

CASE NO. 5446; C&K PETROLEUM,  
INC., FOR POOL CREATION AND  
SPECIAL POOL RULES, LEA COUNTY

CASE No.

5446

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Application,

Transcripts,

Small Exhibits

ETC.

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
April 14, 1976

EXAMINER HEARING

IN THE MATTER OF:

Case 5446 being reopened pursuant to  
the provisions of Order No. R-4994.

)  
)  
)  
) CASE  
) 5446  
) (Reopened)

BEFORE: Daniel S. Nutter, 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: W. Thomas Kellahin, Esq.  
KELLAHIN & FOX  
Attorneys at Law  
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1 MR. NUTTER: We will call the next case, Number  
2 5446.

3 MR. CARR: In the matter of Case 5446 being reopened  
4 pursuant to the provisions of Order No. R-4992, which order  
5 established special pool rules and regulations for the  
6 Casey-Strawn Pool, Lea County, New Mexico.

7 MR. KELLAHIN: Tom Kellahin of Kellahin and Fox  
8 appearing on behalf of C & K Petroleum and I have one witness  
9 to be sworn.

10 (THEREUPON, the witness was duly sworn.)  
11

12 JOHN L. MOSELEY

13 called as a witness, having been first duly sworn, was  
14 examined and testified as follows:  
15

16 DIRECT EXAMINATION

17 BY MR. KELLAHIN:

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

20 A John L. Moseley, C & K Petroleum, Inc., Midland,  
21 Texas, Petroleum Engineer.

22 Q Mr. Moseley, have you previously testified before  
23 this Commission and had your qualifications as an expert  
24 witness accepted and made a matter of record?

25 A Yes, I have.

1 Q And did you previously testify before this  
2 Commission on March 19th, 1975, that hearing resulted in  
3 Order No. R-4992, the pool rules for this particular pool?

4 A Yes, I did.

5 MR. KELLAHIN: If the Examiner please, are the  
6 witness' qualifications acceptable?

7 MR. NUTTER: Yes, they are.

8 Q (Mr. Kellahin continuing.) Mr. Moseley, would you  
9 refer to Exhibit Number One and identify it?

10 A Yes, our Exhibit Number One is a plat, a scale plat  
11 of the Casey-Strawn Field area in Lea County. Shown in red  
12 we have wells drilled to date in the field, including the four  
13 producing wells which do presently exist, the two dry holes,  
14 actually a third dry hole which is located to the south in  
15 Section 34.

16 Q That well is the one in the far southeast corner?

17 A Yes, sir, it is.

18 Q It is indicated as a producer on your plat but it  
19 is a dry hole?

20 A It is a producer in the Drinkard but a dry hole in  
21 the Strawn.

22 Q Who is the producer of all of these wells?

23 A C & K Petroleum produces and operates three of the  
24 four producing wells. The additional well is operated by  
25 Mesa Petroleum.

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1 Q All right, sir, would you please turn to what has  
2 been marked as Exhibit Number Two?

3 A Our Exhibit Number Two is a tabulation of the  
4 field's production since its inception in February of '75  
5 and shows that the cumulative production up to March 1st of  
6 '76 has been roughly two hundred and fifty-six thousand  
7 barrels from the field.

8 Q You show a substantial increase in the water produc-  
9 tion in the fall of '75, what is that attributed to?

10 A That is entirely due to the water production that  
11 we are experiencing from our Ship 34-A No. 1 Well which is  
12 located in the northeast quarter of the northwest quarter of  
13 Section 34.

14 Q Do any of these other wells make substantial  
15 water?

16 A No, they do not.

17 Q How is the gas production divided among these wells?

18 A Well, the gas production is shown on our Exhibit  
19 Two as the total gas production from the field and, of course,  
20 it is sold to various pipelines in the area.

21 Q All of these wells make some gas, though?

22 A Yes, sir, they do.

23 Q Please refer to Exhibit Number Three?

24 A Exhibit Number Three is a field performance graph  
25 which I have shown in red the oil production from inception.

1 The oil production peaked in September of 1975 at approximately  
2 twenty-seven thousand barrels per month from the field and has  
3 now declined to approximately twenty-thousand barrels per  
4 month in February of '75. This decline indicates that we  
5 are experiencing pressure depletion from the field.

6 Q Okay, Exhibit Number Four.

7 A Exhibit Number Four is a graph of the bottom-hole  
8 pressure history from the field and its relationship to the  
9 cumulative production from the field. I have shown in red  
10 the C & K operated Ship 27 No. 1 which was the discovery  
11 well and its bottom-hole pressure at various times over the  
12 past year or year and a half.

13 MR. NUTTER: Mr. Moseley, I wonder on Exhibit Number

14 One, the wells are shown but I don't see the identification.  
15 I wonder if you could identify these wells for me and then  
16 I could follow the maps and so on?

17 A Yes. All right, sir. The discovery well is shown  
18 on the plat, the Ship 27 No. 1, the only producing well in  
19 Section 27.

20 MR. NUTTER: Okay, that's the one that is marked  
21 discovery well? That's the Ship?

22 A Twenty-seven dash one.

23 MR. NUTTER: Okay.

24 A The well directly to the south in Section 34 is  
25 the Mesa operated West Knowles Unit No. 4 Well.

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1 The well directly to the west of that well is the  
2 Ship, C & K operated Ship 34-A No. 1.

3 And the well to the south of that is the Ship 34-A  
4 No. 2.

5 MR. NUTTER: Okay, thank you.

6 Q (Mr. Kellahin continuing.) Continue with Number Four,  
7 please?

8 A The Exhibit Number Four as I say is a pressure  
9 production plot showing the bottom-hole pressures in the  
10 various wells at various times over the past year and a half.

11 I want to point out several things here, the first  
12 being the fact that the Mesa operated West Knowles Unit which  
13 is shown in blue had a shut-in pressure almost identical, in  
14 fact, was identical with the shut-in pressure of the Ship 27  
15 No. 1 after producing approximately seventy thousand barrels  
16 from the field.

17 MR. NUTTER: That would be this pressure point at  
18 approximately twenty-six?

19 A Yes, twenty-seven hundred pounds, right.

20 Subsequent to that we drilled and completed the  
21 Ship 34-A No. 1 which is shown by the brown triangle. The  
22 first triangle there represents the initial shut-in or the  
23 drill stem test bottom-hole shut-in pressure and did indicate  
24 that it was somewhat higher than what the field pressure was  
25 at the time. However, I want to point out that it was at least

1 five hundred pounds below the initial field pressure as  
2 indicated from the initial field --

3 MR. NUTTER: It looks like its initial pressure was  
4 just slightly over thirty-five hundred pounds?

5 A. Yes, sir, that is correct.

6 MR. NUTTER: And the original pressure was a little  
7 over four thousand?

8 A. Yes, sir, which would indicate to me that we have  
9 had partial depletion at that point in the reservoir.

10 The fourth symbol here indicates the drill stem  
11 test pressure taken from the Ship 34-A No. 2 which is shown  
12 by the yellow hexagonal, which was the last pressure which was  
13 recorded in the field.

14 Q (Mr. Kellahin continuing.) Exhibit Number Five?

15 A. Exhibit Number Five is simply a tabulation of the  
16 reservoir data or characteristics that we have seen in the  
17 field. I would like to point out the average permeability as  
18 shown on this exhibit is forty-four millidarcies which is  
19 quite good for this type of formation. This permeability was  
20 derived from two bottom-hole pressure build-up tests and we  
21 would expect that both of these would be representative of  
22 the field itself.

23 Q Exhibit Number Six?

24 A. Exhibit Number Six is a graphical solution to the  
25 classical mathematical solution or equation for the relationship

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1 between pressure drawdown and distance from a wellbore. I  
 2 would like to point out here that with eighty-acre spacing,  
 3 which is equivalent to about a thousand-foot radius, that  
 4 you would expect to see something in the range of about a  
 5 ten-pound drawdown in the reservoir, roughly a thousand feet  
 6 from the wellbore with a production rate of roughly four  
 7 hundred barrels a day and assuming a permeability of forty-four  
 8 millidarcies which we have previously calculated for build ups.  
 9 We would see this type of drawdown within a short period of  
 10 time, roughly six weeks which indicates that the reservoir is  
 11 communicated throughout.

12 Q Exhibit Number Seven.

13 A Exhibit Number Seven is some volumetric drainage  
 14 calculations that we made using average reservoir parameters  
 15 of porosity, water saturation and formation volume factor.  
 16 You will note that the oil in place, assuming this is an  
 17 average oil in place calculation, assuming eighty acres, would  
 18 be roughly a million stock tank barrels in place. The  
 19 average recovery from the four wells we expect to be in the  
 20 range of a hundred and eighty-seven thousand plus barrels per  
 21 well which would yield a recovery efficiency of approximately  
 22 eighteen percent of the oil in place.

23 Q This is a solution gas drive reservoir, is it not?

24 A Yes, it is.

25 Q And how does that recovery percentage compare to

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1 the average for solution gas drive reservoirs?

2 A. This compares very favorably as shown at the bottom  
3 of the exhibit with what is normally accepted in the industry  
4 as average recovery factors for this type of reservoir.

5 Q. If you assume a forty-acre drainage area what kind  
6 of results do you get?

7 A. The results, assuming a forty-acre drainage area,  
8 would yield an oil in place of five hundred and twenty-five  
9 stock tank barrels for the same recovery per well would yield  
10 a recovery efficiency of approximately thirty-six percent  
11 which is in excess of what you would normally expect from  
12 a solution gas drive reservoir, considerably so.

13 Q. What other calculations have you made here?

14 A. I have shown also at the bottom of this exhibit a  
15 calculation which is based on a rule of thumb as found in the  
16 published literature of five barrels per acre foot per percent  
17 porosity, assuming a forty-three gravity oil and a thousand  
18 SCF per barrel GOR in a limestone or dolomite reservoir, this  
19 would yield a drainage area of a hundred and sixteen acres,  
20 assuming that the average recovery is a hundred and eighty-  
21 seven thousand barrels per well.

22 Q. Where did the nine percent porosity figure come  
23 from?

24 A. The nine percent porosity figure is the average  
25 porosity from the four producing wells in the field.

1 Q How about the thirty-six feet of net pay?

2 A That is also an average of net feet of pay from the  
3 field as a whole.

4 Q Please refer to Exhibit Number Eight?

5 A Exhibit Number Eight is simply a letter from Mesa  
6 Petroleum indicating their support of our contention that  
7 eighty-acre spacing should be made permanent here.

8 Q In your opinion, Mr. Moseley, are the producing wells  
9 capable of draining an eighty-acre spaced drilling unit?

10 A Yes, most definitely.

11 Q In your opinion will the continuation of the current  
12 pool rules for the Casey-Strawn pool be in the best interests  
13 of conservation, prevention of waste and the protection of  
14 correlative rights?

15 A Yes, it will.

16 Q Is it your recommendation that the temporary rules  
17 be made permanent?

18 A Yes, it is.

19 Q Are there any changes to the current rules that you  
20 would desire to propose at this time?

21 A No, we have none.

22 Q Were Exhibits One through Eight either prepared by  
23 you directly or compiled under your direction?

24 A Yes, they were.

25 MR. KELLAHIN: If the Examiner please, we move the

1 introduction of Exhibits One through Eight.

2 MR. NUTTER: C & K Exhibits One through Eight will  
3 be admitted into evidence.

4 (THEREUPON, C & K Exhibits One through  
5 Eight were admitted into evidence.)

6 MR. KELLAHIN: That concludes our direct examination.  
7

8 CROSS EXAMINATION

9 BY MR. NUTTER:

10 Q Mr. Moseley, what is the current producing capacity  
11 of each of the four wells in the pool?

12 A The current producing capacity on an average would  
13 currently be about twenty thousand barrels per month which would  
14 be roughly eight hundred barrels, seven hundred and fifty  
15 barrels per day.

16 Q Are all of the wells about the same?

17 A Yes, now, the Mesa well is producing roughly three  
18 hundred barrels a day, which is the well in the northwest  
19 quarter of the northeast quarter of 34. Our Ship 27 No. 1 is  
20 producing approximately a hundred barrels a day currently.  
21 The Ship 34-A-1 is producing approximately a hundred and fifty  
22 barrels a day, as is the No. 2, the Ship 34-A No. 2.

23 Q And the 34-A No. 1 is the only well in the pool that  
24 makes water, is that right?

25 A Yes, sir, that is correct. There is no indication,

1 I might add, that there is any type of water drive here that  
2 would affect our drainage calculations.

3 MR. NUTTER: Are there any further questions of  
4 this witness? He may be excused.

5 (THEREUPON, the witness was excused.)

6 MR. NUTTER: Do you have anything further, Mr.  
7 Kellahin?

8 MR. KELLAHIN: No, sir.

9 MR. NUTTER: Does anyone have anything they wish  
10 to offer in Case 5446? We will take the case under advice-  
11 ment.

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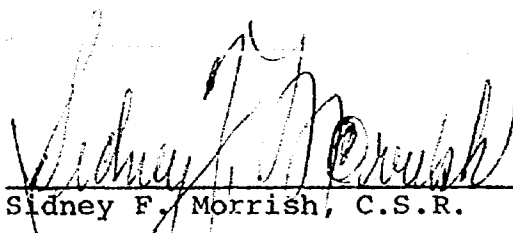
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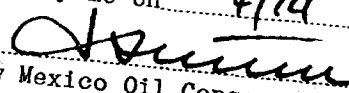
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REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand 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.

  
Sidney F. Morrish, C.S.R.

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 5446 (reopened)  
heard by me on 4/14, 1976  
, Examiner  
New Mexico Oil Conservation Commission



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

EXAMINER HEARING

IN THE MATTER OF:

Case 5446. Application of C & K  
Petroleum, Inc., for pool creation  
and special pool rules, Lea County,  
New Mexico. Applicant in the  
above styled cause, seeks the es-  
tablishment of a new oil pool for  
Strawn production for its Shipp  
"27" Well No. 1, located in Unit  
O of Section 27, Township 16 South,  
Range 37 East, Lea County, New  
Mexico, and the promulgation of  
temporary special rules therefor,  
including a provision for 80-acre  
proration units.

and

Case 5447. Application of C & K  
Petroleum, Inc., for amendment of  
Order No. R-4857, Lea County, New  
Mexico. Applicant in the above-  
styled cause, seeks amendment of  
Order No. R-4857, which order  
pooled all mineral interests in the  
Pennsylvanian formation underlying  
the SW/4 SE/4 of Section 27, Town-  
ship 16 South, Range 37 East, Lea  
County, New Mexico, to pool all  
such mineral interests underlying  
the S/2 SE/4 of said Section 27.

CASES #5446 and  
#5447

I N D E X

Testimony of John L. Moseley

Direct Examination by Mr. Kellahin

4

Questions by Mr. Nutter

12

E X H I B I T S

C & K Exhibits

11

BEFORE: Daniel S. Nutter, Examiner.

For the New Mexico Oil  
Conservation Commission:

William H. Carr, Esq.  
Legal Counsel for the Com-  
Mission  
State Land Office Building  
Santa Fe, New Mexico 87501

For C&K Petroleum, Inc.:

Tom Kellahin, Esq.  
KELLAHIN & FOX  
500 Don Gaspar  
Santa Fe, New Mexico 87501

MR. NUTTER: Case 5446.

MR. CARR: Case 5446. Application of C & K Petroleum, Inc., for pool creation and special pool rules, Lea County, New Mexico.

MR. KELLAHIN: If the Examiner please, would you call also the next case?

MR. NUTTER: We'll call the next case, Number 5447.

MR. CARR: Case 5447. Application of C & K Petroleum, Inc., for amendment of Order Number R-4857, Lea County, New Mexico.

MR. KELLAHIN: Tom Kellahin, of Kellahin and Fox, appearing on behalf of the applicant, and I have one witness who has been previously sworn. I would like the record to reflect that Mr. Moseley is still under oath and his qualifications as an expert have been accepted.

MR. NUTTER: Mr. Moseley is still under oath in Cases Numbers 5446 and 5447, consolidated for purposes of testimony.

JOHN L. MOSELEY

being called as a witness and being duly sworn  
upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Q Mr. Moseley, would you please refer to  
what has been marked as Applicant Exhibit Number 1, identify it and state what C & K is seeking?

A Yes. Our Exhibit Number 1 is a plat of the area southeast of Lovington, New Mexico, in Lea County, showing that here are the 80 acres in which we have drilled and completed a Strawn producing well. This is shown by the arrow. Also shown here are the other Pennsylvanian or Strawn fields in the area, shown in red; that is wells that are presently producing from the Pennsylvanian or Strawn.

Q Would you identify those three pools, please?

A Yes. The Elbo-City Pool, *Elmo City* which is located as some 2-1/2 to 3 miles south of our completion is a field that is spaced on 80 acres completed in the Strawn and has a top allowable of 534 barrels per day with a GOR limit of 2000 to 1. This field had four producing wells in January of this year.

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The Lovington Penn East field, which is located to the southwest of the Shipp well in question here, has only one producing well at this time. It has 80-acre spacing and the top allowable of 365 barrels per day.

The Lovington Northeast Penn Field, which is located to the northwest of our Shipp 27-1 is Pennsylvanian field with 80-acre spacing. The top allowable here is 445 barrels per day. This field had 8 producing wells in January of 1975.

Q Would you refer to Exhibit 2 and identify it.

A Exhibit 2 is a shot of the portion of the Strawn in which we are completing. We are perforated from 11336 to 11405. Our well potential flowing 412 barrels of oil per day, 44 gravity oil, 1864 choke with a GOR of 1004 to 1. The flowing tubing pressure on potential was 700 pounds.

Q Please refer to Exhibit 3 and identify it.

A Our Exhibit 3 shows the production from the subject well since it was completed in late January of 1975. We show a cumulative production as of the 1st of March of this year of 11,333 barrels of oil and 11,387 MCF of gas and no water.

Q Would you refer to Exhibit 4 and identify it?

A Exhibit 4 is a pressure cumulative production plot showing on it the initial reservoir pressure of 4,032 pounds, which we measured at a Sub-C depth of 7572, the mid-point of perforations. After producing 11,333 barrels as of the first of March the measured bottom hole pressure at the Sub-C depth was 3710 pounds, indicating a 322 pound drop in bottom hole pressure.

Also shown here is an estimate, a projected estimate of ultimate recovery from the well, assuming a 200 pound abandonment pressure. We have an ultimate recovery of 120,000 barrels.

Q In your opinion, Mr. Moseley, can this well or a well drilled in this pool be expected to drain an area of 80 acres?

A Yes, sir, I feel certain it can.

Q Please refer to Exhibit Number 5 and identify it.

A Exhibit Number 5 is a comparison of economics for 80-acre spacing versus 40-acre spacing. We have shown here the oil and gas prices, production tax, operating cost, the completion cost for the initial well, the ultimate recovery which was indicated previously of 120,000 barrels plus gas, indicating a total profit

to the full working interest of \$577,000 with 80-acre spacing for an undiscounted profit investment ratio of .96 to one.

As compared with 40-acre spacing, which would indicate a loss of approximately 22,000 barrels if forced to develop on 40-acre spacing.

Q In your opinion, then, Mr. Moseley, can you economically drill a well dedicated to less than 80-acres?

A No, we cannot.

Q Please refer to Exhibit 6 and identify that.

A Exhibit 6 is a copy of the recently completed AFE on the subject well or development well in this area. It shows a total cost of \$604,000 to drill and complete in the Strawn.

Q Please refer to Exhibit 7 and identify it.

A Exhibit 7 is a list of the ownership in the 80 acres in which we propose to force pool. This list is a total, a list of all of the ownership in this 80 acres here.

Q The southwest quarter of the southeast quarter of Section 47 is the subject of a previous forced pooling order by the Commission, is it not?

A Yes, sir, it was, that Order Number R-4857,



forced pool the east 40 acres of this 80 acres in which we propose to come in there.

Q The -- let me have you clarify the ownership on this Exhibit Number 7. Is this ownership the total ownership for the 80 acres or is it just that official ownership for the 40-acres that has not been forced pool?

A This is the total ownership of the 80 acres.

Q Please refer to Exhibit 8 and identify it.

A Exhibit 8 is a copy of the letter in which we -- to which we addressed this to the non-consent working interest on our list, a mailing list, of those parties who are non-consent; also showing or indicating that interest in this 80 acres, the working interest as well as the unleased mineral interest in that.

Q Would you please reiterate for us those particular points in which you would like to amend the order, R-4857?

A We would like to amend this order to include the west or the southwest quarter of the southeast quarter into the pooling order.

Q Second of all, with regards to the combined fixed rate charge of \$180 per month.

Q Then this \$205 figure is too high and should be

adjusted downward accordingly.

A Yes.

MR. NUTTER: What was the old one, \$205?

MR. KELLAHIN: \$205.

MR. NUTTER: And the new one?

A \$180.

Q (By Mr. Kellahin) Do you have any additional requests with regards to the location or the spacing between wells?

A Yes, we would recommend that spacing between wells be no less than 867 feet, which is the diagonal of 1320, right triangle.

Q Mr. Moseley, in your opinion will this well have the potential for exceeding its normal 80-acre allowable?

A Yes, it will, definitely.

Q Do you desire that a discovery allowable be granted to this well?

A Yes, we would like to have a discovery allowable for it.

Q Have you instituted the proper procedures for the filing of Form 109 in accordance with the Commission Rules?

A No, we have not to date done this. We anticipate doing it in order to ask for the discovery allowable in this case.

Q Let me go back and ask you one question with regards to the ownership. What is the percentage of the whole assigned to the non-consenting participants?

A Yes, we show and indicate a total of 18.188 percent non-consenting interest in the 80 acres involved.

Q Mr. Moseley, were Exhibits 1 through 8 either prepared by you directly or under your direction and supervision?

A Yes, they were.

Q In your opinion will the granting of this application avoid the drilling of unnecessary wells, the protection of royalty rights and the prevention of waste?

A Yes, it will.

MR. KELLAHIN: If the Examiner please, we move the introduction of Exhibits 1 through 8.

MR. NUTTER: Applicant's Exhibits 1 through 8 will be admitted in evidence.

MR. KELLAHIN: That concludes our direct examination.

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

(No response.)

QUESTIONS BY MR. NUTTER:

Q Mr. Moseley, first of all the Order Number R-4857 is a pooling order, is that correct?

A Yes, sir, that's right.

Q And it pools the southwest quarter of the southeast quarter of Section 27?

A Yes, sir.

Q For 40-acre units.

A Yes, sir.

Q Now, what were the provisions of that order? Did it pool the 40 acres for the purpose of drilling a well to test the Pennsylvanian, is that correct?

A Yes, sir.

Q And then there was a provision in there that in the event the well was completed in the Devonian formation, that formation would also be pooled.

A Yes, sir, that well was drilled to test the Devonian initially and was subsequently plugged back due to the fact --

Q How far did the well go? Did the well go into the Devonian?

A Yes, it did.

Q And the Devonian was found to be nonproductive.

A Yes, sir.

Q So in your opinion was the well completed in the Devonian formation, as a dry hole?

A Yes.

Q It went to the Devonian, they tested it, --

A They tested it, right.

Q -- and it was nonproductive and so it was plugged back then to another formation, and it was plugged back to the Pennsylvanian formation or to the Strawn, which is in the Pennsylvanian.

A Yes, sir.

Q So the order pooling the 40 applies not only to the Pennsylvanian but also to the Devonian.

A Yes, sir.

Q Now, what we're seeking here today is the amendment of that order <sup>not</sup> no insofar as its vertical application is concerned but only horizontal application.

A Yes, sir, this is correct.

Q To include in the pooling the southeast of the southeast of Section 27; southeast/southeast so it would be pooling the entire south half of the southeast.

A Yes, I think it would be the southwest of the

southeast.

Q No, the well's on the southwest of the southeast. That's what was pooled originally. And we're extending it to apply to the southeast/southeast also.

A That's correct.

Q Now, just a minute. Mr. Moseley, you've also said that you seek to amend the order to change the combined fixed rates from \$205 to \$180. Do you know if anybody would object to a cut in their combined fixed rate or not?

A No, I'm sure they wouldn't. The reason for this was the apparently the \$205 was set prior to a firm commitment as to the operating agreement and the consent owners in the unit and in order to avoid an accounting problem here I would think that we would want to keep it constant for the consent owners as well as for the non-consent owners.

Q And the consent owners have all agreed to \$180, is this correct?

A Yes, sir, this is correct.

Q And so the only ones we're changing it on would be the non-consent owners and they're benefitting from

the change?

A Yes.

Q The reason I'm asking these questions is because the amendment of the order in that respect was not included in the call of the hearing, but I think that possibly we can go to a lesser rate without giving notice. I don't know why anybody would object to paying less.

MR. KELLAHIN: As an after-thought, Mr. Examiner, I don't think that you'll have to amend that particular section of the order anyway. It is written in such a way that I think it can be amended by the operator and this would constitute an administrative amendment by him. In other words, there is some degree of flexibility. What we're seeking here is to charge everybody equally.

Q (By Mr. Nutter) \$205 I hereby --

A If this would cause a problem, Mr. Examiner, I would think that we could leave the \$205, if it would cause more of a problem to change this.

Q The only thing I'm wondering if we're jeopardizing the order by making an amendment that hasn't been advertised, and these are the non-consenting work interest owners --

A That's right.

Q -- that are shown here on this Exhibit Number 8, second page.

A That's right.

MR. KELLAHIN: If the Examiner please, I would withdraw our request to amend Paragraph 12. I don't believe it's necessary. We withdraw the request.

Q Now, has C & K already filed the actual cost of drilling the well information pursuant to the provisions of Order Number R-4657?

A I'm assuming that we have. I don't know that for a fact.

Q When was the well completed?

A The well was completed in January of this year; January the 25th, I think, to be exact.

Q Well, provisions of Order Number 5 that the operator shall furnish to the Commission and each known working owner, an itemized schedule of actual well costs within ninety days following the completion of the well. So we've got here an AFE for a development well in the pool --

A Yes, sir.

Q -- but those would not necessarily be the actual well costs --



A They should be real close but not necessarily the exact, this is correct.

Q And C & K will comply with the provisions of Paragraph 5 and furnish actual well costs if they have not yet done so.

A Yes, sir, they will.

Q Now with respect to your mention, Mr. Moseley, of the discovery allowable, that was not included in the call of the hearing.

A No, sir, it was not.

Q And normally pursuant to the provisions of Rule 509 of the Commission's Rules and Regulations if the Commission staff is in agreement that a discovery has been made, they'll bring the creation of the pool on for hearing in a regular nomenclature hearing, and also the designation as a discovery well eligible to receive the discovery allowable. Now, if you will file the Commission form, whatever the number of it is, 109, C-109, requesting the discovery allowable for the pool, we can docket the creation of the pool and the assignment of discovery allowable on the next nomenclature hearing. Is that agreeable to you?

A Yes, that's fine.

Q And in the meantime withhold any action on the creation of the pool in this case and the promulgation of special rules until the creation of the pool came up on a nomenclature case in which the discovery allowable had been advertised.

A Yes, sir, that would be fine.

MR. NUTTER: Are there any further questions of Mr. Moseley?

(No response)

MR. NUTTER: He may be excused. Anything further, Mr. Kellahin?

MR. KELLAHIN: No, sir.

MR. NUTTER: Mr. Bateman, do you have anything to offer in this case?

MR. BATEMAN: Yes, Mr. Examiner, I'm Ken Bateman of White, Koch, Kelly and McCarthy of Santa Fe, appearing on behalf of Texaco, and I've been asked to make a statement in the case and I would request leave to do so at this time.

MR. NUTTER: Yes, sir, please.

MR. BATEMAN: The concern of Texaco, frankly, is the assignment of risk penalty. There's been no testimony or statement concerning that in the testimony which has

already been entered in this case. The previous order, which was #857, assigned a 200% risk penalty to the well as completed in the Strawn. The concern of Texaco is simply what is to be done with respect to the interest owners, the working interest owners of new acreage which is potentially to be added to the proration unit under the Commission's order. Texaco, which owns an interest in the original 40 acres tract, which was subject to the early order, and is a non-consenting interest -- a non-consenting owner, and is therefore affected by the 200 percent risk penalty, which was quoted by the Commission previously, Texaco in addition is a working interest owner in the adjoining 40 acres tract, which would be potentially part of the proration unit. There apparently is a difference in the working interest ownership between the two 40 acre tracts; that is to say that there are owners affected by a potential order in the new tract which are not owners in the original 40 acre tract, 40 acre tract.

Therefore, it would be inequitable to assess any risk penalty against the owners of the additional 40 acre tract, including Texaco, for the reason that the owners of the acreage, adjoining acreage, were not given an opportunity to participate initially, and

secondly, because the well has already been completed. In my view, at least, the risk has been eliminated; therefore, there should be no penalty assessed against the new owners or an award for further risk taken granted to C & K.

We would request therefor that if the Commission sees fit to grant the application for the expansion of the proration unit, then the risk penalty be reduced to reflect an assignment of risk penalty to the acreage under the original 40 acres on the proration basis as that acreage bears to the total on the old acreage.

MR. NUTTER: All right, thank you Mr. Bateman. You opened up a whole new ballgame. Mr. Moseley, you're still under oath.

A Yes.

Q (By Mr. Nutter) Is the ownership different in the second 40 that's to be in this new unit than it is in the first 40?

A I'm not able to answer your question directly.

Q Particularly with respect to working interest owners who would have to pay a share of the well costs.

MR. KELLAHIN: The only change, Mr. Examiner, is with regard to royalty ownership. The difference lies in the

new 40 and not in the old 40.

MR. NUTTER: Is she a working interest owner?

MR. KELLAHIN: No, sir.

MR. NUTTER: Is everybody's working interest share identical whether it's under 40 or under 80?

MR. KELLAHIN: According to my information, it is. Stand corrected, Mr. Examiner, Ruth Armstrong has a working interest of some .26040 percent. Mr. J. V. Ringold has a .13020 percent. Those two individuals do not appear in the original 40 acres.

MR NUTTER: They have an unleased mineral interest in the second 40 but not the first 40.

MR. KELLAHIN: That is true.

MR. NUTTER: That's Ruth Armstrong with 1/384th? Now is that 1/384th of the 80 or 1/384th of the 40?

A It should be one -- as I understand it, this should be 1/384th of the 80.

Q Has Texaco's interest changed in going from a 40 acre unit to an 80 acre unit?

A According to our records it is not. Their working interest is the same.

Q According to your Exhibit Number 8, Texaco's interest is 16.67 percent working interest in the 80

acre unit, is that correct?

A Yes, sir, it is.

Q And is that what you show as being their interest in the 40 acre unit also?

A Yes.

Q Well now, it would have to change because you brought in two other wells, Mr. Kellahin.

A Yes, this 16.7 should be for the 80 acres; as to the original percent of working interest in the original 40 acres I don't have that readily available here.

Q I wonder, Mr. Moseley, just in the interest of time, if you could get us a complete accounting of all of the ownership, that is working interest ownership, overriding royalty ownership, and royalty ownership in the 40 and also in the 80?

A Yes, sir.

Q So we can see how people's interests change if we go from one spacing to the other spacing? The point Mr. Bateman brought up may be applicable; I don't know, or it may be not.

A Yes, sir, we will do this.

MR. NUTTER: Does anyone else have anything to offer in Case 5446 and 47?

(No response)

MR. NUTTER: We'll take the cases under advisement and  
call the next case.

(Hearing concluded.)

STATE OF NEW MEXICO )  
 )  
COUNTY OF SANTA FE )

REPORTER'S CERTIFICATE

I, SALLY WALTON BOYD, Notary Public and General Court Reporter, Santa Fe, New Mexico, DO HEREBY CERTIFY that the facts stated in the caption hereto are true and correct; that I reported the captioned proceedings; that the foregoing 23 pages, numbered 1 through 23 inclusive, is a full, true and correct transcript of my notes taken during the hearing.

WITNESS my hand and seal, this 18<sup>th</sup> of April, 1975, at Santa Fe, New Mexico.

Sally Walton Boyd  
Sally Walton Boyd  
Notary Public and General Court Reporter

My Commission expires?  
10 September 1975

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5446-47 heard by me on 3/19, 19 75.

[Signature], Examiner  
New Mexico Oil Conservation Commission

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





## OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

P. O. BOX 2088 - SANTA FE

87501

DIRECTOR  
JOE D. RAMEY

LAND COMMISSIONER

PHIL R. LUCERO

April 28, 1976



STATE GEOLOGIST  
EMERY C. ARNOLD

Mr. Tom Kellahin  
Kellahin & Fox  
Attorneys at Law  
Post Office Box 1769  
Santa Fe, New Mexico

Re: CASE NO. 5446  
ORDER NO. R-4992-A

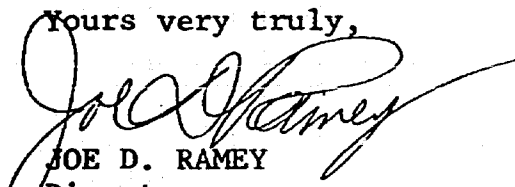
Applicant:

C & K Petroleum, Inc.

Dear Sir:

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

Yours very truly,

  
JOE D. RAMEY  
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC x  
Artesia OCC \_\_\_\_\_  
Aztec OCC \_\_\_\_\_

Other \_\_\_\_\_  
\_\_\_\_\_

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. 5446 (Reopened)  
Order No. R-4992-A

IN THE MATTER OF CASE 5446 BEING REOPENED PURSUANT  
TO THE PROVISIONS OF ORDER NO. R-4992, WHICH ORDER  
ESTABLISHED SPECIAL RULES AND REGULATIONS FOR THE  
CASEY-STRAWN POOL, LEA COUNTY, NEW MEXICO, INCLUDING  
A PROVISION FOR 80-ACRE SPACING.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 14, 1976,  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 27th day of April, 1976, 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 by Order No. R-4992, dated April 1, 1975,  
temporary special rules and regulations were promulgated for  
the Casey-Strawn Pool, Lea County, New Mexico, establishing  
temporary 80-acre spacing units and proration units and a  
depth bracket allowable of 445 barrels per day.

(3) That pursuant to the provisions of Order No. R-4992,  
this case was reopened to allow the operators in the subject  
pool to appear and show cause why the Casey-Strawn Pool should  
not be developed on 40-acre spacing units.

(4) That the evidence establishes that one well in the  
Casey-Strawn Pool can efficiently and economically drain and  
develop 80 acres.

(5) That the Special Rules and Regulations promulgated by  
Order No. R-4992 have afforded and will afford to the owner  
of each property in the pool the opportunity to produce his just  
and equitable share of the oil and gas in the pool.

-2-

Case No. 5446 (Reopened)  
Order No. R-4992-A

(6) That the Special Rules and Regulations for the Casey-Strawn Pool, as promulgated by Order No. R-4992, should be continued in full force and effect until further order of the Commission.

IT IS THEREFORE ORDERED:

(1) That the Special Rules and Regulations governing the Casey-Strawn Pool, promulgated by Order No. R-4992, shall remain in full force and effect until further order of the Commission.

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

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION



*Phil R. Lucero*  
PHIL R. LUCERO, Chairman

EMERY C. ARNOLD, Member

*Joe D. Ramey*  
JOE D. RAMEY, Member & Secretary

S E A L

dr/



# OIL CONSERVATION COMMISSION

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

April 1, 1975

**I. R. TRUJILLO**  
**CHAIRMAN**

**LAND COMMISSIONER  
PHIL R. LUCERO  
MEMBER**

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

**Mr. Tom Kellahin  
Kellahin & Fox  
Attorneys at Law  
Post Office Box 1769  
Santa Fe, New Mexico**

Re: CASE NO. 5446  
ORDER NO. R-4992

Applicant:  
**C & K Petroleum**

Dear Sir:

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

Very truly yours,

A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC	<u>          x          </u>
Artesia OCC	<u>                          </u>
Aztec OCC	<u>                          </u>

Other Mr. Ken Bateman

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. 5446  
Order No. R-4992

NOMENCLATURE

APPLICATION OF C & K PETROLEUM,  
INC., FOR POOL CREATION AND SPECIAL  
POOL RULES, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 19, 1975,  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 1st day of April, 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, C & K Petroleum, Inc., seeks  
the creation of a new oil pool for Strawn production in Lea  
County, New Mexico.

(3) That the applicant also seeks the promulgation of  
special rules for said pool, including a provision for 80-  
acre proration units.

(4) That the evidence presently available indicates that  
the Shipp "27" Well No. 1, located in Unit O of Section 27,  
Township 16 South, Range 37 East, NMPM, Lea County, New  
Mexico, has discovered a separate common source of supply  
which should be designated the Casey-Strawn Pool; that the  
vertical limits of said pool should be the Strawn formation  
as found on the log of said Shipp "27" Well No. 1 from  
11,326 to 11,762 feet, and that the horizontal limits of  
said pool should be the SE/4 of said Section 27.

-2-

Case No. 5446  
Order No. R-4992

(5) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 80-acre spacing units should be promulgated for the Casey-Strawn Pool.

(6) That the temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(7) That the temporary special rules and regulations should be established for a one-year period in order to allow the operators in the subject pool to gather reservoir information to establish the area that can be efficiently and economically drained and developed by one well.

(8) That this case should be reopened at an examiner hearing in April, 1976, at which time the operators in the subject pool should be prepared to appear and show cause why the Casey-Strawn Pool should not be developed on 40-acre spacing units.

IT IS THEREFORE ORDERED:

(1) That a new pool in Lea County, New Mexico, classified as an oil pool for Strawn production, is hereby created and designated the Casey-Strawn Pool, with vertical limits comprising the Strawn formation as found on the log of the Shipp "27" Well No. 1, located in Unit O of Section 27, Township 16 South, Range 37 East, NMPM, from 11,326 to 11,762 feet, and horizontal limits comprising the following-described area:

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM  
Section 27: SE/4

(2) That temporary Special Rules and Regulations for the Casey-Strawn Pool, Lea County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS  
FOR THE  
CASEY-STRAWN POOL

RULE 1. Each well completed or recompleted in the Casey-Strawn Pool or in the Atoka formation within one mile thereof, and not nearer to or within the limits of another designated Strawn oil pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2, or W/2 of a governmental quarter section; provided however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in the unit.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit comprising a governmental quarter-quarter section or lot, or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well shall be located within 150 feet of the center of a governmental quarter-quarter section or lot.

RULE 5. The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

RULE 6. Top unit allowable for a standard proration unit (79 through 81 acres) shall be based on a depth bracket allowable of 445 barrels per day, and in the event there is more than one well on an 80-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion.

-4-

Case No. 5446  
Order No. R-4992

The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the Casey-Strawn Pool or in the Strawn formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before April 15, 1975.

(2) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the Casey-Strawn Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

Failure to file new Forms C-102 with the Commission dedicating 80 acres to a well or to obtain a non-standard unit approved by the Commission within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the Casey-Strawn Pool or in the Strawn formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(3) That this case shall be reopened at an examiner hearing in April, 1976, at which time the operators in the subject pool should be prepared to appear and show cause why the Casey-Strawn Pool should not be developed on 40-acre spacing units.

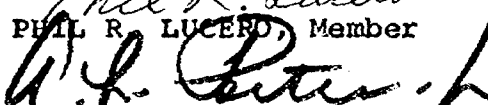
(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

  
I. R. TRUJILLO, Chairman

  
PHIL R. LUCERO, Member

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

dr/

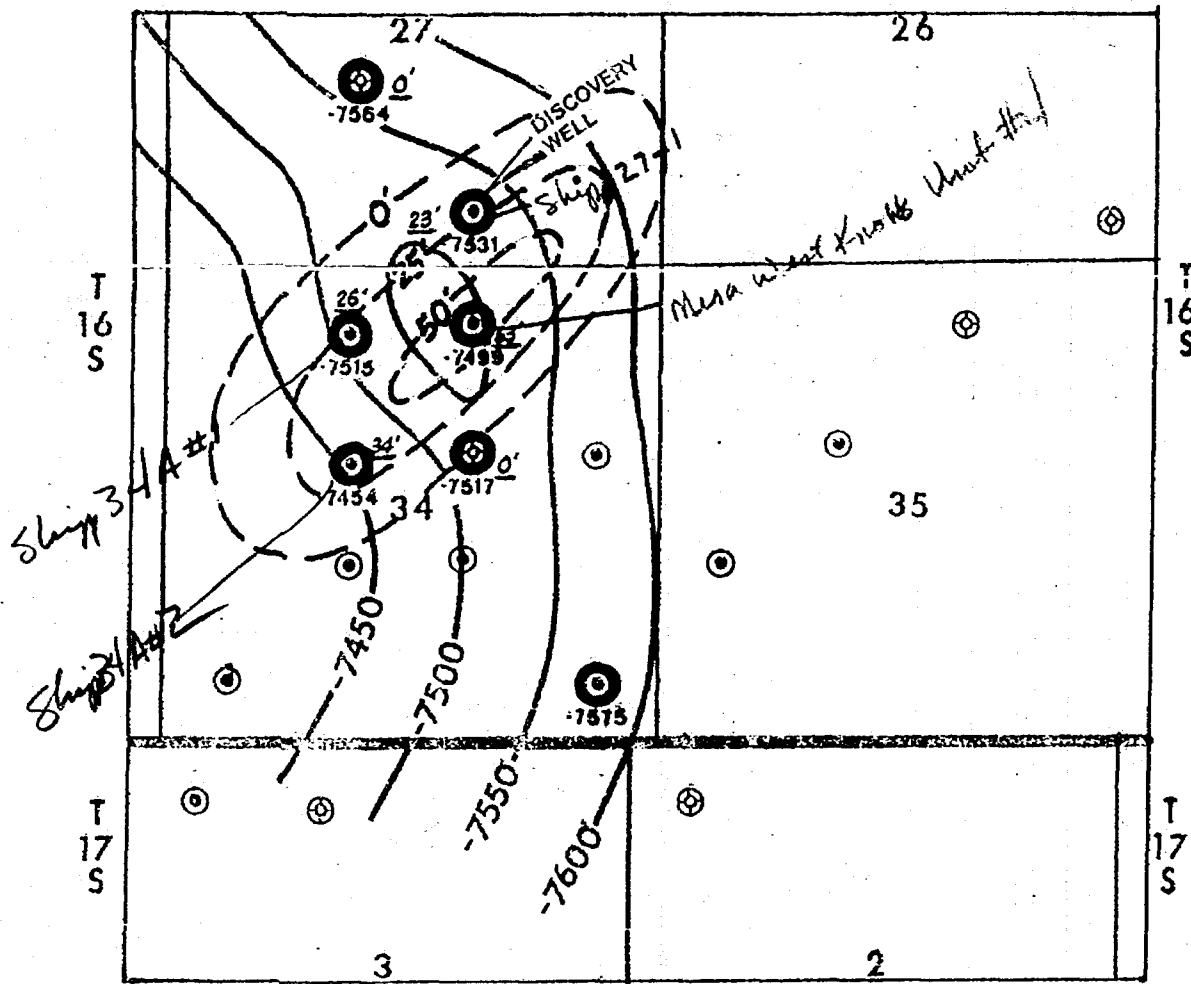
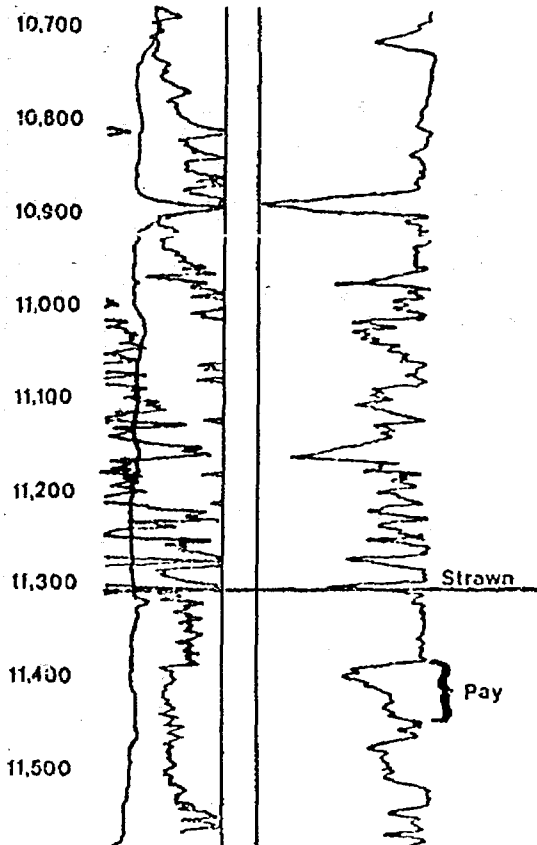


R 37 E

26

# TYPE LOG

AVE. ELEV. 3790'  
SCALE: 1" = 200'



-- Net Strawn Pay - C.I. = 25'



PENETRATED DRINKARD  
PENETRATED STRAWN

BEFORE EXAMINER NUTTER

OIL CONSERVATION COMMISSION

C+K EXHIBIT NO. 1

CASE NO. 5446

CASEY STRAWN

LEA COUNTY, NEW MEXICO

CONTOURS ON  
TOP STRAWN

C.I. = 50'

SCALE: 1" = 2000'

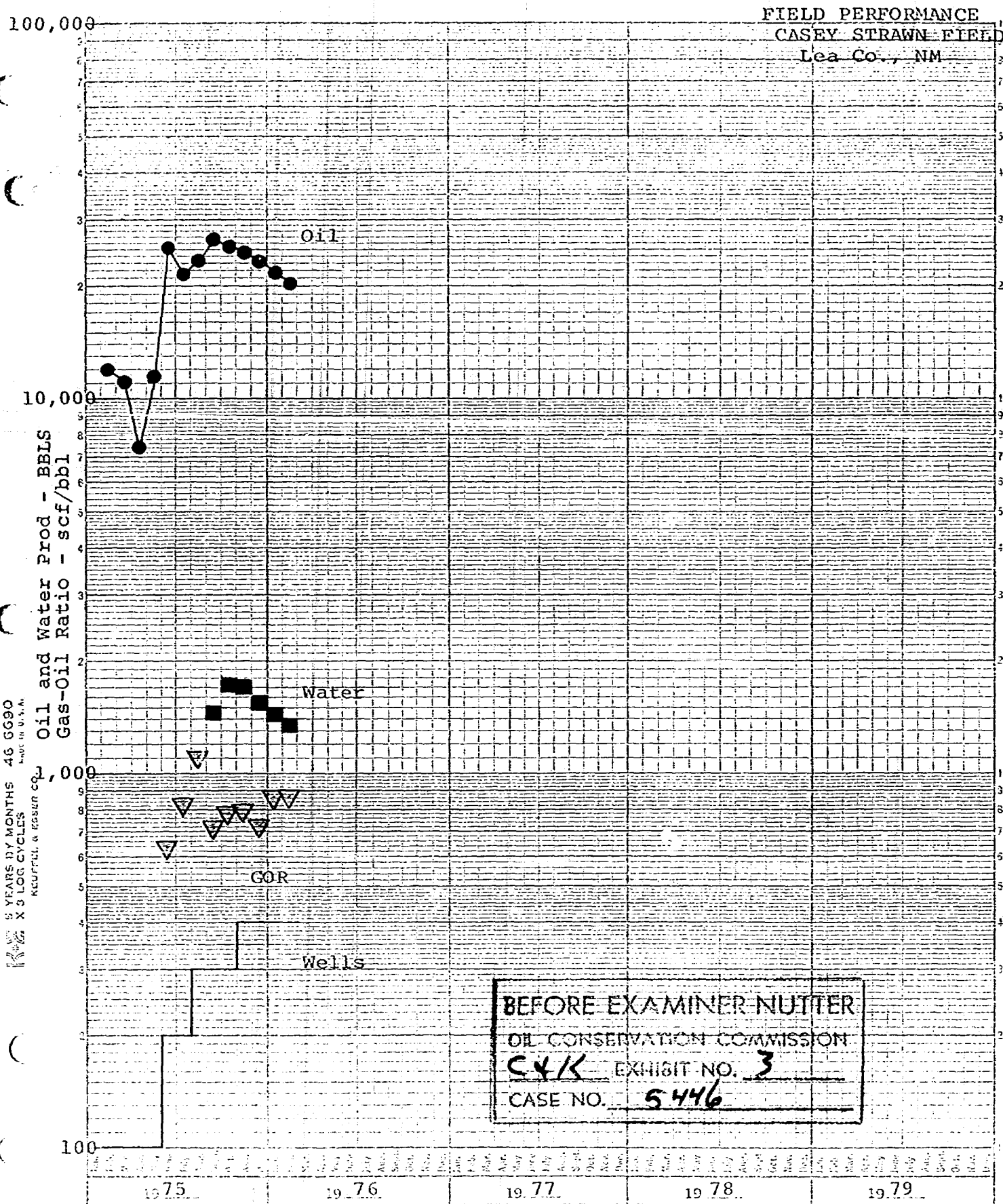
W. P. Stewart

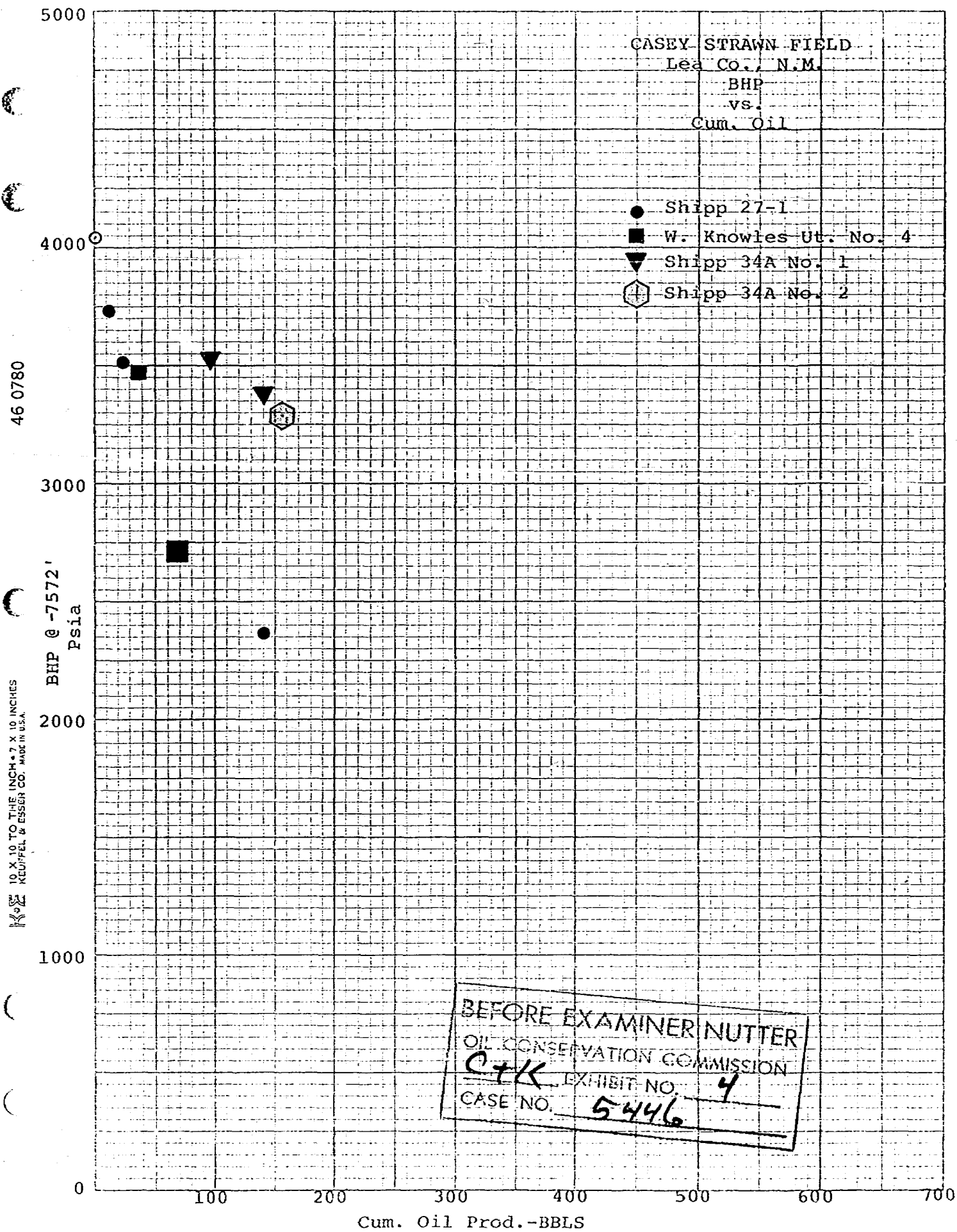
Feb. 4, 1976

CASEY STRAWN FIELD  
Lea Co., N.M.  
Production History

YEAR	MONTH	OIL-BBLS	CUM. OIL-BBLS	GAS-MCF	WATER-BBLS	NO. PROD. WELLS
1975	Feb.	12,096	12,096	0	24	1
	Mar.	11,196	23,292	0	24	1
	Apr.	7,506	30,798	0	24	1
	May	11,628	42,426	0	24	1
	Jun.	25,416	67,842	16,282	0	2
	Jul.	21,721	89,563	18,037	0	2
	Aug.	23,472	113,035	26,054	0	3
	Sept.	26,753	139,788	19,362	1446	3
	Oct.	25,451	165,239	19,871	1718	3
	Nov.	24,897	190,136	19,974	1699	4
	Dec.	23,400	213,536	17,010	1545	4
1976	Jan.	21,947	235,483	19,244	1429	4
	Feb.	20,460	255,943	17,936	1364	4

BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
C+K EXHIBIT NO. 2  
CASE NO. 5446



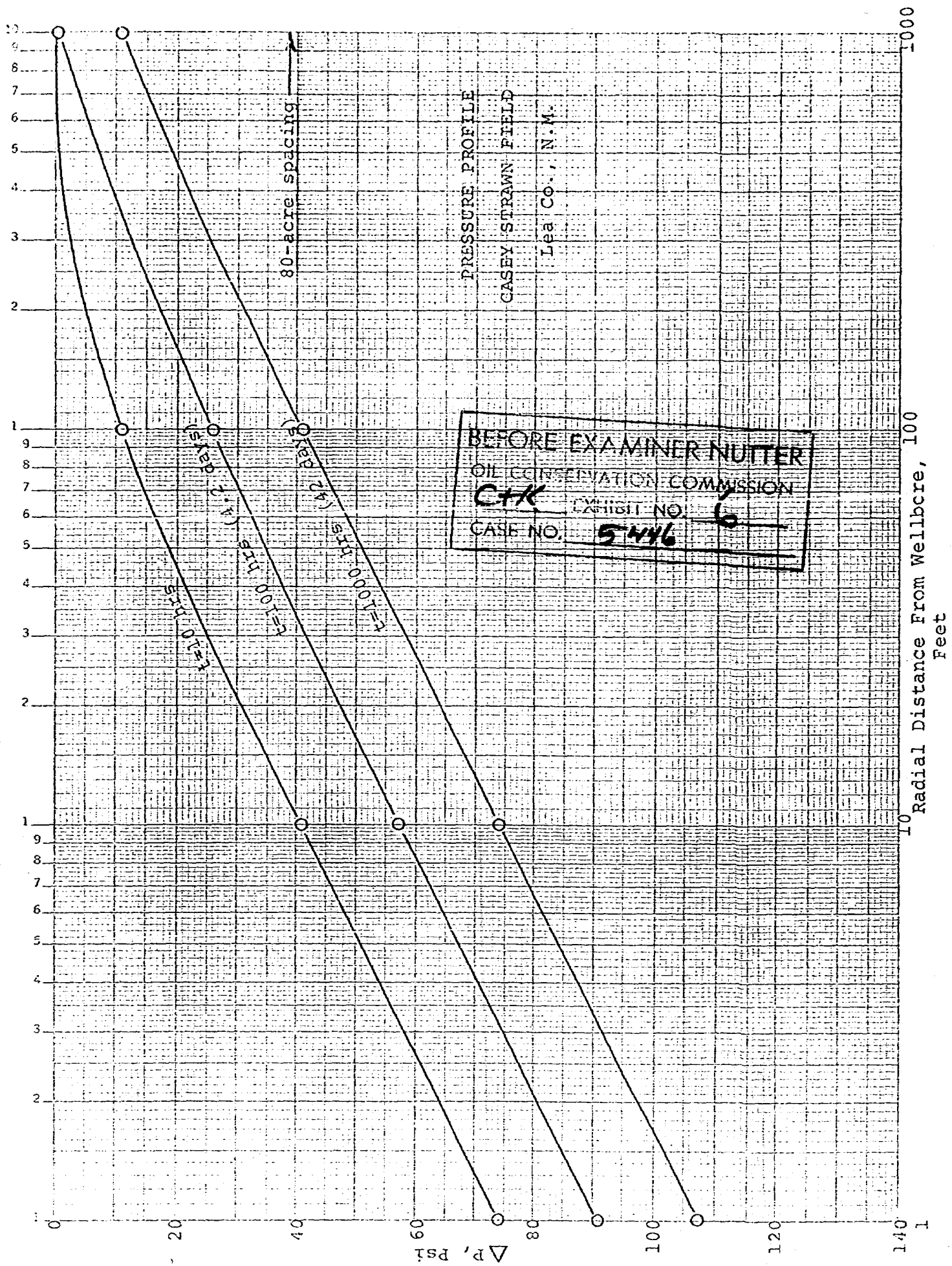


RESERVOIR DATA  
Casey Strawn Field  
Lea Co., N.M.

FIELD DISC. DATE	January 13, 1975
FORMATION	Strawn
AGE	Penn.
LITHOLOGY	Limestone
AVE. DEPTH	11,400'
TYPE OF TRAP	Strat.
PRODUCING MECHANISM	Soln. Gas Drive
OIL GTY.	43° API
OIL VISC.	0.3 cp est.
GAS GTY.	0.96
INIT. BHP	4032 psig
B.P. PRESS.	2700 psi est.
BHT	162°F
FVF	1.53 est
SOLN. GOR	800 SCF/BBL est
AVE. POROSITY	9.0%
AVE. PERM	44 md
AVE. NET PAY	36
AVE. WATER SAT	20%

BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
C+K EXHIBIT NO. 5  
CASE NO. 5446

No. 22 SEMI-LOGARITHMIC  
 3 CYCLES X 140 DIVISIONS  
 AG 5810  
 MADE IN U.S.A.  
 NEUFFEL & EDGER CO.



DRAINAGE CALCULATIONS  
CASEY STRAWN FIELD  
Lea Co., N.M.

$$\begin{aligned}\text{OSTOIP} &= \frac{7758 \phi (1-S_w)}{B_o} \\ &= \frac{7758 \times .09 \times (1-.20)}{1.53} \\ &= 365 \text{ STB/AF}\end{aligned}$$

Assuming 80-acre drainage

OIP 80 ac. :  $365 \times 36 \times 80 = 1,051,437 \text{ STB}$   
Ave. Rec. : 187,500 STB/Well  
Rec. Eff. : 17.8% of OSTOIP

Assuming 40-acre drainage

OIP 40 ac. :  $365 \times 36 \times 40 = 525,719 \text{ STB}$   
Ave. Rec. : 187,500 STB/Well  
Rec. Eff. : 35.7% of OSTOIP

Ave. Recovery for Soln. Gas Drive Lm. or Dolo. Reservoir with 43° API Gty. Oil and 1000 SCF/BBL GOR is estimated to be 5 BBLs/Acre-Foot per Percent Porosity. (Arps & Roberts, AIME Transaction, 1955).

$$\therefore \text{Drainage Area} = \frac{187,500 \text{ BBLs}}{5 \frac{\text{BBLs}}{\text{AF}} / \% \times 36\text{F} \times 9\%} = 116 \text{ acres}$$

Recovery Factor for Soln. Gas Drive Reservoirs (E.T. Guerrero, Oil and Gas Journal, Aug. 28, 1961)

Ave. 18% of OSTOIP  
Range 12% to 25% of OSTOIP

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
C+K	EXHIBIT NO. 2
CASE NO.	5446



REC'D  
APR 12 1976

C & K Petroleum, Inc.

April 12, 1976

C & K Petroleum, Inc.  
600 C & K Building  
Midland, TX 79701

Attention: Mr. Louis Moseley

Re: Spacing for Casey-Strawn Pool  
Lea County, New Mexico

Gentlemen:

Concerning the above topic, Mesa Petroleum Co., operates only one well in the Casey Strawn Pool. That well, located 660' FNL & 1980' FEL of Sec 34, T16S, R37E and entitled West Knowles No. 4 is offset to the south by a dry hole. The West Knowles No. 7, which spots 1980' FNL and 2130' FEL of the same section, was bottomed at 11,580' but plugged and abandoned on December 3, 1975. The West Knowles No. 7 is actually a 40 acre offset to the West Knowles No. 4.

We believe that the Strawn reservoir can easily be drained from the present 80 acre well spacings. Preliminary reservoir engineering findings strongly indicate this to be true. We urge you to request to the Oil Conservation Commission that the well spacing remain at 80 acres.

Yours truly,

*Michael P. Houston*

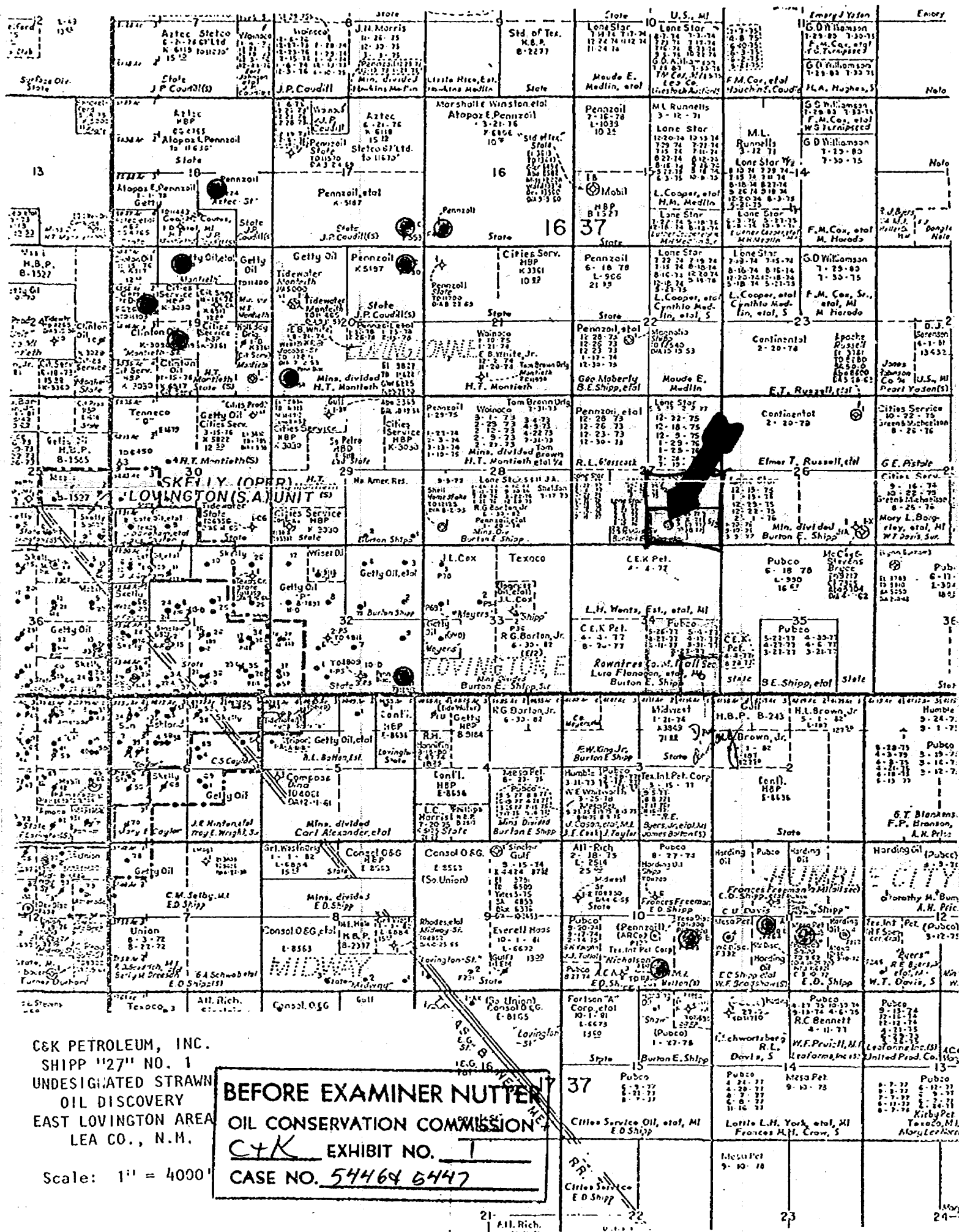
Michael P. Houston  
Division Engineer

MPH/ld

XC: L. M. Carnes  
J. L. Farrell  
M. E. Causey

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
C&K	EXHIBIT NO. 8
CASE NO. 5446	





C&K PETROLEUM, INC.  
SHIPP "27" NO. 1  
UNDESIGNATED STRAWN  
OIL DISCOVERY  
EAST LOVINGTON AREA  
LEA CO., N.M.

Scale: 1" = 4000'

BEFORE EXAMINER NUTTER

OIL CONSERVATION COMMISSION

C+K EXHIBIT NO. 1

CASE NO. 54464 6447

37

Cities Service Oil, et al, MI  
E.O. Shipp

Cities Service  
E.O. Shipp

21

All Rich.

23

Pubco  
9-10-10

Pubco  
9-10-10

24

Pubco  
9-10-10

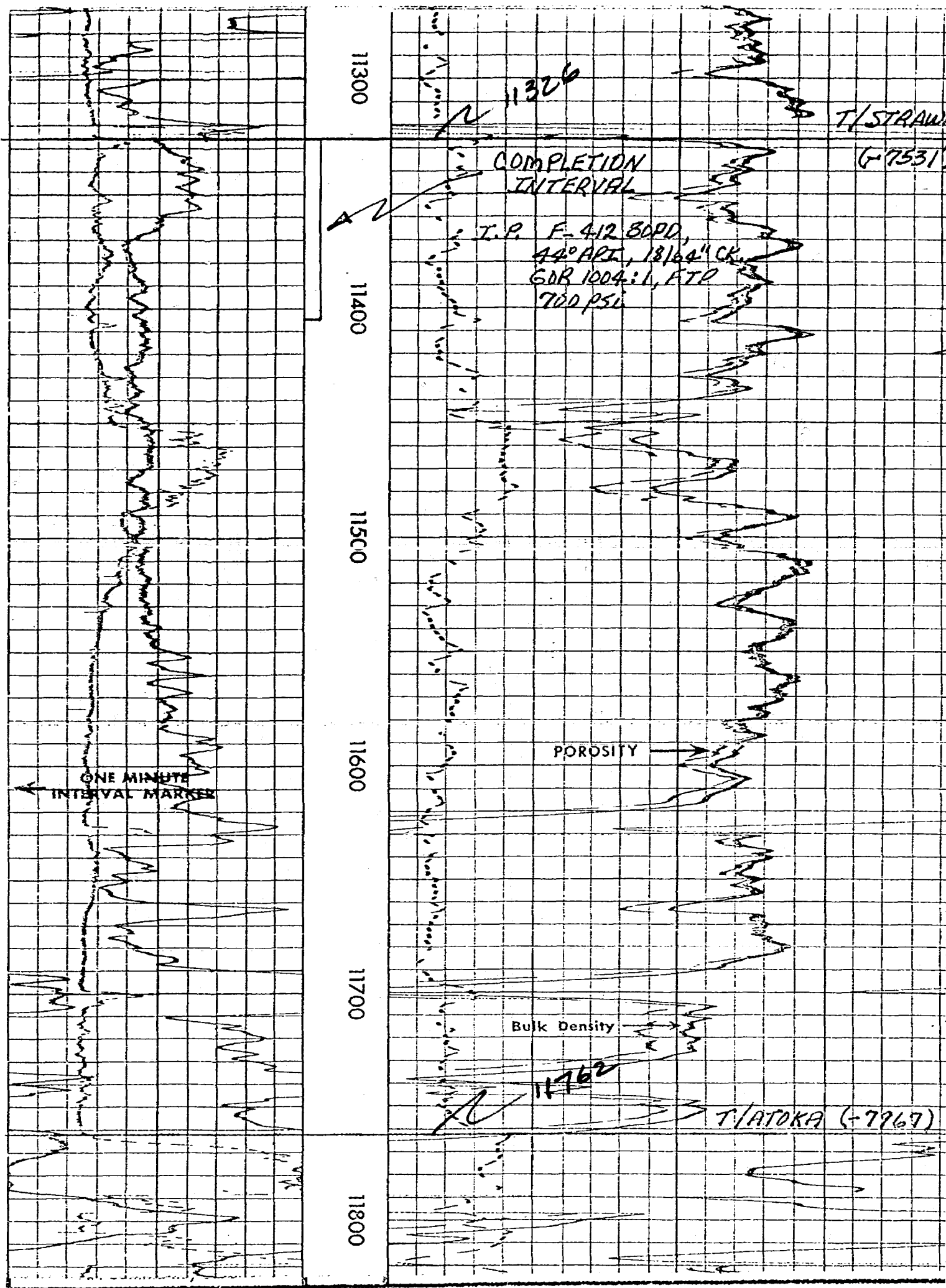
24

Pubco  
9-10-10

Pubco  
9-10-10

24

Pubco  
9-10-10



C & K Petroleum, Inc.  
Shipp "27" # 1  
Wildcat  
Lea County, New Mexico

BEFORE EXAMINER NUTTER

OR CONSERVATION COMMISSION

C&K EXHIBIT NO. 2

CASE NO. 5446 & 5447

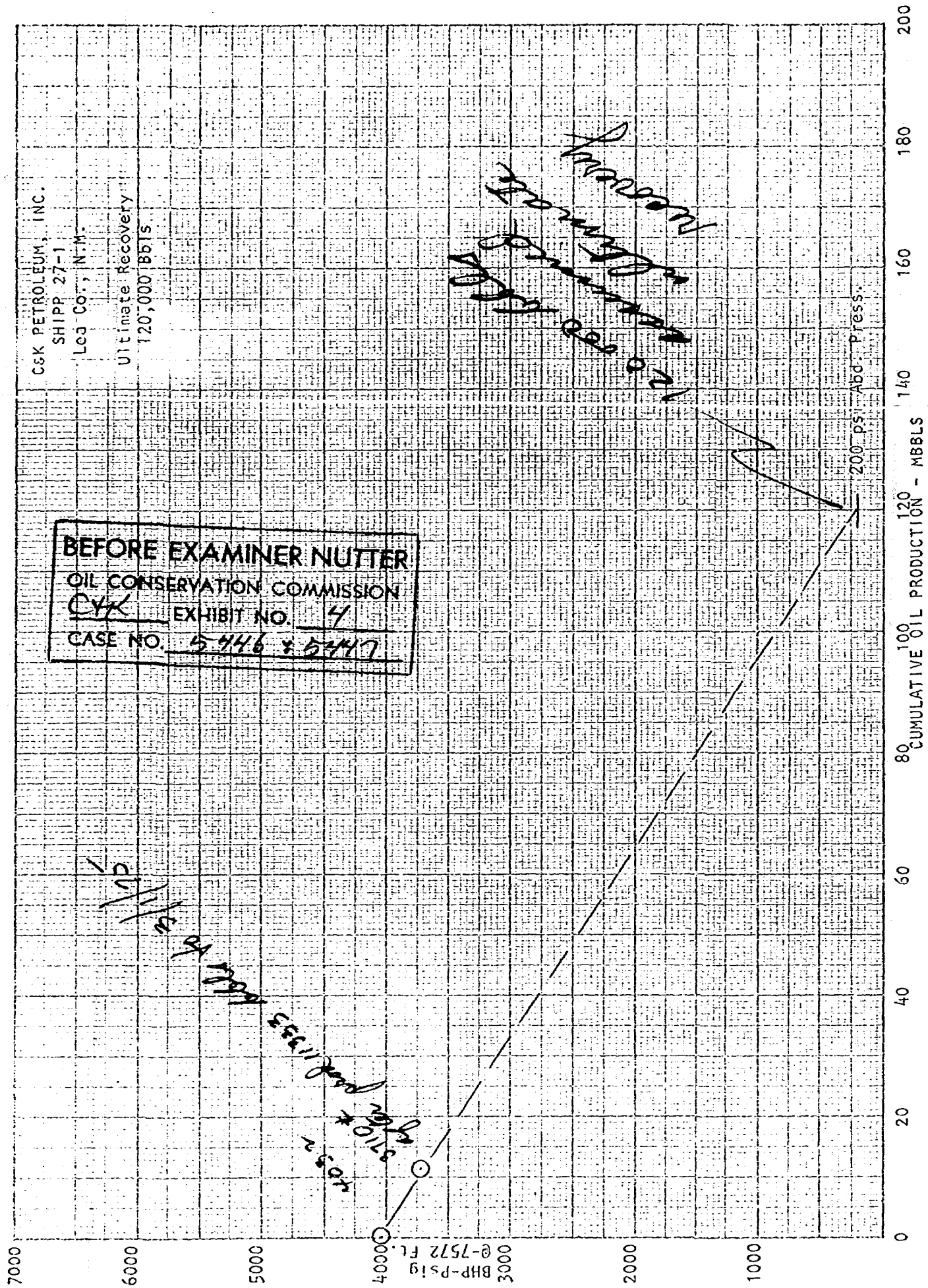
T.D. LOGGED	12,314'
T.D. DRILLER	12,333'
T.D. WELEX	12,315'

C&K PETROLEUM, INC.  
 SHIPP "27" NO. 1  
 EAST LOVINGTON AREA  
 LEA CO., N.M.

<u>1975</u> <u>Month</u>	<u>Oil-Bbls</u>	<u>Gas-MCF</u>	<u>Water-Bbls</u>
January	1113	1117 est.	0
February	10,220	10,261 est.	0
Cum. to 3/1/75	11,333	11,378 est.	0

BEFORE EXAMINER NUTTER  
 OIL CONSERVATION COMMISSION  
 C&K EXHIBIT NO. 3  
 CASE NO. 5446 & 5447

20 X 20 TO THE INCH 4G 1240  
7 X 10 INCHES  
MADE IN U.S.A.  
KRUPTOL & CATER CO.



# BEFORE EXAMINER NUTTER

OIL CONSERVATION COMMISSION

C4K EXHIBIT NO. 5

CASE NO. 544645442

C & K PETROLEUM, INC.  
EAST LOVINGTON AREA (STRAWN)  
LEA CO., N.M.  
DEVELOPMENT ECONOMICS

## ASSUMPTIONS:

### 80 ACRE SPACING

Expense Interest- 100%  
Revenue Interest- 87.5%  
Oil Price- \$12.00/Bbl  
Gas Price- \$ 0.50/MCF  
Prod. Tax- 7.8%  
Oper. Exp.- \$300/Well-Month  
Cost Per Completed Well- \$600,000  
Ultimate Recovery- 120,000 Bbls + 120 MMCF  
Life- 9 Yrs.

### 40 ACRE SPACING

100%  
87.5%  
\$12.00/Bbl  
\$0.50/MCF  
7.8%  
\$300/Well-Month  
\$600,000  
120,000 Bbls + 120 MMCF  
4.5 Yrs.

## TOTAL INCOME TO FULL W.I.:

Gross Revenue- \$1,500,000  
Less 1/8 Roy.- \$1,312,500  
Less Prod. Tax (7.8%)-- \$1,210,125

\$1,500,000  
\$1,312,500  
\$1,210,125

## TOTAL INVESTMENT

\$ 600,000 (1-well)

\$1,200,000 (2-Well)

## TOTAL OPER. EXP.

\$ 32,400

\$ 32,400

## TOTAL PROFIT TO FULL W.I.

\$ 577,725

(\$ 22,275)

## UNDISC. PROFIT/INVESTMENT RATIO

0.96

# AUTHORITY FOR EXPENDITURE

No. \_\_\_\_\_

Date 1/28/75

Lease Shipp

Well No. 2

Field Stepout

Depth 11,800'

Location \_\_\_\_\_

Reason for Request To drill and complete a Strawn well

BEFORE EXAMINER NUTTER OIL CONSERVATION COMMISSION EXHIBIT NO. <u>6</u> CASE NO. <u>54464 5447</u>		ESTIMATED COST TO CASING POINT	COMPLETION COST AFTER CASING POINT
INTANGIBLE DRILLING & DEVELOPMENT			
1. Surveying		\$ 200.00	\$
2. Roads and Location		5,000.00	
3. Damages		750.00	
4. Contract Drilling: MI & RU @ \$		10,000.00	
Day work: 55 days @ \$ 2600.00/day		143,000.00	
5. Cement & Cementing Services:			
Surface sax @ \$		1,850.00	
Intermediate sax @ \$		3,500.00	
Oil String sax @ \$			9,000.00
6. Drilling Fluids		25,000.00	
7. Drill Stem Testing: 2 Tests @ 1200/ea		2,400.00	
8. Coring & Analysis			
9. Electric Log		7,500.00	450.00
10. Perforating			1,100.00
11. Acidizing & Fracturing			5,000.00
12. Pulling units			5,000.00
13. Plugging			
14. Trucking		2,000.00	1,500.00
15. Geology		3,000.00	
16. Miscellaneous including bits & fuel		60,000.00	
17. Tool Rentals, Special Services		4,000.00	2,000.00
18. Contract Labor			1,500.00
19. Contract Overhead		3,000.00	750.00
20. Engineering			
21. Supervision		2,000.00	1,500.00
22. Insurance @ 1.323/ft.		15,600.00	
23. Contingencies		26,200.00	2,200.00
TOTAL INTANGIBLE DRILLING & DEVELOPMENT		\$ 315,000.00	\$ 30,000.00
EQUIPMENT (Itemized)			
24. Casing - Surface 400' - 13-3/8" @ \$16.80/ft		7,000.00	
Intermediate 8-5/8" 2400' @ 10.50/ft. 2400' @ 16.50		67,000.00	
Production 5" - 12,000' @ \$7/ft			84,000.00
25. Tubing 2-3/8" 12000' @ \$4.00/ft			48,000.00
26. Guide Shoes, Float, & Centralizers		650.00	1,400.00
27. Well Head		2,000.00	3,500.00
28. Tanks & Separators			18,000.00
29. Flow Lines			1,000.00
30. Valves & Fittings			1,500.00
Production Packers			1,500.00
31. Pumping Equipment			
Rods			
32. Other		7,350.00	16,100.00
TOTAL EQUIPMENT		\$ 84,000.00	\$ 175,000.00
TOTALS		\$ 399,000.00	\$ 205,000.00
TOTAL DRILLING & COMPLETION COSTS			\$ 604,000.00

ACCEPTED: \_\_\_\_\_ Date \_\_\_\_\_

Company \_\_\_\_\_

By \_\_\_\_\_

Your Interest \_\_\_\_\_ \$ \_\_\_\_\_

APPROVED: \_\_\_\_\_

C & K PETROLEUM, INC.

By \_\_\_\_\_

Operator's Interest \_\_\_\_\_ \$ \_\_\_\_\_

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
CYK	EXHIBIT NO. 7
CASE NO. 5446 & 5447	

UNIT OWNERSHIP  
SHIPP "27" NO. 1  
LEA CO., N.H.

✓ SE/4 of Section 27:

Burton Shipp, as his separate property-----	1/12
Annie Laurie Shipp, as her separate property-----	1/12
Gordon M. Cone, whose wife is Kathleen Cone-----	1/96
H. Dillard Schenck, whose wife is L. Kirby Schenck-----	17/480
Mrs. E. R. Waggoner, a widow-----	1/128
C. E. Summy-----	1/128
- D. H. Stone and Richard Stone-----	1/128
F. N. Casburn-----	1/256
Mrs. Pilar Mansour, individually and as Trustee under the will of M. J. Mansour, deceased-----	1/128
Roy G. Barton, whose wife is Opal Barton-----	27/1280
Charles P. Miller-----	31/5120
Roy Madding-----	1/64

\*Denotes unleased interest.

C. P. Yadon, whose wife is Eileen R. Yadon-----	1/64
Lucky Wright Royal Syndicate-----	3/128
Cannon B. McMahan, whose wife is Marguerite McMahan-----	17/128
R. E. Boyle, whose wife is Sweetie Boyle-----	17/128
Howell Spear, as his separate property-----	3/512
Ellie Spear, a single woman, as her separate property-----	3/512
E. L. Cooper-----	60% of 1/384
Eugene Coffelt, whose wife is Viola Coffelt, as his separate property-----	3/3840
J. H. Ward Hinkson, as his separate property-----	1/384
Jane Blain Baker, as her separate property-----	1/1152
Ella F. Blain, as her separate property-----	1/1152
Esther L. Blain, as her separate property-----	1/1152
Ann W. Morris, Executrix of the Estate of James Norman Morris, deceased-----	1/3840*
M. B. Webster-----	1/16*
Petroleum Landowners Corporation, Ltd.-----	1/128*
Guy J. Nations-----	1/128*
Harry E. Seehorn-----	1/256*
The Estate of M. P. Carrow, deceased---	1/768*
J. V. Ringold-----	1/768*
J. D. Parks-----	1/768*
H. M. Parks-----	1/768*

\*Denotes unleased interest.



C. W. Parks-----	1/768*
George E. Senner-----	1/768*
Ruth Armstrong-----	1/384*
Lou Etta Bellamy Dick-----	1/768*
Luther Emery-----	1/256*
Jack Markham-----	31/2560*
W. C. Barnes-----	1/64*
June D. Speight-----	103/640*
Heritage Resources, Inc.-----	1/64*
Petroleum Corporation of Texas-----	1/64*
Sun Oil Company-----	1/24*
Graridge Corporation-----	1/192*
Lerna Parke, a widow, for her life with remainder upon her death to Mrs. Robert L. Christopher-----	1/320*
Penrose Production Company-----	31/5120*
J. Hiram Moore, Betty Jane Moore and Michael Harrison Moore, Trustees under Trust Indenture dated July 1, 1971-----	3/256*

\*Denotes unleased interest.



February 27, 1975

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
C & K	EXHIBIT NO. 8
CASE NO. 544645447	

Re: Compulsory Pooling Order R-4857  
SW/4 SE/4 Sec. 27, T-16-S, R-37-E,  
Lea County, New Mexico

TO NON-CONSENT WORKING INTEREST  
AND MINERAL INTEREST OWNERS  
(address list attached)

Gentlemen:

This letter is to advise you that C & K Petroleum, Inc. has made application before the New Mexico Conservation Commission to amend the subject pooling order to cover a larger spacing unit for our Shipp "27" #1 well located in SW/4 SE/4 Sec. 27, T-16-S, R-37-E.

Our application requests that eighty acres be established as the proration unit for this well and that the S/2 SE/4 Sec. 27 be designated as the unit.

Very truly yours,

C & K PETROLEUM, INC.

W. D. Kennedy  
Executive Vice-President

/dml

Address list attached to letter dated February 27, 1975  
Non-Consent Working Interest & Mineral Owners  
Shipp "27" #1

PARTY

INTEREST

✓ Texaco Inc.  
Box 3109  
Midland, Texas 79701

Leasehold (16.67% WI)

✓ Ruth Armstrong  
address unknown

Unleased mineral interest  
(1/384 or .26041%)

✓ Luther Emery  
address unknown

Unleased mineral interest  
(1/256 or .39062%)

Lenora Parke, widow, for life  
with remainder to Mrs. Robert L  
Christopher  
address unknown

Unleased mineral interest  
(1/320 or .3125%)

✓ J. V. Ringold, 3111 1/2  
address unknown

Unleased mineral interest  
(1/768 or .13020%)

J. D. Parks  
address unknown

Unleased mineral interest  
(1/768 or .13020%)

H. M. Parks  
address unknown

Unleased mineral interest  
(1/768 or .13020%)

C. W. Parks  
address unknown

Unleased mineral interest  
(1/768 or .13020%)

Ann Morris Marshall, Individually  
and as Independent Executrix of  
the Estate of J. Norman Morris,  
deceased, 2865 MacVicar Avenue,  
Topeka, Kansas 66611

Unleased mineral interest  
(1/3840 or .02604%)

AND  
Leasehold (116/15360 or  
.007552% WI)

Dockets Nos. 13-76 and 14-76 are tentatively set for hearing on April 28 and May 12, 1976. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 14, 1976

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

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stenets, Alternate Examiner:

ALLOWABLE: (1) Consideration of the allowable production of gas for May, 1976, from seventeen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.

(2) Consideration of the allowable production of gas for May, 1976, from five prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 5663: Application of Anne Burnett Tandy dba Windfohr Oil Company for 12 unorthodox oil well locations and an administrative procedure, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of 12 oil wells to be drilled to the San Andres formation at the following locations in the Grayburg-Jackson Unit, Township 17 South, Range 30 East, Eddy County, New Mexico:

in Section 13: extreme SE/corner of Units E and O, the extreme SW/corner of Unit N, the extreme NE/corner of Units J and K, and the extreme NW/corner of Units M, N, O, and P;

in Section 14: the extreme SE of Unit H;

in Section 24: the extreme SW/corner of Unit C and extreme NW/corner of Unit D.

Applicant further seeks the establishment of an administrative procedure whereby the above wells could be relocated and other similar unorthodox locations approved without notice and hearing.

CASE 5664: Application of Mesa Petroleum Company 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. 2, located in Unit F of Section 18, Township 23 South, Range 30 East, Eddy County, New Mexico, to produce gas from the Atoka and Morrow formations through parallel strings of tubing.

CASE 5665: Application of Howard Boatwright Company, Inc. for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Delaware formation through the open-hole interval from 2979 to 3180 feet in its State GS Well No. 1 located in Unit L of Section 17, Township 21 South, Range 27 East, Burton Flats Field, Eddy County, New Mexico.

CASE 5666: Application of Belco Petroleum Corporation 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 and below the Pennsylvanian formation underlying the E/2 of Section 7, Township 22 South, Range 27 East, Eddy County, New Mexico, to be dedicated to a well to be drilled 2410 feet from the North line and 560 feet from the East line of said Section 7. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5667: Application of Belco Petroleum Corporation for approval of an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Morrow test well to be drilled 660 feet from the North line and 1480 feet from the West line of Section 19, Township 21 South, Range 35 East, Osado-Morrow Gas Pool, Lea County, New Mexico, the N/2 of said Section 19 to be dedicated to the well.

CASE 5443: (Reopened)

In the matter of Case 5443 being reopened pursuant to the provisions of Order No. R-4994, which order established special rules and regulations for the East Lusk-Bone Spring Oil Pool, Lea County, New Mexico, including a provision for 160-acre spacing and proration units. All interested parties may appear and show cause why said pool should not be developed on less than 160-acre spacing units.

CASE 5446: (Reopened)

In the matter of Case 5446 being reopened pursuant to the provisions of Order No. R-4992, which order established special rules and regulations for the Casey-Strawn Pool, Lea County, New Mexico, including a provision for 80-acre spacing. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units.

CASE 5652: (Continued & Readvertised)

Application of Continental Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Basin-Dakota gas and Otero-Gallup oil production in the wellbores of the following wells on its Northeast Haynes Lease in Township 24 North, Range 5 West, Rio Arriba County, New Mexico:

- No. 1 in Unit L of Section 9
- No. 2 in Unit D of Section 16
- No. 3 in Unit P of Section 16
- No. 4 in Unit E of Section 21
- No. 5 in Unit E of Section 22
- No. 6 in Unit D of Section 15
- No. 7 in Unit L of Section 10
- No. 8 in Unit P of Section 15

CASE 5668: Application of Anadarko Production Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced water into the Queen formation through the perforated interval from approximately 4553 to 4881 feet in its New Mexico "W" State Well No. 1, located in Unit O of Section 21, Township 18 South, Range 34 East, East E-K Queen Pool, Lea County, New Mexico.

CASE 5669: Southeastern New Mexico nomenclature case calling for an order for the creation and extension of certain pools in Chaves, Eddy, Lea, and Roosevelt Counties, New Mexico.

a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Queen production and designated as the Eidson-Queen Pool. The discovery well is the Hanson Oil Corporation Caldonia Well No. 1, located in Unit N of Section 11, Township 16 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM  
Section 11: S/2  
Section 12: SW/4

b) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the McKittrick Hills-Atoka Gas Pool. The discovery well is the Southern Union Production Company Shelby Federal Well No. 1, located in Unit H of Section 13, Township 22 South, Range 24 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 24 EAST, NMPM  
Section 13: N/2

c) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the McKittrick Hills-Strawn Gas Pool. The discovery well is the Southern Union Production Company Shelby Federal Well No. 1, located in Unit H of Section 13, Township 22 South, Range 24 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 24 EAST, NMPM  
Section 13: N/2

d) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Upper Pennsylvanian production and designated as the McKittrick Hills-Upper Pennsylvanian Gas Pool. The discovery well is the Southern Union Production Company Shelby Federal Well No. 2, located in Unit K of Section 12, Township 22 South, Range 24 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 24 EAST, NMPM  
Section 12: S/2

e) CREATE a new pool in Chaves County, New Mexico, classified as a gas pool for Strawn production and designated as the South Newmill-Strawn Gas Pool. The discovery well is the Marathon Oil Company State 27 Well No. 1, located in Unit M of Section 27, Township 4 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 4 SOUTH, RANGE 27 EAST, NMPM  
Section 27: V/2

f) CREATE a new pool in Roosevelt County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the South Prairie-Wolfcamp Pool. The discovery well is the SNE Operating Company New Mexico Federal Well No. 1, located in Unit I of Section 20, Township 8 South, Range 36 East, NMPM. Said pool would comprise:

TOWNSHIP 8 SOUTH, RANGE 36 EAST, NMPM  
Section 20: SE/4

- g) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Springs production and designated as the Salt Lake-Bone Springs Pool. The discovery well is the Flag-Redfern Oil Company Hanson State Well No. 1, located in Unit N of Section 13, Township 20 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 32 EAST, NMPM  
Section 13: SW/4

- h) CREATE a new pool in Chaves County, New Mexico, classified as a gas pool for Atoka production and designated as the Sand Ranch-Atoka Gas Pool. The discovery well is the Depco, Inc. Midwest Federal Well No. 1, located in Unit O of Section 23, Township 10 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 10 SOUTH, RANGE 29 EAST, NMPM  
Section 23: S/2

- i) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the Sheep Draw-Strawn Gas Pool. The discovery well is the Corinne Grace Cueva Unit Well No. 1, located in Unit K of Section 6, Township 23 South, Range 26 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 26 EAST, NMPM  
Section 6: W/2

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

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM  
Section 13: All

- k) EXTEND the South Carlsbad-Canyon Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 26 EAST, NMPM  
Section 13: S/2

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

TOWNSHIP 22 SOUTH, RANGE 26 EAST, NMPM  
Section 36: W/2

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM  
Section 32: E/2

TOWNSHIP 23 SOUTH, RANGE 26 EAST, NMPM  
Section 10: E/2  
Section 34: N/2

TOWNSHIP 23 SOUTH, RANGE 27 EAST, NMPM  
Section 20: S/2

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

TOWNSHIP 21 SOUTH, RANGE 25 EAST, NMPM  
Section 2: Lots 9 through 16 & S/2  
Section 28: All

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

TOWNSHIP 9 SOUTH, RANGE 30 EAST, NMPM  
Section 8: NW/4

- o) EXTEND the Chaveroo-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 32 EAST, NMPM  
Section 1: SE/4  
Section 2: NW/4

- p) EXTEND the Golden Lane-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 30 EAST, NMPM  
Section 33: W/2

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

TOWNSHIP 17 SOUTH, RANGE 26 EAST, NMPM  
Section 15: E/2

- r) EXTEND the South Lucky Lake Queen Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM  
Section 16: S/2 SE/4  
Section 21: NE/4 NE/4

CASE 5446: Application of C & K Petroleum, Inc., for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a new oil pool for Strawn production for its Shipp "27" Well No. 1, located in Unit O of Section 27, Township 16 South, Range 37 East, Lea County, New Mexico, and the promulgation of temporary special rules therefor, including a provision for 80-acre proration units.

CASE 5447: Application of C & K Petroleum, Inc., for amendment of Order No. R-4857, Lea County, New Mexico. Applicant, in the above-styled cause, seeks amendment of Order No. R-4857, which order pooled all mineral interests in the Pennsylvanian formation underlying the SW/4 SE/4 of Section 27, Township 16 South, Range 37 East, Lea County, New Mexico, to pool all such mineral interests underlying the S/2 SE/4 of said Section 27.

CASE 5428: (Continued from the February 19, 1975, Examiner Hearing)  
Application of Amax Chemical Corporation for the extension of the Potash-Oil Area, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the extension of the Potash-Oil Area in Eddy County, New Mexico, as defined by Order No. R-111-A, as amended, by the addition of the following described lands:

TOWNSHIP 19 SOUTH, RANGE 29 EAST  
Section 13: S/2 SE/4  
Section 14: W/2 SW/4  
Section 23: N/2 NW/4, SE/4 NW/4, S/2 NE/4  
Section 24: NW/4, W/2 NE/4, NE/4 NE/4

TOWNSHIP 19 SOUTH, RANGE 30 EAST  
Section 14: W/2 NE/4  
Section 18: SW/4



Docket No. 7-75

Jockets Nos. 8-75 and 9-75 are tentatively set for hearing on April 2, and April 16, 1975. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 19, 1975

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

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas from seventeen prorated pools in Lea, Eddy, Roosevelt, and Chaves Counties, New Mexico, for April, 1975;
- (2) Consideration of the allowable production of gas from five prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for April, 1975.

CASE 5415: (Continued from the February 19, 1975, Examiner Hearing)

Application of Burk Royalty Co., for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Double L Queen Unit Area, comprising 2670 acres, more or less, of Federal, State, and fee lands in Townships 14 and 15 South, Ranges 29 and 30 East, Chaves County, New Mexico.

CASE 5409: (Continued & Readvertised)

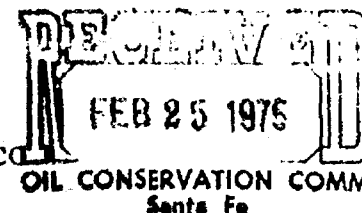
Application of Atlantic Richfield Company for a non-standard gas proration unit, an unorthodox gas well location, and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 320-acre non-standard gas proration unit comprising the SE/4 of Section 12 and the NE/4 of Section 13, both in Township 24 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its George W. Toby WN Wells Nos. 4, 1, and 1-A, located, respectively, in Units I and P of said Section 12 and in Unit A of said Section 13.

CASE 5438: Application of Exxon Corporation for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of temporary special rules for the Fairview Mills-Wolfcamp Gas Pool, Township 25 South, Range 34 East, Lea County, New Mexico, including a provision for 640-acre spacing units.

CASE 5439: Application of Gulf Oil Corporation for the amendment of Order No. R-4079, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-4079, which order, as amended, authorized the commingling, prior to measurement, of Hobbs Grayburg-San Andres, Hobbs-Blaine, and Bowers-Seven Rivers production from its W. D. Grimes "A" and "B" Leases in Sections 32 and 33, Township 18 South, Range 38 East, Lea County, New Mexico, to include in said commingling authority Hobbs-Drinkard production.

- CASE 5440: Application of Gulf Oil Corporation for two unorthodox oil well locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its South Penrose Skelly Wells Nos. 220 and 262 to be located, respectively, 1034 feet from the South line and 2635 feet from the West line of Section 5 and 1300 feet from the South line and 1139 feet from the East line of Section 8, both in Township 22 South, Range 37 East, Penrose Skelly Pool, Lea County, New Mexico. Applicant further seeks the amendment of Order No. R-2794 to provide an administrative procedure for the approval of additional unorthodox locations for injection and producing wells within the South Penrose Skelly Unit Area.
- CASE 5441: Application of J. Gregory Merrion and Robert L. Bayless for down-hole commingling, Rio Arriba County, New Mexico. Applicants, in the above-styled cause, seek authority to commingle undesignated Gallup and Basin-Dakota production in the wellbore of the El Paso Canyon Largo NP Well No. 1, located in Unit K of Section 3, Township 24 North, Range 6 West, Rio Arriba County, New Mexico.
- CASE 5442: Application of David Fasken for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of his Feil Federal Well No. 1, to be drilled 660 feet from the North and West lines of Section 28, Township 20 South, Range 25 East, Cemetery-Morrow Gas Pool, Eddy County, New Mexico, the N/2 of said Section 28 to be dedicated to the well.
- CASE 5443: Application of Sun Oil Company for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new oil pool for Bone Spring production for its Jennings-Federal Well No. 1, located in Unit F of Section 15, Township 19 South, Range 32 East, Lea County, New Mexico, and the promulgation of special pool rules therefor, including a provision for 160-acre proration units.
- CASE 5444: Application of C & K Petroleum, Inc., for pool creation and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a new gas pool for production from the Wolfcamp formation for its Harold Olive Com No. 1 Well, located in Unit O of Section 14, Township 22 South, Range 26 East, Eddy County, New Mexico, and the promulgation of temporary special rules therefor, including a provision for 320-acre spacing units.
- CASE 5445: Application of C & K Petroleum, Inc., for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp formation underlying the S/2 or, in the alternative, the SE/4 of Section 14, Township 22 South, Range 26 East, Eddy County, New Mexico, to be dedicated to its Harold Olive Com Well No. 1, located at an orthodox location in the SE/4 of said Section 14. 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 the risk involved in drilling said well.

BEFORE THE  
OIL CONSERVATION COMMISSION OF NEW MEXICO



IN THE MATTER OF THE APPLICATION OF  
C & K PETROLEUM, INC., FOR THE  
CREATION OF A POOL AND POOL RULES FOR PRO-  
DUCTION FROM THE STRAWN FORMATION, LEA  
COUNTY, NEW MEXICO

A P P L I C A T I O N

COMES NOW C & K PETROLEUM, INC., by and through its  
attorneys, KELLAHIN & FOX, and applies to the New Mexico  
Oil Conservation Commission for the designation of a  
new pool for production from the <sup>Strawn</sup> Bene Spring formation,  
and for pool rules therefor, and in support thereof  
would show the Commission:

1. Applicant is the operator of the Shipp "27" Well  
No. 1, located in the SW/4 SE/4 of Section 27, Township  
16 South, Range 37 East, Lea County, New Mexico.

2. Said well is a Strawn oil well completed in an  
undesignated pool.

3. Applicant seeks the creation of a new pool for  
production by subject well from the Strawn formation.

4. Applicant further seeks the promulgation of pool  
rules for said pool, including, but not limited to provisions  
for the location of wells, proration and spacing units of  
not less than 80 acres and for such other rules as the  
Commission deems appropriate.

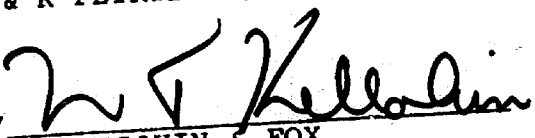
DOCKET MAILED

Date 3/6/75

WHEREFORE, Applicant respectfully requests that this application be set for hearing before the Commission's duly appointed Examiner and that after notice and hearing an order be entered granting the application as requested.

Respectfully submitted,

C & K PETROLEUM, INC.

By   
KELLAHIN & FOX  
Post Office Box 1769  
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

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. 5446 (Reopened)

Order No. R-4992-A

IN THE MATTER OF CASE 5446 BEING REOPENED PURSUANT  
TO THE PROVISIONS OF ORDER NO. R-4992, WHICH ORDER  
ESTABLISHED SPECIAL RULES AND REGULATIONS FOR THE  
CASEY-STRAWN POOL, LEA COUNTY, NEW MEXICO, INCLUDING  
A PROVISION FOR 80-ACRE SPACING.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 14,  
1976, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this        day of April, 1976, 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 by Order No. R-4992, dated April 1,  
1975, temporary special rules and regulations were promulgated  
for the Casey-Strawn Pool Pool, Lea  
County, New Mexico, establishing temporary 80 -acre spacing  
units and proration units and a depth bracket allowable of  
445 barrels per day.

(3) That pursuant to the provisions of Order No. R-4992,  
this case was reopened to allow the operators in the subject  
pool to appear and show cause why the Casey-Strawn Pool  
Pool should not be developed on 40 -acre spacing units, and a  
limiting gas oil ratio of        to       .

Case No. \_\_\_\_\_  
Order No. \_\_\_\_\_

(4) That the evidence establishes that one well in the  
Casey-Strawn \_\_\_\_\_ Pool can efficiently and  
economically drain and develop \_\_\_\_\_ 80 acres.

(5) That the Special Rules and Regulations promulgated by  
Order No. R-4992 have afforded and will afford to the owner  
of each property in the pool the opportunity to produce his just  
and equitable share of the oil and gas in the pool.

~~(6) That the Special Rules and Regulations  
for the Casey-Strawn Pool, as promulgated  
by Order No. R-4992, should be continued  
in full force and effect until further  
order of the Commission.  
developed on less than 80-acre proration units with a  
limiting oil-gas ratio of \_\_\_\_\_ to \_\_\_\_\_.~~

IT IS THEREFORE ORDERED:

(1) That the Special Rules and Regulations governing the  
Casey-Strawn \_\_\_\_\_ Pool, promulgated by Order  
No. R-4992, shall remain in full force and effect ~~for an~~  
~~additional period of one year.~~ *until further order of the Commission.*

~~(2) That this case shall be reopened at an examiner hearing  
in \_\_\_\_\_, 19\_\_\_\_, at which time the operators in  
the subject pool shall appear and show cause why the  
Casey-Strawn \_\_\_\_\_ Pool should not be developed on less  
than 80-acre proration units with a limiting oil-gas ratio  
of \_\_\_\_\_ to \_\_\_\_\_.~~

(3) 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.

-2-

Case No. 5305  
Order No. R-4857

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

(8) 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.

(9) 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.

(10) 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.

(11) 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.

(12) That \$205.00 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.

(13) 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.

(14) 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 December 15, 1974, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the SW/4 SE/4 of Section 27, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 40-acre oil

DRAFT

DSN/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. 5446

Order No. R-4992

APPLICATION OF C & K PETROLEUM,  
INC., FOR POOL CREATION AND SPECIAL  
POOL RULES, LEA COUNTY, NEW MEXICO.

NOMENCLATURE

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 19, 1975  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this \_\_\_\_\_ day of April, 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, C & K Petroleum, Inc., seeks  
the creation of a new oil pool for Strawn production in Lea  
County, New Mexico, ~~and the assignment of an oil discovery~~  
~~allowable in the amount of approximately 50,000 barrels to~~  
~~the discovery well.~~



1           (3) That the applicant also seeks the promulgation of  
2 special rules for said pool, including a provision for 80-acre  
3 proration units.

4           (4) That the evidence presently available indicates that  
5 the Shipp "27" Well No. 1, located in Unit O of Section 27,  
6 Township 16 South, Range 37 East, NMPM, Lea County, New Mexico,  
7 has discovered a separate common source of supply which should  
8 be designated the Casey-Strawn Pool; that the vertical limits  
9 of said pool should be the Strawn formation as found on the  
10 log of said Shipp "27" Well No. 1 from 11,326 to 11,762 feet,  
11 and that the horizontal limits of said pool should be the SE/4  
12 of said Section 27.

13           (5) That in order to prevent the economic loss caused by  
14 the drilling of unnecessary wells, to avoid the augmentation of  
15 risk arising from the drilling of an excessive number of wells,  
16 to prevent reduced recovery which might result from the drilling  
17 of too few wells, and to otherwise prevent waste and protect  
18 correlative rights, temporary special rules and regulations  
19 providing for 80-acre spacing units should be promulgated for  
20 the Casey-Strawn Pool.

21           (6) That the temporary special rules and regulations  
22 should provide for limited well locations in order to assure  
23 orderly development of the pool and protect correlative rights.

24           (7) That the temporary special rules and regulations  
25 should be established for a one-year period in order to allow  
26 the operators in the subject pool to gather reservoir information  
27 to establish the area that can be efficiently and economically  
28 drained and developed by one well.  
29  
30  
31  
32

1 (8) That this case should be reopened at an examiner  
2 hearing in April, 1976, at which time the operators in the  
3 subject pool should be prepared to appear and show cause why  
4 the Casey-Strawn Pool should not be developed on 40-acre spacing  
5 units.

6 IT IS THEREFORE ORDERED:

7 (1) That a new pool in Lea County, New Mexico, classified  
8 as an oil pool for Strawn production, is hereby created and  
9 designated the Casey-Strawn Pool, with vertical limits  
10 comprising the Strawn formation as found on the log of the  
11 Shipp "27" Well No. 1, located in Unit O of Section 27,  
12 Township 16 South, Range 37 East, NMPM, from 11,326 to 11,762  
13 feet, and horizontal limits comprising the following-described  
14 area:

15 TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM  
16 Section 27: SE 1/4

17 (2) That temporary Special Rules and Regulations for the  
18 Casey-Strawn Pool, Lea County, New Mexico, are hereby promulgated  
19 as follows:

20 SPECIAL RULES AND REGULATIONS  
21 FOR THE  
22 CASEY-STRAWN POOL

23 RULE 1. Each well completed or recompleted in the Casey-  
24 Strawn Pool or in the Atoka formation within one mile thereof,  
25 and not nearer to or within the limits of another designated  
26 Strawn oil pool, shall be spaced, drilled, operated, and  
27 produced in accordance with the Special Rules and Regulations  
28 hereinafter set forth.

29 RULE 2. Each well shall be located on a standard unit  
30 containing 80 acres, more or less, consisting of the N/2, S/2,  
31 E/2, or W/2 of a governmental quarter section; provided however,  
32 that nothing contained herein shall be construed as prohibiting  
the drilling of a well on each of the quarter-quarter sections  
in the unit.

1           RULE 3. The Secretary-Director of the Commission may grant  
2 an exception to the requirements of Rule 2 without notice and  
3 hearing when an application has been filed for a non-standard  
4 unit comprising a governmental quarter-quarter section or lot,  
5 or the unorthodox size or shape of the tract is due to a varia-  
6 tion in the legal subdivision of the United States Public Land  
7 Surveys. All operators offsetting the proposed non-standard  
8 unit shall be notified of the application by registered or  
9 certified mail, and the application shall state that such  
10 notice has been furnished. The Secretary-Director may approve  
11 the application upon receipt of written waivers from all offset  
12 operators or if no offset operator has entered an objection to  
13 the formation of the non-standard unit within 30 days after  
14 the Secretary-Director has received the application.

15           RULE 4. Each well shall be located within 150 feet of  
16 the center of a governmental quarter-quarter section or lot.

17           RULE 5. The Secretary-Director may grant an exception to  
18 the requirements of Rule 4 without notice and hearing when an  
19 application has been filed for an unorthodox location necessi-  
20 tated by topographical conditions or the recompletion of a well  
21 previously drilled to another horizon. All operators offsetting  
22 the proposed location shall be notified of the application by  
23 registered or certified mail, and the application shall state  
24 that such notice has been furnished. The Secretary-Director  
25 may approve the application upon receipt of written waivers  
26 from all operators offsetting the proposed location or if no  
27 objection to the unorthodox location has been entered within  
28 20 days after the Secretary-Director has received the application.

29           RULE 6. Top unit allowable for a standard proration unit  
30 (79 through 81 acres) shall be based on a depth bracket allow-  
31 able of 445 barrels per day, and in the event there is more  
32 than one well on an 80-acre proration unit, the operator may

produce the allowable assigned to the unit from the wells on the unit in any proportion.

The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the Casey-Strawn Pool or in the Strawn formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before April 15, 1975

(2) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the Casey-Strawn Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

Failure to file new Forms C-102 with the Commission dedicating 80 acres to a well or to obtain a non-standard unit approved by the Commission within 60 days from the date of this order shall subject the well to cancellation of allowable. <sup>said</sup> Until/~~the~~ Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the Casey-Strawn Pool or in the Strawn formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(3) That this case shall be reopened at an examiner hearing in April, 1976, at which time the operators in the subject pool should be prepared to appear and show cause why the Casey-Strawn Pool should not be developed on 40-acre spacing units.

(4) 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.

CASES 5446 - 5447  
Page.....2

BEFORE: Daniel S. Nutter, Examiner.

For the New Mexico Oil  
Conservation Commission:

William H. Carr, Esq.  
Legal Counsel for the Com-  
Mission  
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Santa Fe, New Mexico 87501

For C&K Petroleum, Inc.:

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