 6-75
-4-

(e) ABOLISH the Arrowhead-Drinkard Pool in Lea County, New Mexico, described as:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM
SECTION 36: SW/4

(f) EXTEND the Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM
SECTION 36: SE/4

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
SECTION 31: SW/4

(g) CONTRACT the vertical limits of the South Flying "M"-Pennsylvanian Pool in Lea County, New Mexico, to include only the Bough formations and redesignate said South Flying "M"-Pennsylvanian Pool as the South Flying "M"-Bough Pool.

(h) EXTEND the Atoka-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
SECTION 1: E/2
SECTION 12: E/2

(i) EXTEND the Blinebry Oil and Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM
SECTION 36: SE/4

(j) EXTEND the Bluitt-Wolfcamp Gas Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANGE 37 EAST, NMPM
SECTION 34: SW/4

TOWNSHIP 8 SOUTH, RANGE 37 EAST, NMPM
SECTION 3: W/2
SECTION 10: NW/4

(k) EXTEND the Burton Flat-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM
SECTION 15: A11
SECTION 28: A11

(l) EXTEND the Cemetary-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM
SECTION 7: E/2
SECTION 21: W/2

CASE 5437: Application of Atlantic Richfield Company for two unorthodox locations and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of a standard 640-acre gas proration unit comprising all of Section 14, Township 22 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to its McDonald State WN Wells Nos. 11 and 27, located, respectively, in Units D and O of said Section 14.

CASE 5430: Southeastern New Mexico nomenclature case calling for the creation, abolishment, extension and contraction of certain pools in Eddy, Lea and Roosevelt Counties, New Mexico:

(a) CREATE A new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Avalon-Atoka Gas Pool. The discovery well is the Atlantic Richfield Company State BR Well No. 1, located in Unit K of Section 16, Township 21 South, Range 26 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM
SECTION 16: S/2

(b) CREATE A new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the Southeast Bagley-Wolfcamp Pool. The discovery well is the Anderson Oil & Gas Company, Inc. Hess State Well No. 1 located in Unit L of Section 34, Township 11 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 11 SOUTH, RANGE 33 EAST, NMPM
SECTION 34: SW/4

(c) CREATE A new pool in Lea County, New Mexico, classified as a gas pool for Atoka production and designated as the South Flying "M"-Atoka Gas Pool. The discovery well is the Phillips Petroleum Company Marg "A" Com Well No. 1 located in Unit K of Section 25, Township 9 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 9 SOUTH, RANGE 32 EAST, NMPM
SECTION 25: S/2

(d) CREATE A new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the North Pearl-Morrow Gas Pool. The discovery well is the Dorchester Exploration, Inc. Henry Record Well No. 1, located in Unit I of Section 26, Township 19 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 35 EAST, NMPM
SECTION 26: S/2

BOX 913
RUIDOSO, NEW MEXICO
PHONE 257-4313

WM. G. ROSS

OIL INVESTMENTS

BOX 86
MIDLAND, TEXAS 79701

BUS. PHONE 683-1412
RES. PHONE 682-2983

June 17, 1975

In re: Wm. G. Ross No. 734 Eddy County, New Mexico
New Mexico Conservation Commission Case #5436
Order No. R-4980
Estimated Cost to Drill and Complete
Wm. G. Ross
#1 A. Q. Rogers
660' FLS & 660' FEL
Sec. 3, T-18-S, R-26-E
Eddy County, New Mexico

DRILLING COST ESTIMATE

Footage Drilling Cost 9200' @ \$12.25 - - - - -	\$112,700.00
Day Work Cost - 6 days at \$2,800.00 - - - - -	16,800.00
Water - - - - -	2,500.00
Drilling Mud - - - - -	13,500.00
Cementing Services & Supplies - - - - -	7,500.00
Wellhead Equipment - - - - -	2,500.00
Conductor Casing - 40' of 20" - - - - -	600.00
Surface Casing - 1250' of 13 3/8" - - - - -	18,170.00*
Intermediate Casing - 2200' of 8 5/8" - - - - -	15,959.00*
Road, Pad, Cattle Guard & Damages - - - - -	15,000.00
Matting Boards - - - - -	1,000.00
Trucking, Welding & Rental - - - - -	2,000.00
Surveying of Location - - - - -	104.00
Logging - - - - -	13,500.00
Drill Stem Testing - 4 at \$1,200.00 - - - - -	4,800.00
Miscellaneous Services & Supplies - - - - -	2,500.00
Geological & Supervisory Expense - - - - -	5,000.00
TOTAL	\$234,133.00
Plugging Cost - If Dry - Hauling off Pits & Road	5,000.00

*Includes 4% New Mexico Sales Tax.

BOX 913
RUIDOSO, NEW MEXICO
PHONE 257-4313

WM. G. ROSS
OIL INVESTMENTS

BOX 88
MIDLAND, TEXAS 79701

BUS. PHONE 683-1412
RES. PHONE 682-2983

PAGE NO. 2

COMPLETION COST ESTIMATE

Double Derrick Pulling Unit - 120 hours @ 55 - - - - -	\$6,600.00
Oil String Casing - 9200' [REDACTED] - 4 1/2" - - - - -	37,108.00 +
Ruff Cost - - - - -	600.00
Cementing Services & Supplies - - - - -	5,000.00
Logging, GR, CCL & Perforating - - - - -	4,000.00
Packer - - - - -	1,200.00
Tubing Head w/Valves - - - - -	3,000.00
Christmas Tree - - - - -	3,500.00
Stimulation Service - - - - -	30,000.00
Rental of Surface Equipment - - - - -	1,500.00
Back Pressure Test & BHP Build Up - - - - -	1,500.00
Roustabout Labor - - - - -	4,000.00
Tubing - N-80 - 9200' - - - - -	23,353.00*
Tubing Testing - - - - -	2,000.00
Anchors - - - - -	300.00
Welding - - - - -	750.00
Trucking - - - - -	1,000.00
Gas Production Unit - - - - -	20,000.00
Storage Tanks - - - - -	8,000.00
Valves, Piping & Connections - - - - -	4,000.00

(OVER)

BOX 913
RUIDOSO, NEW MEXICO
PHONE 257-4313

WM. G. ROSS
OIL INVESTMENTS
BOX 88
MIDLAND, TEXAS 79701

BUS. PHONE 683-1412
RES. PHONE 682-2983

PAGE NO. 3

COMPLETION COST ESTIMATE - CONTINUED

Miscellaneous Service & Supplies - - - - -	\$2,000.00
Dirt Work - - - - -	2,000.00
Supervision - - - - -	<u>3,000.00</u>
TOTAL	\$164,411.00

TOTAL DRILLING & COMPLETION COST ESTIMATES

\$398,544.00

*Includes 4% New Mexico Sales Tax

WM. G. ROSS
OIL INVESTMENTS
BOX 86
MIDLAND, TEXAS 79701

NOVEMBER 13, 1975

WGR

In re: Eddy County, New Mexico
Oil Conservation Commission of New Mexico
Cast No. 5436 - Order No. R-498C

Drilling and Completion Costs of Wm. G. Ross
No. 1 A. Q. Rogers Conn.
SE/4 SE/4 Section 3, 18-South, 26-East

Footage and Day Work Drilling Cost	\$ 131,344.34
Water	2,500.00
Drilling Mud	25,691.14
Cementing Services & Supplies - Surface and Intermediate Casing	12,302.68
Wellhead and Christmas Tree Equipment	12,441.89
Surface, Intermediate, Gas String and Tubing	100,013.78
Road, Pad, Cattle Guard & Damages	9,865.04
Matting Boards and Liner For Reserve Pits	1,863.68
Location Surveying	104.00
Schlumberger Well Logging	13,464.90
Drill Stem Testing - Three	3,778.58
Miscellaneous Service & Supplies	685.76
Geological Service	2,301.62
Supervisory Engineer Expense by Jas. O'Briant Eng. Service.	8,005.40
Double Derrick Pulling Unit	1,989.59
Ruff Coat Casing	931.07
Cementing Service & Supplies - 4 1/2" Casing - Gas String	7,641.37
Perforating	2,354.15
Stimulation Service	1,146.00
Rental of Surface Equipment	7,354.59
Back Pressure Test & BHP Build Up	506.25
Tubing Testing	1,222.42
Anchors	291.20
Welding	869.00
Gas Production Unit	14,181.00
Storage Tanks	5,348.00

Miscellaneous Service & Supplies	140.23
Drilling Well and Monthly Supervision	2,479.00
Legal Expense to date	<u>1,834.24</u>
TOTAL	\$372,650.92

ADDITIONAL ESTIMATED EXPENSE

Legal Expense - Operating Agreements - Division Order Title Examination etc.	7,300.00
Expense of Additional Well Head Equipment	2,300.00
Well Hook Up Expense - Dirst Work - Trucking Charges, etc.	<u>6,500.00</u>
TOTAL	\$388,750.92

OIL CONSERVATION COMMISSION
P. O. BOX 2088
SANTA FE NEW MEXICO 87501

May 20, 1975

C Hinkle, Bondurant, Cox & Eaton
Attorneys at Law
521 Midland Tower
Midland, Texas 79701

Attention: Mr. C. D. Martin

O Gentlemen:

P This is to advise that your May 13, 1975, request for an additional 30 days in which to commence drilling a well in the E/2 of Section 3, Township 18 South, Range 26 East, NMPM, Atoka-Pennsylvanian Gas Pool, Eddy County, New Mexico, pursuant to the provisions of Commission Order No. R-4980, was presented to the Commission at its regular meeting today.

I am happy to inform you that they approved your request, and the deadline for commencing the well has been extended from June 15, 1975 to July 15, 1975.

Y We are not sending a copy of this letter to the other interest owners involved, and request that you notify them of this action.

Very truly yours,

DANIEL S. NUTTER
Chief Engineer

DSN/ir

CASE FILE 5436 (w/ application)

LAW OFFICES
HINKLE, BONDURANT, COX & EATON

TELEPHONE (915) 683-4691

CLARENCE E. HINKLE
W. E. BONDURANT, JR. (1914-1973)
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.

521 MIDLAND TOWER
MIDLAND, TEXAS 79701

ONLY MESSRS COFFIELD, MARTIN,
BOZARTH & ISBELL
LICENSED IN TEXAS

ROSWELL, NEW MEXICO OFFICE
600 HINKLE BUILDING
(505) 622-6510

JAMES H. BOZARTH
RONALD G. HARRIS
JAMES H. ISBELL

May 13, 1975

Mr. D. S. Nutter, Chief Engineer
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

*For
Commission
mtg 8 5/20
Jaw*

Re: Request for Extension of Commence-
ment of Drilling Well under Your
Case No. 5436 and Order No. R-4980

Dear Mr. Nutter:

Pursuant to our telephone conversation of this morning, with regard to the captioned matter, I am herewith enclosing an Affidavit prepared by the applicant in the captioned case, Mr. William G. Ross, the proposed operator of a well to be drilled in the E $\frac{1}{2}$ of Section 3, Township 18 South, Range 26 East, N.M.P.M., Atoka-Pennsylvanian Gas Pool, Eddy County, New Mexico, setting forth the reasons why he requests an extension of the commencement date from June 15, 1975 to July 15, 1975. We have sent copies of this transmittal letter, as shown hereinbelow, as well as copies of the Affidavit, to all of the working interest owners involved.

If you need any further information, please advise me, and further, I would appreciate your advising me if the extension is so granted.

I appreciate your cooperation in this matter.

Sincerely yours,

HINKLE, BONDURANT, COX & EATON

C. D. Martin
C. D. Martin

CDM:lw
Encls.

BEFORE THE OIL CONSERVATION COMMISSION
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:

APPLICATION OF WILLIAM G. ROSS FOR
COMPULSORY POOLING AND AN UNORTHODOX
GAS WELL LOCATION, EDDY COUNTY,
NEW MEXICO.

CASE NO. 5436
Order No. R-4980

AFFIDAVIT

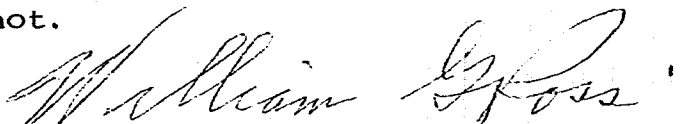
William G. Ross, Affiant herein and Applicant in the above captioned case which came on for hearing at 9:00 A.M. on March 5, 1975, Santa Fe, New Mexico, before Examiner Richard L. Stamets; and

Wherein, said application was granted by way of Oil Conservation Commission Order No. R-4980, March 11, 1975, the Affiant, William G. Ross, now being first duly sworn, says that he is aware of the provisions of the above mentioned Order relating to the commencement and drilling operations on or before the 15th day of June, 1975, and that, further, he is familiar with the provisions of said order wherein he, as Operator, may request an extension of time to commence said well, up to 90 days, upon good cause shown.

Affiant, William G. Ross, hereby states, swears and requests that an extension for time to commence said well as provided for in said Order, be extended until July 15, 1975, for the reasons that, due to the inability to obtain a proper and suitable drilling rig and rubular goods, the same will or may cause the Applicant to commence said well at a time after June 15, 1975, but prior to July 15, 1975.

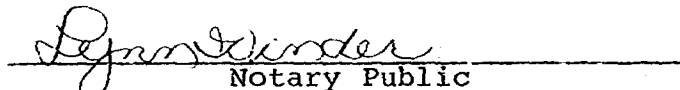
Affiant herein and Applicant in Case No. 5436 before the Commission further states that all working interest owners will be given a copy of this Affidavit as well as the transmittal letter to the Commission and, further, that all working interest owners have been advised of such request and have no objections thereto.

Further, Affiant saith not.


William G. Ross, Affiant

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

Subscribed and sworn to, the foregoing instrument was acknowledged before me this 13th day of May, 1975, by said Affiant.


Notary Public

My commission expires:
June 1, 1975

Case 5436

CLARENCE E. HINKLE
W. E. BONDURANT, JR. (94-1074)
LEWIS C. COX, JR.
PAUL W. EATON, JR.
CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.
STUART O. SHANOR
C. D. MARTIN
PAUL J. KELLY, JR.

JAMES H. BOZARTH
ANDREW ALLEN
RONALD G. HARRIS

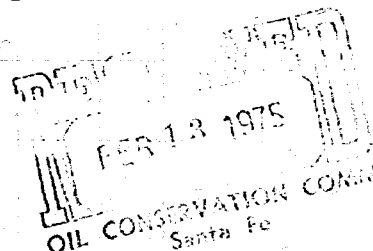
LAW OFFICES
HINKLE, BONDURANT, COX & EATON

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

TELEPHONE (505) 622-6510

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

February 12, 1975



Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

We enclose herewith in triplicate application of William G. Ross for an unorthodox gas well location in Section 3, Township 18 South, Range 26 East and for compulsory pooling. This matter has been discussed with Dan Nutter and is to be placed on the docket for the examiner's hearing to be held on March 5.

Yours very truly,

HINKLE, BONDURANT, COX & EATON

By Clarence E. Hinkle

CEH:cs
Enc.

cc: William G. Ross
cc: All offset operators

DOCKET MAILED

Date 2-20-75

Case 5436

BEFORE THE OIL CONSERVATION COMMISSION OF EDDY COUNTY, NEW MEXICO

STATE OF NEW MEXICO

APPLICATION OF WILLIAM G. ROSS FOR AN UNORTHODOX GAS WELL LOCATION AND FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO. APPLICANT SEEKS AN EXCEPTION TO THE ATOKA-PENNSYLVANIAN GAS POOL RULES FOR THE DRILLING OF A GAS WELL 660 FEET FROM THE SOUTH AND EAST LINES OF SECTION 3, TOWNSHIP 18 SOUTH, RANGE 26 EAST, OR IN THE ALTERNATIVE 990 FEET FROM THE SOUTH LINE AND 660 FEET FROM THE EAST LINE OF SAID SECTION 3 AND THE DEDICATION TO SAID WELL OF THE E $\frac{1}{2}$ SECTION 3, CONTAINING 320.37 ACRES. APPLICANT ALSO SEEKS AN ORDER POOLING ALL MINERAL INTERESTS IN FORMATIONS OF PENNSYLVANIAN AGE OR OLDER UNDERLYING THE E $\frac{1}{2}$ SECTION 3. ALSO TO BE CONSIDERED WILL BE THE COST OF DRILLING AND COMPLETING SAID WELL AND THE ALLOCATION OF THE COST THEREOF, AS WELL AS ACTUAL OPERATING COSTS, CHARGES FOR SUPERVISION AND THE DESIGNATION OF APPLICANT AS OPERATOR AND A CHARGE FOR THE RISK INVOLVED IN DRILLING SAID WELL.

Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

Comes William G. Ross, acting by and through the undersigned attorneys and hereby makes application for an unorthodox gas well location and for compulsory pooling, Eddy County, New Mexico. Applicant seeks an exception to the Atoka-Pennsylvanian Gas Pool rules for the drilling of a gas well 660 feet from the south and east lines of Section 3, Township 18 South, Range 26 East, or in the alternative 990 feet from the south line and 660 feet from the east line of said Section 3 and the dedication to said well of the E $\frac{1}{2}$ Section 3, containing 320.37 acres. Applicant also seeks an order pooling all mineral interests in formations of Pennsylvanian age or older underlying the E $\frac{1}{2}$ Section 3. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs, charges for supervision and the designation of applicant as operator and a charge for the risk involved in drilling said well, and in support thereof respectfully shows:

-2-

1. There is attached hereto, made a part hereof, and for purposes of identification marked Exhibit "A", a plat showing the proposed spacing and drilling unit and the alternate locations of the proposed test well. Said plat also shows the ownership of all leasehold interests within an area of two miles from the proposed drilling unit, together with all wells which have been drilled in the area. The test well will be projected to test the Morrow formation of Pennsylvanian age.
2. The special pool rules adopted for the Atoka-Pennsylvanian Pool provide that each well shall be located in either the NW $\frac{1}{4}$ or SE $\frac{1}{4}$ of the section and shall not be located nearer than 990 feet to the outer boundary of the quarter section nor nearer than 330 feet to any governmental quarter quarter section line.
3. Applicant believes that the proposed location will stand a better chance of obtaining production with a higher potential than if located at a standard location provided by said pool rules.
4. There is attached hereto, made a part hereof and for purposes of identification marked Exhibit "B", a plat showing the ownership of the leasehold interests in the E $\frac{1}{2}$ Section 3. As of the time of the filing of this application, all of the owners of mineral rights and oil and gas leases in the E $\frac{1}{2}$ Section 3 have not agreed to pool their interests, which is necessary to establish a 320 acre spacing and proration unit to be dedicated to the well in the event it is completed as a gas well in the Pennsylvanian formation.
5. Applicant believes that the entire E $\frac{1}{2}$ of Section 3 will prove productive of gas in paying quantities from the Pennsylvanian formation and that the pooling of the mineral and leasehold interests within said half section will avoid the drilling of unnecessary wells, prevent waste and protect correlative rights. Applicant seeks compulsory pooling to form a standard spacing and proration unit as provided by Section 65-3-14 N.M.S.A. (1953 Comp.), and in connection therewith to consider the cost of drilling and completing said well, the proper allocation of the cost thereof, as well as the cost of operating said well and charges for supervision. Also to be considered is a charge for the risk involved in drilling the well and the approval of applicant as operator.
6. Applicant is mailing copies of this application to the owners of all oil and gas leases offsetting the E $\frac{1}{2}$ Section 3.
7. Applicant requests that this matter be included on the

Case 5436

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docket for the examiner's hearing to be held on March 5, 1975.

Respectfully submitted,

WILLIAM G. ROSS

By


HINKLE, BONDURANT, COX & EATON

P.O. Box 10
Roswell, New Mexico
Attorneys for Applicant

[illegible]

E/2 SECTION 3-TOWNSHIP 18-SOUTH, RANGE 26-EAST
(ALSO KNOWN AS LOT 1 & 2 & S/2 NE/4 & SE/4)
CONTAINING 320.37 ACRES, MORE OR LESS

Roadway

Lot 2 - 10.21 Ac.	Lot 1 - 10.16 Ac.
HANSON OIL ETAL Exp. 7-13-78 1/6th royalty 55.92 Acres	READING & BATES - - - 89.29 A Exp. 4-1-76 Hanson Oil & Gas etal 5.95 A Total 95.24 A
Lease described as the West 941.2 feet of the NE/4	Lease described as the East 1,603 feet of the NE/4 Both leases 3/16th royalty

Roadway is covered
by a 10 year lease
to Texaco Inc.
described as East 7
acres of the West 62
acres of the NE/4,
lease expires
November 5, 1975.

3

READING & BATES, INC.	- 10.0000 NET AC.
EXPIRES 4-8-1976	
WM. G. ROSS	- 52.4520 NET AC.
EXPIRES 4-8-1976	
CHEVERON OIL	- 67.5480 NET AC.
EXPIRES - HBP	
TOTAL	160.0000 ACRES

E/2 SECTION 3-TOWNSHIP 18-SOUTH, RANGE26-EAST
(ALSO KNOWN AS LOT 1 & 2 & S/2 NE/4 & SE/4)
CONTAINING 320.37 ACRES, MORE OR LESS

Roadway

Lot 2 - 40.21 Ac.	Lot 1 - 40.16 Ac.
HANSON OIL ETAL Exp. 7-13-78 1/6th royalty 55.92 Acres	READING & BATES - - - 89.29 A Exp. 4-1-76 Hanson Oil & Gas etal 5.95 A Total 95.24 A
Lease described as the West 941.2 feet of the NE/4	Lease described as the East 1,603 feet of the NE/4 Both leases 3/16th royalty
<p>READING & BATES, INC. - 40.0000 NET AC. EXPIRES 4-8-1976</p> <p>WM. G. ROSS -52.4520 NET AC. EXPIRES 4-8-1976</p> <p>CHEVERON OIL -67.5480 NET AC. EXPIRES - HBP</p> <p>TOTAL 160.0000 ACRES</p>	

Roadway is covered
by a 10 year lease
to Texaco Inc.
described as East 7
acres of the West 62
acres of the NE/4,
lease expires
November 5, 1975.

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. 5436

APPLICATION OF WILLIAM G. ROSS FOR
COMPULSORY POOLING AND AN UNORTHODOX GAS
WELL LOCATION, EDDY COUNTY, NEW MEXICO.

Order No. R-4980

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 5, 1975
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this day of March, 1975, 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, William G. Ross,
seeks an order pooling all mineral interests in formations
of Pennsylvanian age ~~or order~~ underlying the E/2
of Section 3, Township 18 South, Range 26 East,
NMPM, Atoka-Pennsylvanian Gas Pool, Eddy County, New
Mexico.

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Case No.

Order No. R-

alternative 990 feet from the South line and 660 feet from the East line, or in the
Section 3. (3) That the applicant has the right to drill and proposes
to drill a well/ line and 660 feet from the East line, or in the
at an unorthodox location 660 feet from the South

(4) That a well at, said unorthodox location, will better
^{either of}
enable applicant to produce the gas underlying the proration unit.

(5) That no offset operator objected to the proposed unorthodox locations,

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

(7) 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.

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

(9) 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.

(10) 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.

(11) 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.

(12) 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.

(13) That \$165.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(14) 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.

(15) 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 June 15, 1975, the order pooling said unit should become null and void and of no effect whatsoever.

(16) That an administrative procedure should be established to permit a delay in the required date of commencement set forth in Finding No. (13) above for good cause shown.

(17) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

commence the drilling of said well on or before the 15th day of June, 1975, 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 15th day of June, 1975, Order (1) of this order shall be null and void and of no effect whatsoever;

PROVIDED FURTHER, that for good cause shown, the Secretary-Director of the Commission may grant an extension of time in a well of up to 90 days.

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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.

(2) That William G. Ross is hereby designated the operator of the subject well and unit.

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

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

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

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

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Case No.

Order No. R-

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

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

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

(B) As a charge for the risk involved in the drilling of the well, 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 \$165.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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Case No.
Order No. R-

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

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

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

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

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

Memo

From
D. S. NUTTER
CHIEF ENGINEER

To

dedication of E/2 of
3 to the work, (320.37
series)
also seeks order pooling
all mind int
Perm or alien in E/2
cost of drly & camp
allocation of costs
and actual op costs
and supervision of
applicant as operator.
chg for risk

Memo

From
D. S. NUTTER
CHIEF ENGINEER

From

To Clarence Hunkle

Wm. G. Ross

unorthodox gas well for
compulsory pooling
Eddy

Aloka Perm Gas Pool
660' FSL & FEL

3-185-28E or in the
alternatives

990 FSL 660 FEL of

said Sec 3