

CASE 5716: Atlantic Richfield Co.
for compulsory pooling and an *any*
unorthodox gas well location,
Eddy County, New Mexico

CASE NO.

5716

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

Atlantic Richfield Company

North American Producing Division

Permian District

Post Office Box 1810

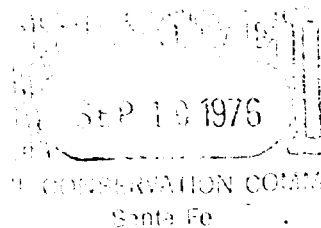
Midland, Texas 79701

Telephone 915 632 4631

C. L. McClure

District Land Manager

September 8, 1976



Tenneco Oil Company

P. O. Box 957

Denver, Colorado 80203

Attention: Mr. N. B. Venus

Continental Oil Company

P. O. Box 431

Midland, Texas 79701

Attention: Mr. Bill Marshall

Oil Conservation Commission

State of New Mexico

P. O. Box 2088

Santa Fe, New Mexico 87501

Subject: Empire State 33 Well #1
W/2 Section 33, T-17-S, R-28-E
Eddy County, New Mexico

Gentlemen:

Pursuant to New Mexico Oil Conservation Commission Order No. R-5257 dated August 11, 1976, Atlantic Richfield Company hereby furnishes an itemized schedule of estimated well costs for the Empire State 33 #1 well. We expect to spud this well within 30 days hereof.

Yours very truly,

Thomas R. Barr

THOMAS R. BARR
LAND DEPARTMENT

TRB:bk

Enclosure

Well name

Empire State 33 #1

T.D.

10,500

Location

Sec 33, T17S, R28E, Eddy County, New Mexico

Region

Western

District

Permian-West

Field

Undesignated Morrow

Objective

Morrow

@ 10,100

ft

@

ft

☐ Development☒ Single☒ Exploratory☐ Dual☐ Completion☐ Multiple

Data Processing Information

Trans. ident.

1 2 3 4

A F E E

A.F.E. Number

6 7 8 9 10 11

Update code

1 - Delete

3 - Add

Original/Revision Indicator

1 - Original

2 - Revision

Tangible costs

1. Tubular goods

10.75 " OD from 0 to 1000

7.625 " OD from 0 to 6700

4.5 " OD from 6500 to 10500

2.375 " OD from 0 to 10500

" OD from to

" OD from to

" OD from to

" OD from to

2. Casinghead and Christmas tree

3. Tubing accessories

4. Artificial lift accessories

5. Unclassified materials

Total tangibles

Intangible costs

212200

6. Testing tubular goods

7. Trucking tubular goods

8. Casing accessories

9. Site preparation, maint., clean up

10. Permits, insurance, damages

11. Moving expense

12. Boat & barge rental

13. Camp & catering

14. Boiler

15. Roads, airstrips & maintenance

16. Air freight & air transportation

17. Contract footage drilling

6700 ft @ 12.50 / ft

Contract daywork items 18 through 24.

18. Drilling 24 days @ \$3000 day

19. Casing 2 days @ \$3000 day

20. Fishing 1 days @ \$3000 day

21. Lost circ. & flows days @ \$ day

22. Log test & core 10 days @ \$3000 day

23. Shut down time days @ \$ day

24. Completion or plugging days @ \$ day

25. Completion unit daywork 14 days @ \$700 day

26. Rental DP, DC & related tools

27. Well control equipment

28. Drill bits 8 size 6.5

size

size

size

APR 1978

Dry hole

Completion costs

Detail

code

12 13 14

Total gross dollars

15 16 17 18 19 20 21 22

Major

account

23 24 25 26

Well name

Empire State 53 #1

Data Processing Information

Trans. ident.

1 2 3 4

A F E E

A.F.E. number

6 7 8 9 10 11

Update code

1 - delete

3 - add

Original revision indicator

1 - Original

2 - Revision

Estimated by

L. Knott

Date

12/22/75

Intangible cost (continued)

	Dry hole	Completion costs	Detail code	Total gross dollars	Major account
			12 13 14	15 16 17 18 19 20 21 22	23 24 25 26
29. Fuel, fresh water & drayage	15000		5 4 9		
30. Drilling mud materials & drayage	20000		5 5 1		
31. Drilling mud equipment	10000		5 5 2		
32. Air compressor rental or gas cost			5 5 3		
33. Air or gas drlg. accessories & drayage			5 5 4		
34. Open hole surveys	18000		5 5 7		
35. Data recording services			5 5 8		
36. Wireline formation tester			5 5 9		
37. Mud log	6000		5 6 0		
38. Cased hole surveys		1500	5 6 1		
39. Perforating fees		2500	5 6 2		
40. Sidewall coring			5 6 3		
41. Conv. diamond or wireline coring ft.			5 6 8		
42. Drill stem tests = 6	10000		5 7 2		
43. <input type="checkbox"/> Acidize <input type="checkbox"/> Fracture gal lbs		10000	5 7 7		
44. Cement & fees for casing					
10.75 " OD Circ sacks	3500				
7.625 " OD Circ sacks	14000				
4.5 " OD Circ sacks		8000			
" OD sacks					
" OD sacks					
" OD sacks					
45. Cement & fees for squeezes or plugs		5000	5 7 9		
46. Fishing tool rental & drayage	10000		5 8 0		
47. Directional drlg. tool rental & drayage			5 8 1		
48. Operations - prorated	1000	1000	5 9 0		
49. Unclassified tool rental & drayage	1000	1000	5 8 7		
50. Unclassified drayage & supplies	1000	1000	5 9 4		
51. Unclassified services & material losses	10000	2000	5 8 9		
52. Overhead	1000	1000	5 9 2		
53. Supervision by contract personnel			1 0 5		
54. Supervision by A.R.Co. personnel	3700	1800	1 0 6		
Total intangibles					
Total cost (tangibles & intangibles)	354350	52100			
Completed well cost (dry hole & comp.)	471750	146900			
		618650			

AR3B-153-1-A

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. 5716
Order No. R-5257

APPLICATION OF ATLANTIC RICHFIELD
COMPANY FOR COMPULSORY POOLING AND AN
UNORTHODOX GAS WELL LOCATION, EDDY
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 21, 1976,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 11th day of August, 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 the applicant, Atlantic Richfield Company, seeks
an order pooling all mineral interests in the Pennsylvanian
formation underlying the W/2 of Section 33, Township 17 South,
Range 28 East, NMPM, Empire Field, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes
to drill a well at an unorthodox location 1315 feet from the
South line and 1315 feet from the west line of said Section 33.

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

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

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 128 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$1700.00 per month while drilling and \$210.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence production of the well to which said unit is dedicated on or before November 15, 1976, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the W/2 of Section 33,

Township 17 South, Range 28 East, NMPM, Empire Field, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox location 1315 feet from the South line and 1315 feet from the West line of said Section 33.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of November, 1976, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of November, 1976, Order (1) of this order shall be null and void and of no effect whatsoever; unless said operator obtains a time extension from the Commission for good cause shown.

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

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

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

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

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

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

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

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 128 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$1700.00 per month while drilling and \$210.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

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

-5-

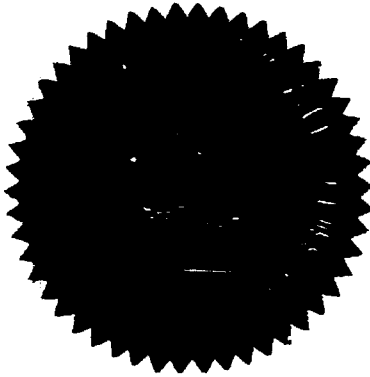
Case No. 5716

Order No. R-5257

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

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

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



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Phil R. Lucero
PHIL R. LUCERO, Chairman

Emery C. Arnold
EMERY C. ARNOLD, Member

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

dr/

Memo

From

R. L. STAMETS
Technical
Support Chief

To

As this well is being drilled as an infill location in the Empire Abo Pool it should have value to the Unit as an Abo well.

The risk factor was reduced to reflect the value of an Abo well. $\frac{\$200,000}{\$618,000} = 36\%$
 $100\% - 36\% \times 200 = 128\%$



August 4, 1976

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

Re: Case No. 5716

Dear Mr. Stamets:

Your letter of July 30, 1976 presents questions regarding our cost estimates for a Morrow well and an Abo well. I will respond in the order presented. The questions are:

- (1) What is the substantial difference in the per foot cost of the 2.375-inch tubing between the two wells based upon?

I have consulted with our drilling people responsible for preparation of these estimates and find several factors are involved. The cost on the Morrow estimate is for 2.875-inch tubing not 2.375-inch tubing as shown. Also the deeper Morrow well requires a higher grade steel than the Abo well which is more expensive and spreads the cost differential further. In addition, the Morrow estimate was made in December 1975, the Abo estimate in July 1976. Because of supply limitations during 1975 that have since eased, we were using higher unit prices for steel in 1975 than we are in July 1976. These cumulative factors account for the substantial difference. We did not feel that this change had enough impact on the total estimate to merit a revision.

- (2) Likewise, what controls the difference in dollar rate for footage drilled (\$12.50 vs. \$10.00)?

This difference is controlled by the diameter of the hole drilled. The Morrow test requires a larger hole to run 7.625-inch casing than the 5.5-inch casing for the Abo well.

Mr. R. L. Stamets
August 4, 1976
Page 2

- (3) Why are no costs for well control equipment, drill bits, drilling mud equipment and cement fees for squeezes and plugs shown on the Abo well estimate?

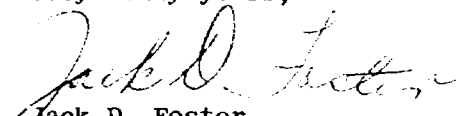
The Abo well is set up on a footage contract to total depth whereby most of these items are furnished by the drilling contractor under the footage rate. The Morrow well is set up on a footage contract to 6700 feet and a daywork contract from 6700 feet to total depth. Under the daywork portion of the contract these items are furnished by the company hiring the drilling contractor. These are normal contracts for each of these wells.

This does not apply to cement fees for squeezes and plugs. The Morrow well is exploratory and squeezes and plugs are anticipated. The Abo well is an inside development well where squeezes and plugs are considered unlikely.

I hope the above will satisfy your inquiry.

We would like to reiterate that there are no agreements whereby Atlantic Richfield Company will receive funds from the Empire Abo Unit in support of this well. The cost is to be carried by Atlantic Richfield Company whether the Morrow test is a producer or dry hole.

Very truly yours,


Jack D. Foster

JDF/gh

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

July 30, 1976

Mr. Jack D. Foster
Atlantic Richfield Co.
Box 1610
Midland, Texas 79701

Re: Case No. 5710

Dear Mr. Foster:

In comparing well costs estimates for a Morrow well as shown on Exhibit No. 4 in the subject case and for an Abo well as shown on the attachment to your letter of July 23, 1976, questions have arisen as follows:

- (1) What is the substantial difference in the per foot cost of the 2.375-inch tubing between the two wells based upon?
- (2) Likewise, what controls the difference in dollar rate for footage drilled (\$12.50 vs. \$10.00)?
- (3) Why are no costs for well control equipment, drill bits, drilling mud equipment, and cement fees for squeezes and plugs shown on the Abo well estimate?

As soon as your response to these questions is received, I shall be able to proceed with this matter.

Very truly yours,

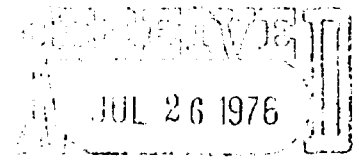
R. L. STAMETS
Technical Support Chief

RLS/dr

Atlantic Richfield Company North American Producing Division
Permian District
Post Office Box 1610
Midland, Texas 79701
Telephone 915 682 8631



July 23, 1976



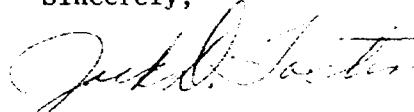
Mr. Dick Stamets
c/o Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

Re: Docket 21-76
Case 5716

Dear Mr. Stamets:

The drilling cost estimate for a typical Empire Abo well that you requested during the above captioned hearing is enclosed. I trust this will supply the data you require.

Sincerely,


Jack D. Foster

JDF/gh

Enclosure

cc: Mr. Clarence E. Hinkle

Well name

L.D.

Location
Empire Abo Unit

6350

Region

District

Field

Western

Permian West

Empire Abo

Objective

Abo Formation

@ 5800 ft.

ft.

☒ Development☒ Single☐ Exploratory☐ Dual☐ Completion☐ Multiple

Data Processing Information

Trans. ident.				
1	2	3	4	5
A	F	E	E	

A.F.E. Number					
6	7	8	9	10	11

Update code
1 = Delete
3 = AddOriginal/Revision Indicator
1 = Original
2 = Revision

Tangible costs

1. Tubular goods

8,625 " OD from 0 to 1000
5.5 " OD from 0 to 6350
2,375 " OD from 0 to 6250
" OD from to
" OD from to
" OD from to
" OD from to
" OD from to

Dry hole

8000

Completion costs

33100
11500

Detail code

12 13 14

5 8 5

6 5 5

5 2 3

Total gross dollars

15 16 17 18 19 20 21 22

Major account

23 24 25 26

2. Casinghead and Christmas tree

2200

3700

5 0 4

3. Tubing accessories

2500

5 0 6

4. Artificial lift accessories

5 0 7

5. Unclassified materials

500

1000

5 0 8

Total tangibles

10700

51800

Intangible costs

62500

6. Testing tubular goods

1000

5 6 9

7. Trucking tubular goods

500

1000

5 0 9

8. Casing accessories

1200

2500

5 1 2

9. Site preparation, maint., clean up

3500

5 1 4

10. Permits, insurance, damages

5 1 5

11. Moving expense

5 1 7

12. Boat & barge rental

5 1 8

13. Camp & catering

5 2 2

14. Boiler

5 2 5

15. Roads, airstrips & maintenance

5 5 6

16. Air freight & air transportation

5 2 8

17. Contract footage drilling

6350 ft @ \$ 10 / ft.

63500

5 3 2

Contract daywork (Items 18 through 24)

18. Drilling days @ \$ /day

5 3 3

19. Casing days @ \$ /day

5 3 4

20. Fishing days @ \$ /day

5 3 6

21. Lost circ. & flows 1 days @ \$2800 /day

2800

5 3 7

22. Log test & core 3 days @ \$2800 /day

8400

5 3 8

23. Shut down time days @ \$ /day

5 3 9

24. Completion or plugging days @ \$ /day

5 4 1

25. Completion unit daywork 8 days @ \$750 /day

6000

5 4 2

26. Rental, DP, DC, & related tools

5 4 3

27. Well control equipment

500

5 4 7

28. Drill bits # size

5 4 8

size

size

size

size

AR30-153-C

Well Name

Empire Abo Unit

Data Processing Information

Estimated By

ARCo - Hobbs Drilling Dept.

Date

July 22, 1976

Intangible cost (continued)

Trans. ident.

1	2	3	4
A	F	E	E

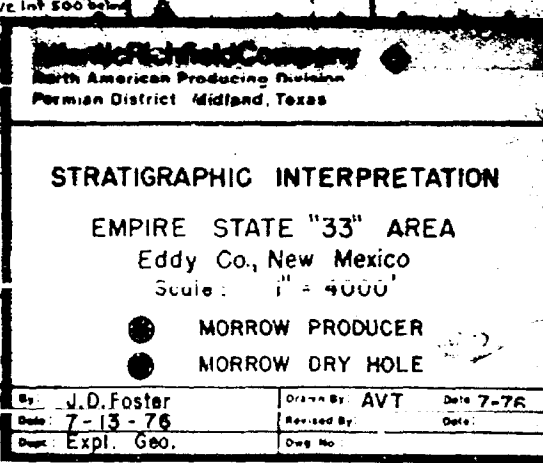
A.F.E. number

6	7	8	9	10	11

Update code
1 delete
3 addOriginal/revision indicator
1 Original
2 Revision

	Dry hole	Completion costs	Detail code	Total gross dollars	Major account
			12 13 14	15 16 17 18 19 20 21 22	23 24 25 26
29. Fuel, fresh water & drayage	4000		5 4 9		
30. Drilling mud materials & drayage	8000		5 5 1		
31. Drilling mud equipment			5 5 2		
32. Air compressor rental or gas cost			5 5 3		
33. Air or gas drlg. accessories & drayage			5 5 4		
34. Open hole surveys	9300		5 5 7		
35. Data recording services			5 5 8		
36. Wireline formation tester			5 5 9		
37. Mud log			5 6 0		
38. Cased hole surveys		1500	5 6 1		
39. Perforating fees		1700	5 6 2		
40. Sidewall coring			5 6 3		
41. Conv. diamond or wireline coring ft.			5 6 8		
42. Drill stem tests = 2	5500		5 7 2		
43. <input checked="" type="checkbox"/> Acidize <input type="checkbox"/> Fracture gal lbs		5000	5 7 7		
44. Cement & fees for casing					
8.625 " OD circ sacks	3000		6 8 5		
5.5 " OD circ sacks		12000	6 5 5		
" OD sacks					
" OD sacks					
" OD sacks					
45. Cement & fees for squeezes or plugs			5 7 9		
46. Fishing tool rental & drayage			5 8 0		
47. Directional drlg. tool rental & drayage			5 8 1		
48. Operations - prorated	1000	1000	5 9 0		
49. Unclassified tool rental & drayage	1000	1000	5 8 7		
50. Unclassified drayage & supplies	1000	1000	5 9 4		
51. Unclassified services & material losses	6000	1500	5 8 9		
52. Overhead	800	500	5 9 2		
53. Supervision by contract personnel			1 0 5		
54. Supervision by ARCo personnel	1800	800	1 0 6		
Total intangibles					
158300	121300	37000			
Total cost (tangibles & intangibles)					
	132000	88800			
Completed well cost (dry hole & comp.)					
	220800				

1000





Well name

Empire State 33 #1

Location

TD

10,500

Sec 33, T17S, R28E, Eddy County, New Mexico

Region

Western

Objective

District

Permian-West

Field

Undesignated Morrow

Morrow

@ 10,100 ft

@

ft

☐ Development☒ Single☒ Exploratory☐ Dual☐ Completion☐ Multiple

Data Processing Information

Trans. Ident.

1 2 3 4

A F E E

5

A.F.E. Number

6 7 8 9 10 11

Update code

1 - Delete

3 - Add

Original/Revision Indicator

1 - Original

2 - Revision

Tangible costs

1. Tubular goods

10.75" OD from 0 to 1000

7.625" OD from 0 to 6700

4.5" OD from 6500 to 10500

2.375" OD from 0 to 10500

" OD from to

" OD from to

" OD from to

" OD from to

2. Casinghead and Christmas tree

3. Tubing accessories

4. Artificial lift accessories

5. Unclassified materials

Total tangible costs

Intangible costs

212200

6. Testing tubular goods

7. Trucking tubular goods

8. Casing accessories

9. Site preparation, maint. clean up

10. Permits, insurance, damages

11. Moving expense

12. Boat & cargo rental

13. Camp & catering

14. Boiler

15. Ponds, airstrip & maintenance

16. Air freight & air transportation

17. Contract, surface drilling

6700 12.50 ft

Contract drilling - items 13 through 20

18. Drilling 24 days @ \$3000 day

19. Casing 2 days @ \$3000 day

20. Fishing 1 days @ \$3000 day

21. Lost circ & flows days @ \$ day

22. Log test & core 10 days @ \$3000 day

23. Shut down time days @ \$ day

24. Completion or plugging days @ \$ day

25. Completion unit day-work 14 days @ \$700 day

26. Rental DP, DG & related tools

27. Well control equipment

28. Drill bits 8 size 6.5

size

size

size

size

ADDITIONAL

Dry hole

19300

92100

27400

52900

5000

10000

3500

1000

1000

117400

94800

1500

1000

3500

4000

1000

83750

72000

6000

3000

30000

9800

6000

500

18400

Detail costs

12 13 14

5 0 4

5 0 6

5 0 7

5 0 8

5 6 9

5 0 9

5 1 2

5 1 4

5 1 5

5 1 7

5 1 8

5 2 2

5 2 2

5 2 5

5 5 6

5 2 8

5 3 2

5 3 3

5 3 4

5 3 6

5 3 7

5 3 8

5 3 9

5 4 1

5 4 2

5 4 3

5 4 7

5 4 8

Total gross dollars

15 16 17 18 19 20 21 22

Well name

Empire State 33 #1

Estimated by

L. Knott

Date

12/22/75

Intangible cost (continued)

Data Processing Information

Tran. Ident.

1 2 3 4

A F E E

A.F.E. number

6 7 8 9 10 11

Update code

1 delete

3 add

Original revision indicator

1 Original

2 Revision

	Dry hole	Completion costs	Detail code	Total gross dollars	Major account
			12 13 14	15 16 17 18 19 20 21 22	23 24 25 26
29. Fuel, fresh water & drayage	15000		5 4 9		
30. Drilling mud materials & drayage	20000		5 5 1		
31. Drilling mud equipment	10000		5 5 2		
32. Air compressor rental or gas cost			5 5 3		
33. Air or gas drg. accessories & drayage			5 5 4		
34. Open hole surveys	18000		5 5 7		
35. Data recording services			5 5 8		
36. Wireline formation tester			5 5 9		
37. Mud log	6000		5 6 0		
38. Cased hole surveys		1500	5 6 1		
39. Perforating fees		2500	5 6 2		
40. Sidewall coring			5 6 3		
41. Conv. diamond or wireline coring ft.			5 6 8		
42. Drill stem tests = 6	10000		5 7 2		
43. <input type="checkbox"/> Acidize <input type="checkbox"/> Fracture gal lbs		10000	5 7 7		
44. Cement & fees for casing					
10.75 " OD Circ sacks	3500				
7.625 " OD Circ sacks	14000				
4.5 " OD Circ sacks		8000			
" OD sacks					
" OD sacks					
" OD sacks					
45. Cement & fees for squeezes or plugs		5000	5 7 9		
46. Fishing tool rental & drayage	10000		5 8 0		
47. Directional drg. tool rental & drayage			5 8 1		
48. Operations - prorata	1000	1000	5 9 0		
49. Unclassified tool rental & drayage	1000	1000	5 8 7		
50. Unclassified drayage & supplies	1000	1000	5 9 4		
51. Unclassified services & material losses	10000	2000	5 8 9		
52. Overhead	1000	1000	5 9 2		
53. Supervision by contract personnel			1 0 5		
54. Supervision by A.R.Co. personnel	3700	1800	1 0 6		
Total Intangibles					
	354350	52100			
Total cost (tangibles & intangibles)					
	471750	146900			
Completed well cost (dry hole & comp.)					
		618650			

AR3D-153-1-A

Atlantic Richfield Company

North American Producing Division

Permian District

Post Office Box 1610

Midland, Texas 79701

Telephone 915 682 8631

C. H. McClure

District Land Manager



March 30, 1976

Tenneco Oil Company

P. O. Box 957

Denver, Colorado 80203

Attention: Mr. N. B. Venus

Continental Oil Company

P. O. Box 431

Midland, Texas 79701

Attention: Mr. Bill Marshall

Subject: Proposed Operating Agreement

Empire State 33 Well No. 1

W/2 Section 33, T-17-S, R-28-E

Eddy County, New Mexico

Gentlemen:

Atlantic Richfield Company proposes to form a 320 acre working interest unit and communitization consisting of the W/2 of Section 33, T-17-S, R-28-E, Eddy County, New Mexico, for the purpose of drilling a 10,500 foot Morrow test to be located 1320 feet from the south and west lines of Section 33. We would propose the operating agreement be limited to cover rights between the base of the Empire Abo unitized formation and the base of the Pennsylvanian formation.

According to our information, the W/2 of Section 33 is owned as shown below:

Atlantic Richfield Company	87.5%
Tenneco Oil Company	6.25%
Continental Oil Company	6.25%

We ask that you consider joining Atlantic Richfield Company in the drilling of this well. If you desire to join, we will submit an operating agreement and AFE for your approval. If, however, you are unable to join as a paying party, we ask that you farmout to Atlantic Richfield Company reserving 1/16th overriding royalty with the option to convert the override to 1/2 working interest after we have recovered 100% of our cost of drilling, completing, equipping and operating the well. The override and option to convert to a working interest would be proportionately reduced to accord with the farming out party's original interest in the unit.

Empire State 33 Well No. 1
Page 2
March 30, 1976

We desire to commence this test as soon as possible and therefore request a letter from you advising of your decision to join or farmout.

Very truly yours,

WM. L. EMBRY
LAND DEPARTMENT

WLE:bk

cc: Continental Oil Company
P. O. Box 460
Hobbs, New Mexico 88240
Attention: Mr. L. P. Thompson

*Bill Embury
Please keep
with file.*

Tenneco Oil
A Tenneco Company

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



April 14, 1976

Atlantic Richfield Company
Box 1610
Midland, Texas 79701

Attention: Mr. Wm. L. Embry, Land Department

Re: Your Proposed Operating Agreement - Empire State 33 Well No. 1
W $\frac{1}{2}$ Section 33, T-17-S, R-28-E, Eddy County, New Mexico
(35037, Tr. E, Red Lake Empire)

Gentlemen:

We have received and perused the captioned as contained in your March 30, 1976 transmittal to Continental and Tenneco.

This is to advise you that we still are not interested in joining or farming out our NW $\frac{1}{4}$ NW $\frac{1}{4}$ of said Section 33.

With Atlantic Richfield owning the remainder of this section, we again suggest dedicating the S $\frac{1}{2}$ of this section to this test, rather than proposing the West half; which puts both Continental and Tenneco in the position of sharing the risk of this test, which we do not care to do.

Yours truly,

N. B. Venus

cc - Mr. L. P. Thompson
Continental Oil Co.
Box 460
Hobbs, N. M. 88240

Mr. Ronald L. Cheek
Continental Oil Co.
Box 1959
Midland, TX 79701

RECEIVED
APR 19 1976
ATLANTIC RICHFIELD COMPANY
LAND DEPT.

OK



Midland Division
Exploration Department
Western Hemisphere Petroleum Division

Continental Oil Company
P.O. Box 1959
Midland, Texas 79701
(915) 684-7411

May 10, 1976

Atlantic Richfield Company
P. O. Box 1610
Midland, Texas 79701

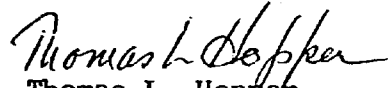
Attention: Mr. Wm. L. Embry - Land Department

Proposed Operating Agreement - Empire 33 Well No. 1 - W/2 Section 33, T-17-S, R-28-E, Eddy County, New Mexico - Continental Lease No. 161314

Gentlemen:

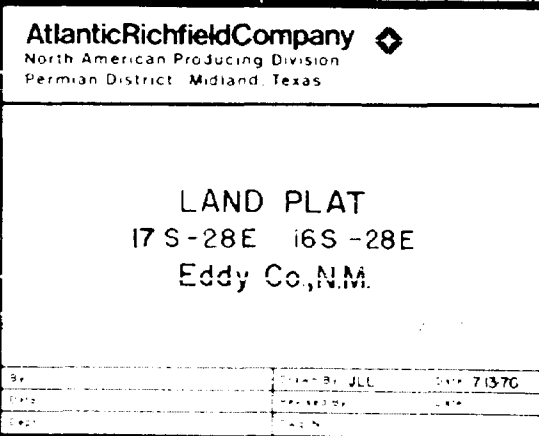
Continental concurs with Tenneco's position as stated in their letter of April 14, 1976, regarding the captioned.

Yours very truly,

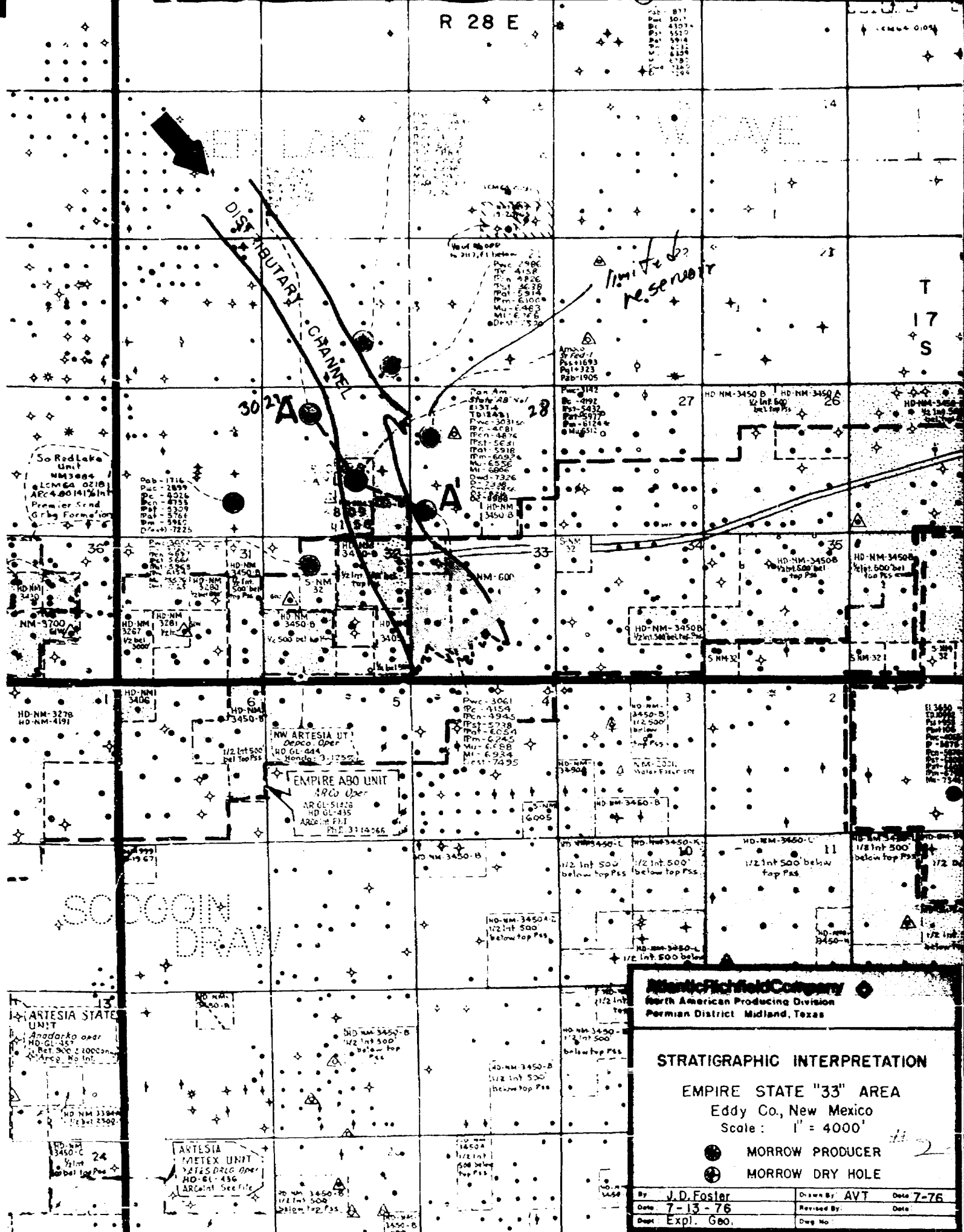

Thomas L. Hopper
Landman
Midland Division

TLH:MB

RECEIVED
MAY 11 1976
ATLANTIC RICHFIELD COMPANY
LAND DEPT.



R 28 E





Well name

Empire State 33 #1

Location

10

10,500

Sec 33, T17S, R28E, Eddy County, New Mexico

Region

Western

Objective

District

Permian-West

Field

Undesignated Morrow

Morrow

@ 10,100

ft

@

ft

☐ Development☒ Single☒ Exploratory☐ Dual☐ Completion☐ Multiple

Data Processing Information

Trans. Ident.

1	2	3	4
A	F	E	E

5

A.F.E. Number

6	7	8	9	10	11

Update code

1 = Delete

3 = Add

Original/Revision Indicator

1 = Original

2 = Revision

Tangible costs

1. Tubular goods

10.75" OD from 0' to 1000'

7.625" OD from 0' to 6700'

4.5" OD from 6500' to 10500'

2.375" OD from 0' to 10500'

" OD from ' to '

" OD from ' to '

" OD from ' to '

" OD from ' to '

" OD from ' to '

2. Casinghead and Christmas tree

3. Tubing accessories

4. Artificial lift accessories

5. Unclassified materials

Total tangibles

Intangible costs

212200

6. Testing tubular goods

7. Trucking tubular goods

8. Casing accessories

9. Site preparation, main clean up

10. Permits, insurance, damages

11. Moving expense

12. Boat & cargo rental

13. Camp & catering

14. Boiler

15. Bonus, air strips & maintenance

16. Air freight & air transportation

17. Contract location of log

6700' 12.50' ft

Contract drilling terms 12 months 24

18. Drilling 24 days \$ 3000 day

19. Casing 2 days \$ 3000 day

20. Fishing 1 day \$ 3000 day

21. Lost circ. & flows days \$ day

22. Log test & core 10 days \$ 3000 day

23. Shut down time days \$ day

24. Completion or plugging days \$ day

25. Completion unit daywork 14 days @ \$700/day

26. Rental DP, DC & related tools

27. Well control equipment

28. Drill bits # 8 size 6.5

= size

= size

= size

= size

= size

= size

= size

= size

Dry hole

Completion costs

Detail

Code

12 13 14

15 16 17 18 19 20 21 22

23 24 25 26

27 28 29 30 31 32

33 34 35 36 37 38

39 40 41 42 43 44

45 46 47 48 49 50

51 52 53 54 55 56

57 58 59 60 61 62

63 64 65 66 67 68

69 70 71 72 73 74

75 76 77 78 79 80

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765 766 767 768 769 770

771 772 773 774 775 776

777 778 779 780 781 782

783 784 785 786 787 788

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819 820 821 822 823 824

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897 898 899 900 901 902

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921 922 923 924 925 926

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987 988 989 990 991 992

993 994 995 996 997 998

999 1000 1001 1002 1003 1004

1005 1006 1007 1008 1009 1010

1011 1012 1013 1014 1015 1016

1017 1018 1019 1020 1021 1022

1023 1024 102

Well name

Empire State 33 #1

Estimated by

L. Knott

Date

12/22/75

Intangible cost (continued)

Data Processing Information

Trans. Ident.

1 2 3 4

A F E E

5

A.F.E. number

6 7 8 9 10 11

Update code

1 - delete

3 - add

Original/revision indicator

1 - Original

2 - Revision

	Dry hole	Completion costs	Detail code	Total gross dollars	Major account
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29. Fuel, fresh water & drayage	15000		5 4 9		
30. Drilling mud materials & drayage	20000		5 5 1		
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32. Air compressor rental or gas cost			5 5 3		
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34. Open hole surveys	18000		5 5 7		
35. Data recording services			5 5 8		
36. Wireline formation tester			5 5 9		
37. Mud log	6000		5 6 0		
38. Cased hole surveys		1500	5 6 1		
39. Perforating fees		2500	5 6 2		
40. Sidewall coring			5 6 3		
41. Conv. diamond or wireline coring ft			5 6 8		
42. Drill stem tests = 6	10000		5 7 2		
43. <input type="checkbox"/> Acidize <input type="checkbox"/> Fracture nat lbs		10000	5 7 7		
44. Cement & fees for casing					
10.75 " OD Circ sacks	3500				
7.625 " OD Circ sacks	14000				
4.5 " OD Circ sacks		8000			
" OD sacks					
" OD sacks					
" OD sacks					
45. Cement & fees for squeezes or plugs		5000	5 7 9		
46. Fishing tool rental & drayage	10000		5 8 0		
47. Directional drig. tool rental & drayage			5 8 1		
48. Operations - prorata	1000	1000	5 9 0		
49. Unclassified tool rental & drayage	1000	1000	5 8 7		
50. Unclassified drayage & supplies	1000	1000	5 9 4		
51. Unclassified services & material losses	10000	2000	5 8 9		
52. Overhead	1000	1000	5 9 2		
53. Supervision by contract personnel			1 0 5		
54. Supervision by A.R.Co. personnel	3700	1800	1 0 6		
Total intangibles					
	354350	52100			
Total cost (tangibles & intangibles)					
	471750	146900			
Completed well cost (dry hole & comp)					
		618650			

AR3B-153-1-A

Atlantic Richfield Company

North American Producing Division
Permian District
Post Office Box 1610
Midland, Texas 79701
Telephone 915 682 8631

C. H. McClure
District Land Manager



March 30, 1976

Tenneco Oil Company
P. O. Box 957
Denver, Colorado 80203
Attention: Mr. N. B. Venus

Continental Oil Company
P. O. Box 431
Midland, Texas 79701
Attention: Mr. Bill Marshall

Subject: Proposed Operating Agreement
Empire State 33 Well No. 1
W/2 Section 33, T-17-S, R-28-E
Eddy County, New Mexico

Gentlemen:

Atlantic Richfield Company proposes to form a 320 acre working interest unit and communitization consisting of the W/2 of Section 33, T-17-S, R-28-E, Eddy County, New Mexico, for the purpose of drilling a 10,500 foot Morrow test to be located 1320 feet from the south and west lines of Section 33. We would propose the operating agreement be limited to cover rights between the base of the Empire Abo unitized formation and the base of the Pennsylvanian formation.

According to our information, the W/2 of Section 33 is owned as shown below:

Atlantic Richfield Company	87.5%
Tenneco Oil Company	6.25%
Continental Oil Company	6.25%

We ask that you consider joining Atlantic Richfield Company in the drilling of this well. If you desire to join, we will submit an operating agreement and AFE for your approval. If, however, you are unable to join as a paying party, we ask that you farmout to Atlantic Richfield Company reserving 1/16th overriding royalty with the option to convert the override to 1/2 working interest after we have recovered 100% of our cost of drilling, completing, equipping and operating the well. The override and option to convert to a working interest would be proportionately reduced to accord with the farming out party's original interest in the unit.

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
EXHIBIT NO.	5
CASE NO.	5216
Submitted by	Atlantic Richfield
Hearing Date	April 2, 1976

Empire State 33 Well No. 1
Page 2
March 30, 1976

We desire to commence this test as soon as possible and therefore request a letter from you advising of your decision to join or farmout.

Very truly yours,

WM. L. EMBRY
LAND DEPARTMENT

WLE:bk

cc: Continental Oil Company
P. O. Box 460
Hobbs, New Mexico 88240
Attention: Mr. L. P. Thompson

Bill Embry
Please keep
with file.

Tenneco Oil
A Tenneco Company

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



BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION

EXHIBIT NO. 6

April 14, 1976

CASE NO. 5716

Submitted by AT&T

Hearing Date May 2, 1976

Atlantic Richfield Company
Box 1610
Midland, Texas 79701

Attention: Mr. Wm. L. Embry, Land Department

Re: Your Proposed Operating Agreement - Empire State 33 Well No. 1
W $\frac{1}{2}$ Section 33, T-17-S, R-28-E, Eddy County, New Mexico
(35037, Tr. E, Red Lake Empire)

Gentlemen:

We have received and perused the captioned as contained in your March 30, 1976 transmittal to Continental and Tenneco.

This is to advise you that we still are not interested in joining or farming out our NW $\frac{1}{4}$ NW $\frac{1}{4}$ of said Section 33.

With Atlantic Richfield owning the remainder of this section, we again suggest dedicating the S $\frac{1}{2}$ of this section to this test, rather than proposing the West half; which puts both Continental and Tenneco in the position of sharing the risk of this test, which we do not care to do.

Yours truly,

N. B. Venus

cc - Mr. L. P. Thompson
Continental Oil Co.
Box 460
Hobbs, N. M. 88240

Mr. Ronald L. Cheek
Continental Oil Co.
Box 1959
Midland, TX 79701

RECEIVED

APR 19 1976

ATLANTIC RICHFIELD COMPANY
LAND DEPT.

OK



Midland Division
Exploration Department
Western Hemisphere Petroleum Division

Continental Oil Company
P.O. Box 1959
Midland, Texas 79701
(915) 684-7411

May 10, 1976

Atlantic Richfield Company
P. O. Box 1610
Midland, Texas 79701

Attention: Mr. Wm. L. Embry - Land Department

Proposed Operating Agreement - Empire 33 Well No. 1 - W/2 Sec-
tion 33, T-17-S, R-28-E, Eddy County, New Mexico - Continental
Lease No. 161314

Gentlemen:

Continental concurs with Tenneco's position as stated in their
letter of April 14, 1976, regarding the captioned.

Yours very truly,

Thomas L. Hopper
Thomas L. Hopper
Landman
Midland Division

TLH:MB

RECEIVED
MAY 11 1976
ATLANTIC RICHFIELD COMPANY
LAND DEPT.

BEFORE EXAMINER SIAMETS OIL CONSERVATION COMMISSION
EXHIBIT NO. <u>7</u>
CASE NO. <u>5776</u>
Submitted by <u>W. L. Embry</u>
Hearing Date <u>June 2, 1976</u>

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date

JULY 21, 1976

TIME: 9:00 A.M.

NAME	REPRESENTING	LOCATION
V.T. Lyon	Continental Oil Co.	Hobbs
T.R. Barr	Atlantic Richfield	Midland
J.D. Foster	Atlantic Richfield	MIDLAND
Roy Crow	GENERAL AM. OIL CO.	ARTESIA
James H. Hinkle	Atl. Richfield	Roswell
Robert J. Pickens	MARATHON OIL	HOUSTON
Robert Hasty Jr.	MARATHON OIL CO.	HOUSTON
Charles E. Malone	Woodward Clyde Truitt & Co. for Marathon	Roswell
James W. Kallahi	Kallahi's for	Santa Fe
C.W. Isaley	MARATHON OIL CO.	MIDLAND, TEXAS
Alvin C. Kallaja	Marathon Oil	Midland Tex
J. M. J. J. J.	F.P.N.G.	EL PASO
Gene Daniel	USGS	Albuquerque
Paul M. Burchell	F.P.N.G.	El Paso, Texas
Eddie Mahood	Yates Petroleum Corp	Artesia
O.J. Leese	Loose & Parsons	Artesia
Jim Krauf	U.S.G.S.	Artesia

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
July 21, 1976

EXAMINER HEARING

IN THE MATTER OF:

Application of Atlantic Richfield) CASE
Company for compulsory pooling and an) 5716
unorthodox gas well location,)
Eddy County, New Mexico.)

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil Conservation Commission:	William F. Carr, Esq. Legal Counsel for the Commission State Land Office Building Santa Fe, New Mexico
For the Applicant:	Clarence E. Hinkle, Esq. HINKLE, BONDURANT, COX & EATON Attorneys at Law Hinkle Building Roswell, New Mexico
For Continental Oil Co.:	Jason W. Kellahin, Esq. KELLAHIN & FOX Attorneys at Law 500 Don Gaspar Santa Fe, New Mexico

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

I N D E X

2		<u>Page</u>
3	<u>JACK FOSTER</u>	
4	Direct Examination by Mr. Hinkle	4
5	Cross Examination by Mr. Stamets	13
6	Cross Examination by Mr. Kellahin	14
7	Recross Examination by Mr. Stamets	21
8	Recross Examination by Mr. Kellahin	22
9	Redirect Examination by Mr. Hinkle	25
10	<u>VICTOR T. LYON</u>	
11	Direct Examination by Mr. Kellahin	26
12	Cross Examination by Mr. Hinkle	30
13	<u>THOMAS R. BARR</u>	
14	Direct Examination by Mr. Hinkle	33
15	Cross Examination by Mr. Stamets	35
16	Cross Examination by Mr. Kellahin	36
17		
18	<u>EXHIBIT INDEX</u>	
19	Applicant's Exhibit One, Land Plat	13
20	Applicant's Exhibit Two, Stratigraphic Map	13
21	Applicant's Exhibit Three, Cross Section	13
22	Applicant's Exhibit Four, Drilling Cost Estimates	13
23	Applicant's Exhibit Five, Letter	13
24	Applicant's Exhibit Six, Letters	13
25	Applicant's Exhibit Seven, Letters	13

sid morish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 MR. STAMETS: We will call next Case 5716.

2 MR. CARR: Case 5716, application of Atlantic
3 Richfield Company for compulsory pooling and an unorthodox
4 gas well location, Eddy County, New Mexico.

5 MR. HINKLE: Clarence Hinkle, Hinkle, Bondurant, Cox
6 and Eaton appearing on behalf of Atlantic Richfield. We have
7 one witness we would like to have sworn and we have several
8 exhibits.

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

11 MR. KELLAHIN: If the Examiner please, Jason Kellahin,
12 Kellahin and Fox, Santa Fe, appearing on behalf of Continental
13 Oil Company.

14 MR. STAMETS: Do you have a witness, Mr. Kellahin?

15 MR. KELLAHIN: We may, we don't know for sure that
16 we will use him.

17 MR. STAMETS: I would like to have all of the
18 witnesses and potential witnesses sworn at this time, please.

19 (THEREUPON, the witnesses were duly sworn.)

20 MR. STAMETS: You may proceed, Mr. Hinkle.

21

22

JACK FOSTER

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

25

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DIRECT EXAMINATION

BY MR. HINKLE:

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

A My name is Jack Foster, my residence is Midland, Texas and I'm employed by Atlantic Richfield as a Senior Geologist.

Q What is your position, is that your position?

A My position is as a Senior Geologist.

Q Have you previously testified before the Commission?

A No, I have not.

Q You are a graduate geologist?

A Yes, I am.

Q State briefly your educational background and experience as a petroleum geologist?

A I have a Bachelor of Science degree from the Missouri School of Mines and a Master of Science degree from the University of Illinois, both of these degrees in geology. Since 1950 I have been actively engaged as a petroleum geologist. Most of that time, well, since 1953 in West Texas and New Mexico.

Q Have you made a study of the area that is involved in this case?

A Yes, sir, I have.

Q In the Empire-Abo area?

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1 A. Yes, sir, I have.

2 MR. HINKLE: Are the witness' qualifications
3 acceptable?

4 MR. STAMETS: Yes, the witness is considered
5 qualified.

6 Q (Mr. Hinkle continuing.) Are you familiar with
7 the application of Atlantic Richfield in this case?

8 A. Yes, sir, I am.

9 Q What is Atlantic Richfield seeking to accomplish?

10 A. Atlantic Richfield is seeking an order pooling all
11 mineral interests in the Pennsylvanian formation underlying
12 the west half of Section 33, Township 17 South, Range 18 East,
13 Eddy County, New Mexico. We are also asking for an unorthodox
14 gas well location.

15 Q Along with the compulsory pooling?

16 A. Along with the compulsory pooling.

17 Q Have you prepared or has there been prepared
18 under your supervision certain exhibits for introduction in
19 this case?

20 A. Yes, sir, we have Exhibits Number One through
21 Seven that have been prepared for this hearing.

22 Q Refer to Exhibit Number One and explain what this
23 is and what it shows?

24 A. Exhibit Number One is a land plat which shows the
25 following: First, the west half of Section 33 in the dashed

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1 red outline which is the proposed unit. The proposed location
2 is indicated by the red arrow.

3 The green outline shows the outline of the Empire-Abco
4 Unit which is involved here. I should point out that that
5 west, it also shows acreage ownership. I would point out that
6 that west half of Section 33 is wholly-owned by Atlantic
7 Richfield with the exception of the northwest quarter of the
8 northwest quarter.

9 Q Who owns the northwest?

10 A That is owned one-half by Continental and one-half
11 by Tenneco.

12 Q Now, refer to Exhibit Number Two and explain what
13 this shows?

14 A Exhibit Number Two shows Atlantic Richfield's
15 interpretation of the stratigraphy of the Morrow formation
16 in this particular area. Now, this interpretation is based
17 on the colored wells that are shown on this. You will notice
18 slightly to the north of the arrow there in Section 33, there
19 are six blue and two red colored wells on this plat. These
20 are the basis of our interpretation.

21 Q These are all wells that have penetrated the
22 Morrow formation?

23 A Yes, sir, these are wells that have penetrated
24 the Morrow formation and these are wells that we have used
25 in our interpretation. Based on this interpretation we

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1 interpret this situation as being a distributary channel in
2 which we are searching for distributary sands as our reservoir.

3 Q Now, the two wells shown in red on Exhibit Two are
4 producing Morrow wells?

5 A That is correct.

6 Q And the ones shown in blue are the dry holes?

7 A This is correct. I would also call your attention
8 to cross section AA Prime which is marked on this Exhibit Two.
9 This has reference to our Exhibit Number Three which is our
10 cross section.

11 Q Before going to Exhibit Number Three, have special
12 pool rules been adopted for the Empire-Pennsylvanian pool?

13 A Yes, sir, they have.

14 Q What do they provide?

15 A They provide that wells be located either in the
16 northwest or the southeast quarters of the section.

17 Q Now, in this particular case this is the reason for
18 the unorthodox location being in the southwest quarter, is
19 that right?

20 A This is the reason for the unorthodox location,
21 yes, sir.

22 Q And geologically or the interpretation here, the
23 stratigraphic interpretation, is this the most strategic
24 location for the well?

25 A Yes, sir, this is our most strategic location.

1 Q Now, refer to Exhibit Number Three and explain what
2 this shows?

3 A Exhibit Number Three is a cross section as previously
4 mentioned. It depicts the development of a thick channel-type
5 sand body as we interpret it and as we have indicated it on
6 the cross section. That very abruptly terminates in both
7 directions as shown by the well at A and the well at A Prime.

8 You will also notice that previously we pointed out
9 the dry holes that were involved with this. This makes this
10 a rather limited sort of thing and is our reason for believing
11 that this is a channel-type elongate type of sand body and we
12 believe that it does, as shown, have a sand body potential
13 on the west half of Section 33.

14 Q Is this a rather common occurrence as far as the
15 Morrow formation is concerned that there is channel sands
16 in the channel?

17 A Yes, the Morrow has been found to be a narrow,
18 linear sand body in a number of places attended to a distribu-
19 tary channel and having a general north-south or a north-
20 northwest-southeast sort of direction as depicted.

21 Q Now, Exhibit Number Three in the second well that
22 is shown from the left there is the Stanolind X Amoco, I guess,
23 is it not?

24 A Yes, on the cross section, yes.

25 Q That is a producing well that is shown also on

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1 Exhibit Number Two?

2 A. That is correct, sir.

3 Q What is the history of this well?

4 A The well was drilled originally, I don't remember
 5 the exact date, but it was the late forties or early fifties
 6 it was completed for approximately thirty million cubic feet
 7 a day. It is still producing, it has produced in excess of
 8 twenty-five billion cubic feet of gas and really has been an
 9 outstanding Morrow producer.

10 Q Now, referring back to Exhibit Two, what is the
 11 history of the other producing well shown in red?

12 A The other producing well is a relatively recent
 13 well that has rather poorly developed sand in it and it
 14 completed for a potential of, as I recall, six hundred and
 15 fifty thousand cubic feet a day or it was a limited sort of
 16 reservoir well.

17 Q Do you have any further comments with respect to
 18 Exhibit Three?

19 A I believe not, sir.

20 Q Now, refer to Exhibit Four and explain what this
 21 is and what it shows?

22 A To approach the cost of dry holes and completions
 23 in the area we have submitted here a drilling cost estimate
 24 prepared by Atlantic Richfield's Drilling Engineering Depart-
 25 ment and as is attached to our latest AFE for drilling that

1 particular well.

2 Q This is based upon actual drilling costs in the
3 area?

4 A This is based upon their actual experience of
5 drilling costs and equipment costs in the area.

6 Q What does this show as to a dry hole?

7 A It shows a dry hole cost of four hundred and seventy-
8 one thousand, seven hundred and fifty dollars is estimated to
9 be the cost of the dry hole and that of a completed well
10 would be six hundred and eighteen thousand, six hundred
11 and fifty dollars.

12 Q Have you made an estimate of what would be proper
13 charges for supervision and operating costs in connection
14 with this well?

15 A Yes, sir, the next estimate of that type has been
16 made and we feel that for a drilling well an overhead charge
17 of seventeen hundred dollars per month and a producing well
18 charge of two hundred and ten dollars per month would be a
19 reasonable charge for such overhead.

20 Q Are those usual and customary charges that have
21 been made in the area?

22 A Yes, sir, they are.

23 Q In connection with other wells?

24 A Yes, sir, they have.

25 Q Now, refer to Exhibit Number Five and explain what

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1 this is and what it shows?

2 A. This exhibit is a copy of a letter from Atlantic
3 Richfield Company to Tenneco Oil Company and Continental Oil
4 Company offering them an alternate proposal of an operating
5 agreement whereby they would join in the drilling of such
6 well or whereby they would farm out to Atlantic Richfield
7 with a sixteenth overriding royalty which would convert to a
8 half working interest after one hundred percent pay out.

9 Q. Now, refer to Six and Seven and explain what these
10 show?

11 A. Six and Seven are replies from Tenneco and from
12 Continental whereby they declined to join our farmout in
13 this proposed unit.

14 Q. Now, I notice in referring to Exhibit Number Six,
15 I noticed that it suggested that the south half of the Section
16 be dedicated to the well rather than the west half. Do you
17 have any comment with respect to that?

18 A. Yes, sir, I do. Along with our comments on Exhibit
19 Number Two, we do definitely feel that the best reservoir
20 development of this channel sand is apt to be on the west half
21 of Section 33 as we designated the unit and that is our reason
22 for preference of the north-south unit rather than an east-
23 west-south half unit.

24 Q. Referring to Exhibit Number Two, that exhibit then
25 actually shows that part of the south half may not be productive

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1 as far as the Morrow is concerned?

2 A. This is correct, in our interpretation.

3 Q. Now, are you requesting a risk factor in connection
4 with the drilling of this well?

5 A. Yes, sir, we do. We feel that this is a high-risk
6 venture. Look at the dry holes on the plat. I think there
7 are six of them and two producers.

8 Q. Just to the north?

9 A. Just immediately to the north there and so I think
10 a maximum risk of two hundred percent should be assigned in
11 this case.

12 Q. So you are requesting a two hundred percent risk
13 factor?

14 A. That is correct, sir.

15 Q. Did you mail or cause to be mailed a copy of the
16 application in this case to all offset owners?

17 A. Yes, sir, such a copy was mailed.

18 Q. Have you had any protests?

19 A. We have had no protests.

20 Q. From any of the offset owners?

21 A. No, sir.

22 Q. Do you have a list of the offset owners?

23 A. Yes, sir, we do.

24 Q. And the replies that you have received?

25 A. Yes, we have received replies from approximately

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1 half of them without objection.

2 MR. HINKLE: I think maybe we will just file those
 3 with the record. Those are replies that have been received.

4 Q (Mr. Hinkle continuing.) Mr. Foster, if this
 5 application is approved, in your opinion will it be in the
 6 interest of conservation and prevention of waste and protect
 7 correlative rights?

8 A Yes, sir, I do believe that.

9 MR. HINKLE: We would like to offer Exhibits One
 10 through Seven.

11 MR. STAMETS: Without objection these exhibits will
 12 be admitted.

13 (THEREUPON, Applicant's Exhibits One
 14 through Seven were admitted into evidence.)

15 MR. HINKLE: That's all of our direct.

16
 17 CROSS EXAMINATION

18 BY MR. STAMETS:

19 Q Mr. Foster, I would like to just verify again these
 20 two figures. Supervision charge, seventeen hundred dollars
 21 while drilling?

22 A Right, per month.

23 Q Per month and then two, ten while producing?

24 A Per month. Yes, sir, that is correct.

25 Q Now, you refer to Exhibit Two in your unorthodox

1 location, I was wondering in just looking at the exhibit,
2 it appears to me that there could be a standard location in
3 the west half of Section 33, say, for example, nineteen hundred
4 and eighty feet from the south and twenty-three, ten from the
5 west?

6 A. Yes, sir, that would be possible, however, we also
7 have had the idea in mind that a location at this particular
8 location in essentially the center of the southwest quarter
9 would have potential utility in the Empire-Abo Unit in the
10 event that it was not successful as a Morrow producer and for
11 that reason we feel that it could have greater utility there.

12 Q. Is the location that you propose any more risky
13 than a well at a standard location?

14 A. We feel actually that the location we propose
15 would be less risky because we think it is more nearly to the
16 center portion of this interpretative distributary channel.

17 MR. STAMETS: Are there other questions of the
18 witness? Mr. Kellahin?

19
20 CROSS EXAMINATION

21 BY MR. KELLAHIN:

22 Q. Mr. Foster, on the basis of your Exhibit Number
23 Two, I believe it is your testimony that the south half of
24 this section all of it may not be productive, is that correct?

25 A. That is correct, sir.

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1 Q Do you have any control points other than those wells
2 to the north upon which you base your interpretations in
3 Exhibit Two?

4 A No, sir, not in this particular case.

5 Q Now, there are a number of dry holes in the area, is
6 there not?

7 A Yes, sir.

8 Q One immediately to the north in Section -- there is
9 one in 28, is there not?

10 A Yes, sir. Do you refer to dry holes, sir?

11 Q And in 29 there is a dry hole?

12 A Correct, sir.

13 Q And there is a dry hole immediately to the west,
14 is there not?

15 A In Section 32, sir?

16 Q Yes, sir.

17 A Yes, sir.

18 Q But there is none to the east in 34 or to the south,
19 is that correct?

20 A None to the east in 34, that is correct, sir.

21 Q And none to the south?

22 A That is correct, sir.

23 Q So, your interpretation of non-productive acreage
24 in the south half of Section 33 is based on rather scanty
25 information at the present time, is it not, it just isn't

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1 available?

2 A. Specific information, no, sir.

3 Q. Now, Arco does own all of the acreage in 33 other
 4 than the quarter-quarter section involved, isn't that correct?

5 A. Yes, sir.

6 Q. So you would not require forced pooling if you
 7 dedicated the south half of the section?

8 A. That is correct.

9 Q. But you would still require an unorthodox well
 10 location?

11 A. Yes, sir.

12 Q. Now, this well location is unorthodox not only
 13 because of the quarter section that it is located in but also
 14 because of its footage location?

15 A. Correct, sir.

16 Q. Now, what footage location are you proposing?

17 A. We are proposing a thirteen, fifteen-thirteen, fifteen
 18 location as shown.

19 Q. Now, that would put it right immediately out of
 20 the quarter-quarter section line?

21 A. Off the quarter-quarter, yes, sir.

22 Q. Arco is also the operator of the Empire-Abo Unit?

23 A. That is correct.

24 Q. Does the Empire-Abo unit have any need for a salt
 25 water disposal well?

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1 A. They have needs for salt water disposal wells, yes,
 2 sir.

3 Q Is it part of your project in drilling this well
 4 to determine if there is a disposal zone that could be utilized?

5 A. That is part of our exploration theory, yes, sir.

6 Q If the well is dry would you convert it to an
 7 infield well in the Empire-Abo Unit?

8 A. We would be planning to convert it to a well in
 9 the unit.

10 Q Now, is the unit going to pay any portion of the
 11 well costs?

12 A. The unit is not paying any portion of well costs
 13 to total depth.

14 Q But at least to some extent it is being drilled for
 15 the benefit of the unit?

16 A. To some extent.

17 Q What pool is this in? I didn't hear you say it.

18 MR. HINKLE: The Empire-Pennsylvania.

19 MR. KELLAHIN: Thank you.

20 Q (Mr. Kellahin continuing.) Now, if we assume that
 21 the proposed well is a producer from the Morrow, what plans
 22 do you have as to the Abo?

23 A. There are no plans as to the Abo if it is completed.
 24 That's a Morrow producer.

25 Q I'm not talking about this specific well. Will you

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1 drill a twin well in the area?

2 A. There is an Abo well proposed by the unit at or
3 very near to that location, at or near a twin location.

4 Q. In what location would you drill it?

5 A. I'm afraid I don't understand the question.

6 Q. I mean do you have a proposed location for such an
7 infield well?

8 A. There was a location for an infield well at the
9 approximate center of that southwest quarter.

10 Q. Approximately where you are proposing to drill this
11 Morrow well?

12 A. Approximately, yes, sir.

13 Q. So, if it is a producer you will have to move out
14 somewhere?

15 A. We will only have to twin it.

16 Q. At about what distance would you twin it?

17 A. I don't really know that answer, sir.

18 Q. Actually it would benefit your proposed Empire-
19 Abo location if you moved the Morrow well to a standard
20 location, would it not? It would give you more room in which
21 to operate?

22 A. I don't see that it would.

23 Q. Well, if you moved up nineteen. eighty from the
24 south line as required by the rules you would not be worrying
25 about twinning a well, you could drill it anywhere you wanted to?

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1 A. Well, sir, I don't think twinning a well is a problem.
2 It hasn't been elsewhere and I don't see that it would be
3 here.

4 Q. Now, I didn't quite get your answer to Mr. Stamets'
5 question as to whether a well located at an orthodox location,
6 six, sixty and nineteen, eighty would not be as likely to be
7 productive in the Morrow as your proposed location?

8 A. We feel, my answer was, as best as I can recall, we
9 feel that this location is preferable because we feel that
10 it is a better position, probable position, in the channel.

11 Q. It is purely on the basis of what you believe to be
12 channel structure?

13 A. This is based on our interpretation stratigraphically,
14 yes, sir.

15 Q. You have no indication whether that channel swings
16 to the west or to the east or where it goes?

17 A. Our only indication is the general direction and
18 position they have had where they are better known than here.

19 Q. Do you have any evidence of that to offer here?

20 A. I do not offer that as evidence, sir, but it is
21 knowledge.

22 Q. Well, that's your knowledge?

23 A. That's my knowledge.

24 Q. Can you name some specific instances where the
25 channel would compare to this?

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1 A. As far as direction is concerned, development that
2 is north of the Atoka Field is being conducted by -- the
3 gentleman from Artesia. I can't recall the man's name.

4 MR. HINKLE: Yates.

5 A. Yates, yes, sir. He is actively developing north
6 of the Artesia Field and he has several wells that he has
7 developed in this general orientation, it's a very, very
8 narrow deposit but he has drilled several wells here in the
9 last year or so that arrange themselves, if you will, in a
10 north-northwest-south-southeast direction.

11 Q. (Mr. Kellahin continuing.) Are you sure of your
12 directions in that instance? Doesn't that actually run a
13 little to the northeast?

14 A. No, sir.

15 Q. You are positive?

16 A. I'm positive.

17 Q. I'm sure the Examiner is familiar with it. That is
18 a rather unusual channel development, though, is it not? It
19 is recognized by all as being somewhat unusual?

20 A. I don't find it unusual. I think it is typical of
21 channel developments. There are others.

22 Q. I'm talking about the Morrow formation.

23 A. Yes, I'm speaking of the Morrow formation.

24 Q. Now, isn't it characteristic of the Morrow
25 formation that it is quite erratic and pinches out rather

1 rapidly sometimes?

2 A. In the channel phase, yes, sir.

3 Q. And that could well happen here, couldn't it?

4 A. Yes, sir.

5 MR. KELLAHIN: I believe that's all. Thank you,
6 Mr. Foster.

7 MR. STAMETS: I've got a couple more questions at this
8 time.

9
10 RE CROSS EXAMINATION

11 BY MR. STAMETS:

12 Q. Do you know what the drilling costs and completion
13 costs would be if this well were only being taken to the
14 Abo formation?

15 A. No, sir, I don't.

16 Q. I would like to have that information submitted
17 subsequent to the hearing.

18 A. That information can be and will be submitted.

19 MR. HINKLE: Will it be all right for him to write
20 a letter giving you that information?

21 MR. STAMETS: That would be fine.

22 A. It's available, I'm just not aware of what those
23 costs are, sir.

24 Q. (Mr. Stamets continuing.) In your opinion should
25 the risk be reduced from the two hundred percent factor because

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1 of the potential utility of this well in the unit which
2 Atlantic Richfield operates?

3 A. No, sir, I think not because of -- I think we will
4 find and you will find, sir, when we submit the AFE for the
5 Abo portion of this thing, cost, I think you will find there
6 is considerable additional cost that is being risked in taking
7 it on to the Morrow formation.

8 Q I'm wondering if the interest owners in the Morrow
9 formation, that being Tenneco and Continental, should be
10 required to pay any risk charges on drilling this well to the
11 Abo where it will have utility to the applicant but no
12 particular utility to Continental and Tenneco.

13 A. Well, again, we feel that regardless of where we
14 drill this well we are going to have to penetrate the Abo
15 formation and we will have the same costs wherever we go with
16 the well, whether it be indeed at the location that we have
17 requested or some other location, the costs incurred will
18 still be the same. If we do, indeed, move to the other
19 location then it would seem that these costs and utility would
20 be lost to the overall conservation approach on this thing, to
21 the recovery of oil and gas from the Abo Unit.

22 MR. STAMETS: Are there any other questions of
23 the witness? Mr. Kellahin?

24 RECROSS EXAMINATION

25 BY MR. KELLAHIN:

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1 Q Mr. Foster, in connection with the questions
2 propounded by Mr. Stamets, you will test the Abo in the course
3 of drilling this well, I assume?

4 A Test it?

5 Q Yes, sir.

6 A By testing you mean drill stem testing?

7 Q Drill stem testing?

8 A No, sir, we don't intend to do that.

9 Q What will you do?

10 A We intend to log it before we set protection string
11 on it. It is going to be necessary to set a protection string
12 of casing through the Abo to protect the unit so that we can
13 get bona fide open-hole logs. We will plan to run a full log
14 sweep but we do not plan any coring or testing.

15 Q What other formations will you look at either in
16 logging or testing or in coring?

17 A The formations below then, the Abo, the base of
18 the Abo that may indeed have some potential in the area, or
19 the Wolfcamp, the Pennsylvanian. By the Pennsylvanian I'm
20 thinking of the carbonate portion of the Pennsylvanian above
21 the Morrow and the Morrow itself.

22 We do on our AFE plan potential testing procedures
23 in those formations below the Abo if indeed we have proper
24 shows and so forth to warrant them.

25 Q In connection with your seeking a salt water

1 disposal zone what formation will you look at?

2 A. Well, insofar as seeking a salt water disposal
3 formation in this area, it's a matter of hopefully looking for
4 anything we can find where the excess salt water we have in
5 the area can be disposed of safely and adequately.

6 Q. As a geologist, what formations do you think would
7 be involved?

8 Q. We feel that there is a potential based on what we
9 have seen in the control to the southwest, that an Upper
10 Pennsylvanian carbonate bank-type arrangement may run through
11 the area on sort of a northeast-southwest direction. We don't
12 have the control in this area here. We do have porous rock
13 back over in that direction that is water bearing. What it
14 will be here we don't know but we would project it into this
15 area, possibly we would indeed be looking to it since we expect
16 it to be porous, to be either potentially productive of
17 hydrocarbons or on the other hand, since it does seem to be
18 porous or potentially porous for disposal of salt water.

19 Q. That would be for the benefit of the Abo Unit?

20 A. Yes.

21 Q. It would be of no benefit to Continental Oil or
22 Tenneco?

23 A. Yes, sir, our Continental -- is it proper that I
24 ask a question?

25 Q. If we can clarify my question.

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1 A. Has Continental and Tenneco no interest in the Abo
2 Unit?

3 Q. They are interested in the Abo Unit, yes. I started
4 to qualify my question to that extent.

5 A. Well, I think then in answer to that question, with
6 interest in the Unit, I would see that the unit would benefit
7 Continental and Tenneco.

8 Q. But not as to the particular acreage they have got
9 involved in this application. I'm talking about the quarter-
10 quarter section.

11 A. That quarter-quarter is not in the Abo Unit?

12 Q. It's in the Abo Unit. I assume it is.

13 A. So, that particular quarter-quarter would.

14 Q. Well, I think maybe we are just quibbling over
15 words.

16 A. Well, maybe we are.

17 MR. KELLAHIN: Thank you.

18 MR. HINKLE: Just one other question.

19

20 REDIRECT EXAMINATION

21 BY MR. HINKLE:

22 Q. Isn't it a fact that the Empire-Abo rules provide
23 that for a standard location in the case would be thirteen,
24 ten instead of thirteen, fifteen, is that right?

25 A. I believe that that is correct, Mr. Hinkle.

1 Q That would be a standard location under the rules?

2 A (No answer.)

3 MR. STAMETS: Any other questions of the witness.

4 He may be excused.

5 (THEREUPON, the witness was excused.)

6 MR. STAMETS: Anything further in this case?

7 MR. KELLAHIN: We would like to call Mr. Lyon as
8 a witness.

9
10 VICTOR T. LYON

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

13
14 DIRECT EXAMINATION

15 BY MR. KELLAHIN:

16 Q Would you state your name, please?

17 A Victor T. Lyon, L-y-o-n.

18 Q By whom are you employed and in what position,
19 Mr. Lyon?

20 A I'm employed by Continental Oil Company as
21 Conservation Coordinator in the Hobbs Division Office.

22 Q Have you testified before the Oil Conservation
23 Commission and made your qualifications a matter of record
24 as an engineer?

25 A Yes, I have.

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Phone (505) 982-9212

1 MR. KELLAHIN: Are the witness' qualifications
2 acceptable?

3 MR. STAMETS: They are.

4 Q (Mr. Kellahin continuing.) Mr. Lyon, are you
5 familiar with the application of Atlantic Richfield in
6 Case 5716?

7 A Yes, sir.

8 Q And was Continental invited to join in the drilling
9 of this proposed well in the west half of this section?

10 A Yes, we were.

11 Q Did Continental decline to participate?

12 A Yes, sir.

13 Q And for what reason?

14 A We felt that the prospects of finding Morrow
15 production here were extremely remote. We felt that it did
16 not justify the expenditure of the money.

17 Q Now, you heard the testimony in regard to the
18 potential productivity of the west half as compared to the
19 south half of this section, do you have any comments on that?

20 A Yes, I do. Referring to Exhibit Two, I think that
21 the information shown on there is very highly speculative
22 with little or no control. It has been my experience from
23 what limited experience I've had with the Morrow, that these
24 channels were inclined to run northeast-southwest and the
25 extension of the channel as he has done, I just do not

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1 believe we are justified by the information that he has
2 available to him.

3 Q In your opinion is the south half as good a prospect
4 as the west half on the basis of the known information?

5 A Yes, I think so. I would think that one would try
6 to stay farther away from dry holes and get closer to the
7 producers.

8 Q That would mean moving the well location in what
9 direction?

10 A Well, I'm really not familiar enough with the
11 geology to place a location. We just do not believe that
12 the prospects for the Morrow are very good in the west half
13 of Section 33 and we feel that certainly since Atlantic
14 Richfield owns all of the section, other than the northwest-
15 northwest, that it is a very viable alternative to allocate
16 the south half of Section 33.

17 Q That wouldn't necessarily have to affect their
18 well location at all, would it?

19 A Not at all.

20 Q Now, in connection with the proposed risk factor,
21 do you have any comments on that?

22 A Well, I have correspondence in my files where
23 Atlantic Richfield has proposed to drill this well to the
24 Morrow and if it is dry that it will be used as an infield
25 well in the Empire-Abo Unit. They have proposed a well to be

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1 drilled at approximately this location for the Empire-Abo
2 Unit and Continental Oil Company has approved that AFE. The
3 AFE amount, incidentally, is two hundred and eighty-eight
4 thousand dollars. They have also told us that if this well
5 is a producer in the Morrow that they will drill a twin well
6 to the Abo.

7 I also have correspondence from Amoco who is the
8 second largest owner in the Empire-Abo Unit, requesting that
9 Atlantic Richfield search for a disposal zone below the
10 Abo and so it seems quite certain to me that the costs, at
11 least to the Abo, represent no risk at all to Atlantic
12 Richfield and to those zones below there that are prospective
13 for salt water disposal, they should receive reimbursement and
14 there should be no risk involved in those zones.

15 I would also like to point out that these --

16 Q You say they should receive reimbursement, do you
17 mean from the Empire-Abo Unit?

18 A Yes, they have proposed the basis by which the cost
19 of drilling a normal Empire-Abo Well will be paid to Atlantic
20 Richfield in the event that this is a dry hole, so that the
21 costs below that are, of course, the amount that is being
22 spent for exploring for the Morrow.

23 Q On that basis how would you adjust the proposed
24 risk factor if any is awarded?

25 A Well, I can't argue that this is a risky prospect

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1 but I don't think the risk starts until we have got below the
2 zones that they are searching on behalf of the Empire-Abo
3 Unit and since they are planning to drill an infield well at
4 this location then I think certainly to the Abo there is no
5 risk because they have a use for the well.

6 Q Do you have anything to add to that, Mr. Lyon?

7 A Well, it seems to me that if they want a well, an
8 infield well in the Empire-Abo, at about the quarter-quarter
9 section that it makes sense for them to move this proposed
10 well northward rather than to the south to show some attempt
11 to comply with the state-wide rules for spacing of gas wells
12 to the Pennsylvanian and below.

13 And this would also give them room to drill a twin
14 well in the event that this is a producer closer to the
15 quarter-quarter corner so I would think that they would want
16 to move the well, say, fifty feet to the north of the quarter-
17 quarter corner in order to give them a location for a twin
18 well which would be closer to the center location.

19 MR. KELLAHIN: That's all we have of this witness,
20 Mr. Examiner.

21 MR. STAMETS: Any question of the witness?

22 MR. HINKLE: Just one.

23

24

CROSS EXAMINATION

25 BY MR. HINKLE:

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1 Q Mr. Lyon, you referred to our Exhibit Number Two?

2 A Yes, sir.

3 Q And I believe testified that in your experience these
 4 channels usually run from the northeast to the southwest?

5 A Yes, sir.

6 Q All right, now, refer to Exhibit Two, you have two
 7 producing wells as shown in red?

8 A Yes, sir.

9 Q If you run that channel from the northeast to the
 10 southwest you have a dry hole, do you not, which would prevent
 11 the running of that channel in this case in the northeast-
 12 southwest direction, is that right?

13 A The northeast-southwest from where?

14 Q Well, you said that the channel generally ran
 15 northeast-southwest. This could not be the case here because
 16 you have a dry hole, isn't that right?

17 A Where? A dry hole where?

18 Q In Section 32.

19 A There is a dry hole in the southwest-southwest of
 20 29, there's no dry hole in -- oh, in 32?

21 Q Yes.

22 A I see, in the northeast.

23 Q If you run the channel through the two producing
 24 wells toward the southwest you have a dry hole.

25 A There is as much room to run the channel between the

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1 two dry holes, the one in the northeast-northwest of 32 and
2 the southeast-southeast of 30 as there is to run it the way you
3 have run it. And it also lines up with this poor producer
4 over here in Section 28.

5 Q If you run it, just move it a little bit northeast
6 and southwest then you've got the dry holes which are in 20,
7 Section 20 which would prevent it from going that way.

8 A Well, you've got the thing running through Section 20.

9 Q I know, but it runs between two dry holes.

10 A Between three dry holes.

11 Q It runs between them but it doesn't run into them.

12 A Well, if I was drawing that thing I wouldn't run it
13 through those dry holes either.

14 MR. HINKLE: That's all I have.

15 MR. STAMETS: Any other questions of this witness?

16 He may be excused.

17 (THEREUPON, the witness was excused.)

18 MR. STAMETS: Anything further in this case?

19 MR. HINKLE: I would like to take about a five
20 minute recess. Are you going to have a recess? I want to see
21 if we want to put on anybody.

22 MR. STAMETS: Okay, we'll take a fifteen minute
23 recess.

24 (THEREUPON, the hearing was in
25 recess.)

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1 MR. STAMETS: The hearing will come to order, please.
 2 Do you have some additional testimony, Mr. Hinkle?

3 MR. HINKLE: Mr. Examiner, we have a landman for
 4 Atlantic Richfield, Mr. Tom Barr, who was not sworn. We would
 5 like to put him on for just some very short testimony.

6 MR. STAMETS: Mr. Barr, will you stand and be sworn,
 7 please?

8 (THEREUPON, the witness was duly sworn.)

9
 10 THOMAS R. BARR
 11 called as a witness, having been first duly sworn, was
 12 examined and testified as follows:

13
 14 DIRECT EXAMINATION

15 BY MR. HINKLE:

16 Q State your name, residence and by whom you are
 17 employed.

18 A Thomas R. Barr, I live in Midland and I'm employed
 19 by Atlantic Richfield as a Landman.

20 Q What is the sphere of duties as a landman insofar
 21 as the Empire-Abo Unit is concerned?

22 A It's within my area of responsibility and I'm
 23 familiar with its workings.

24 Q Does that include among your duties to contact all
 25 of the different interested parties in the Empire-Abo Unit?

1 A. Yes, sir, it does.

2 Q. And to advise them of all operations and contemplated
3 operations?

4 A. Yes, sir.

5 MR. HINKLE: I guess this is not a qualification
6 that needs acceptance. It is just a landman's testimony.

7 MR. STAMETS: I think the extent of his testimony
8 will verify his expertise.

9 Q. (Mr. Hinkle continuing.) Has Atlantic Richfield
10 contacted the working interest owners in the Empire-Abo with
11 respect to the drilling of the subject well in this case and
12 the probable use thereof in connection with the Empire-Abo
13 Unit?

14 A. Yes, sir, on April 29th of this year a letter was
15 written to all of the working interest owners with the main
16 content being if in fact the well was drilled as a Morrow well
17 and was considered unproductive that it would in fact be
18 brought back up hole and produced in the Abo formation. It
19 was sent out as a letter ballot to working interest owners and
20 we did not receive approval enough under the voting procedure
21 of the unit operating agreement to approve this ballot. So in
22 effect we do not have approval to consider this an Abo well if
23 it is not a Morrow well.

24 Q. So there is no assurance whatsoever that you are
25 going to be reimbursed in the event that it should be used?

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1 A. No, sir.

2 Q. Now, if this is completed as a Morrow well would
3 Atlantic Richfield pay all of the costs of the well?

4 A. Yes, sir.

5 Q. And so actually you are assuming all of the risk of
6 drilling the well to the Morrow?

7 A. That is correct.

8 Q. If it is a dry hole will Continental and Tenneco pay
9 any part of it?

10 A. No, sir.

11 MR. HINKLE: That's all.

12

13 CROSS EXAMINATION

14 BY MR. STAMETS:

15 Q. I would like to get this clarified a little bit,
16 Mr. Barr. Now, you have asked the various interest owners in
17 the unit if they would pay for the cost of that well?

18 A. Yes, sir, in conjunction with the AFE that Mr. Lyon
19 spoke of as far as the Well G-291 which was going to be an
20 Empire-Abo well. We wrote the letter and informed the owners
21 that we were, in fact, anticipating drilling a Morrow well in
22 a near location and we stated in the letter that if in fact
23 it was dry in the Morrow, would the owners consider paying
24 their proportionate share through to the Abo formation for a
25 completion in the Abo formation and in fact we received

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1 the negative replies.

2 Q This was only to the Abo and not to the Cisco which
 3 has been mentioned?

4 A No, sir, just to the Abo.

5 MR. STAMETS: Are there other questions of this
 6 witness?

8 CROSS EXAMINATION

9 BY MR. KELLAHIN:

10 Q Was there any submission to the owners in regard to
 11 looking for a salt water disposal site?

12 A No, sir, nothing specific.

13 Q That has never been proposed at all?

14 A No, sir.

15 Q Now, insofar as recompleting the well as an Abo
 16 well if it were dry in the Morrow, that could be resubmitted
 17 to the owners, could it not?

18 A Yes, sir, it could.

19 Q You wouldn't say you would abandon the well and not
 20 convert it into an Abo well?

21 A No, sir, but we certainly do not have assurance of
 22 that fact.

23 MR. KELLAHIN: That's all.

24 MR. STAMETS: One more question. Mr. Barr, if the
 25 interest owners in the unit did not approve this well for

1 completion in the Abo would Atlantic Richfield plug and
2 abandon the well if they were unsuccessful in the Morrow?

3 THE WITNESS: I can't answer that. I just do not
4 know.

5 MR. STAMETS: Any other questions? Mr. Barr may be
6 excused.

7 (THEREUPON, the witness was excused.)

8 MR. STAMETS: Anything further in this case?

9 MR. HINKLE: That's all we have.

10 MR. STAMETS: We will take the case under advisement.
11
12
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Phone (505) 982-9212

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
Sidney F. Morrish, C.S.R.

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

I do hereby certify that the foregoing is
a complete and correct transcript of the proceedings in
the Examiner hearing of Case No. 5716
heard by me on 7-24-76
Richard H. Ham, Examiner
New Mexico Oil Conservation Commission



Amoco Production Company

500 Jefferson Building
P.O. Box 3092
Houston, Texas 77001

I. Don Stacy
District Engineering
Manager

July 14, 1976

File: JRI-986.51NM-2710

Re: Unorthodox Well Location
and Compulsory Pooling
No. 1 Empire State "33"
Eddy County, NM

Mr. Joe D. Ramey, Sec.-Dir.
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, NM 87501

Dear Sir:

Atlantic Richfield Company has made application for an unorthodox gas well location and compulsory pooling in Eddy County, New Mexico.

We are informed they desire to drill the No. 1 Empire State "33" at a location 1320' from the South and West lines of Section 33, T-17-S, R-28-E and to pool all mineral interests in the formations of the Pennsylvanian Age underlying the W/2 of this section.

As an offset operator, Amoco Production Company has no objection to this application and hereby waives notice and hearing.

Yours very truly,

T. Don Stacy

cc: Atlantic Richfield Company
P. O. Box 1610
Midland, TX 79701

EHW:as

T. Barn

June 29, 1976



Husky Oil Company
600 South Cherry Street
Denver, Colorado 80222

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JUL 16 1976


ATLANTIC RICHFIELD COMPANY
LAND DEPT.

Re: Application for Unorthodox Well
Location and Compulsory Pooling
ARCO No. 1 Empire State "33"
1320 feet from the south and west
lines of Section 33, T-17-S, R-28-E
Eddy County, New Mexico

Gentlemen:

According to our information, you are a working interest owner in lands offsetting Section 33, Township 17 South, Range 28 East, Eddy County, New Mexico. Attached is a copy of Application of Atlantic Richfield Company before the Oil Conservation Commission, State of New Mexico, for an unorthodox well location and compulsory pooling pertaining to the subject well. If you have no objections to the unorthodox location, we ask that you sign the waiver and return one copy of this letter to this office. On the other hand if you have objections or comments, we would appreciate you informing of your objection. We have requested the application to be included on the second examiner's hearing in July which we expect to be held on either the 21st or 28th. We, therefore, request your early response.


Very truly yours,


Wm. L. Embry
Land Department

WLE:lcs
Enclosure

THE UNDERSIGNED HAS NO OBJECTIONS TO THE UNORTHODOX LOCATION.

HUSKY OIL COMPANY OF DELAWARE


Chief Landman, U.S.

DATE: 7/2/76

Atlantic Richfield Company

North American Producing Division

Permian District

Post Office Box 1610

Midland, Texas 79701

Telephone 915 682 8631

C. H. McClure

District Land Manager



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JUL 6 1976

ATLANTIC RICHFIELD COMPANY
LAND DEPT.

June 29, 1976

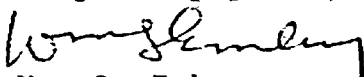
Mr. Walter Solt
713 Carper Drive
Artesia, New Mexico 88210

Re: Application for Unorthodox Well
Location and Compulsory Pooling
ARCO No. 1 Empire State "33"
1320 feet from the south and west
lines of Section 33, T-17-S, R-28-E
Eddy County, New Mexico

Dear Mr. Solt:

According to our information, you are a working interest owner in lands offsetting Section 33, Township 17 South, Range 28 East, Eddy County, New Mexico. Attached is a copy of Application of Atlantic Richfield Company before the Oil Conservation Commission, State of New Mexico, for an unorthodox well location and compulsory pooling pertaining to the subject well. If you have no objections to the unorthodox location, we ask that you sign the waiver and return one copy of this letter to this office. On the other hand if you have objections or comments, we would appreciate you informing of your objection. We have requested the application to be included on the second examiner's hearing in July which we expect to be held on either the 21st or 28th. We, therefore, request your early response.

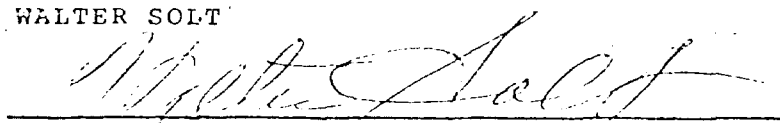
Very truly yours,


Wm. L. Embry
Land Department

WLE:lcs
Enclosure

THE UNDERSIGNED HAS NO OBJECTIONS TO THE UNORTHODOX LOCATION.

WALTER SOLT



DATE: 7-2-76

Atlantic Richfield Company

North American Producing Division
Permian District
Post Office Box 1610
Midland, Texas 79701
Telephone 915 682 8631

C. H. McClure
District Land Manager

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June 29, 1976

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ATLANTIC RICHFIELD COMPANY
LAND DEPT.

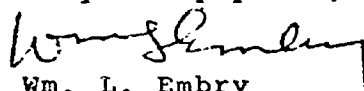
Harvey E. Yates Company
Suite 1000, Security National Bank Bldg.
Roswell, New Mexico 88201

Re: Application for Unorthodox Well
Location and Compulsory Pooling
ARCO No. 1 Empire State "33"
1320 feet from the south and west
lines of Section 33, T-17-S, R-28-E
Eddy County, New Mexico

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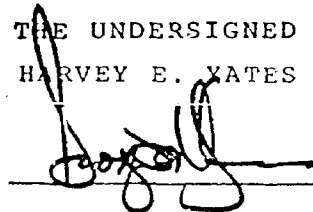
Very truly yours,



Wm. L. Embry
Land Department

WLE:lcs
Enclosure

THE UNDERSIGNED HAS NO OBJECTIONS TO THE UNORTHODOX LOCATION.
HARVEY E. YATES COMPANY



DATE: 7/2/76

Atlantic Richfield Company

North American Producing Division
Permian District
Post Office Box 1610
Midland, Texas 79701
Telephone 915 682 8631

C. H. McClure
District Land Manager



June 29, 1976

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ATLANTIC RICHFIELD COMPANY
LAND DEPT.

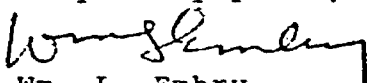
Mr. R. L. Burrow
P. O. Box 706
Roswell, New Mexico 88201

Re: Application for Unorthodox Well
Location and Compulsory Pooling
ARCO No. 1 Empire State "33"
1320 feet from the south and west
lines of Section 33, T-17-S, R-28-E
Eddy County, New Mexico

Dear Mr. Burrow:

According to our information, you are a working interest owner in lands offsetting Section 33, Township 17 South, Range 28 East, Eddy County, New Mexico. Attached is a copy of Application of Atlantic Richfield Company before the Oil Conservation Commission, State of New Mexico, for an unorthodox well location and compulsory pooling pertaining to the subject well. If you have no objections to the unorthodox location, we ask that you sign the waiver and return one copy of this letter to this office. On the other hand if you have objections or comments, we would appreciate you informing of your objection. We have requested the application to be included on the second examiner's hearing in July which we expect to be held on either the 21st or 28th. We, therefore, request your early response.

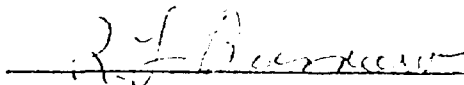
Very truly yours,


Wm. L. Embry
Land Department

WLE:lcs
Enclosure

THE UNDERSIGNED HAS NO OBJECTIONS TO THE UNORTHODOX LOCATION.

R. L. BURROW



DATE: 7-3-76

Atlantic Richfield Company

North American Producing Division
Permian District
Post Office Box 1610
Midland, Texas 79701
Telephone 915 682 8631

C. H. McClure
District Land Manager



June 29, 1976

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JUL 8 1976

ATLANTIC RICHFIELD COMPANY
LAND DEPT.


Exxon Company, USA
P. O. Box 1600
Midland, Texas 79701

Re: Application for Unorthodox Well
Location and Compulsory Pooling
ARCO No. 1 Empire State "33"
1320 feet from the south and west
lines of Section 33, T-17-S, R-28-E
Eddy County, New Mexico

Gentlemen:

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Very truly yours,


Wm. L. Embry
Land Department

WLE:lcs
Enclosure

THE UNDERSIGNED HAS NO OBJECTIONS TO THE UNORTHODOX LOCATION.

EXXON COMPANY, USA



DATE: July 7, 1976

Atlantic Richfield Company

North American Producing Division
Permian District
Post Office Box 1610
Midland, Texas 79701
Telephone 915 682 8631

C. H. McClure
District Land Manager



June 29, 1976

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ATLANTIC RICHFIELD COMPANY
LAND DEPT.

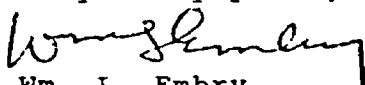
Exxon Company, USA
P. O. Box 1600
Midland, Texas 79701

Re: Application for Unorthodox Well
Location and Compulsory Pooling
ARCO No. 1 Empire State "33"
1320 feet from the south and west
lines of Section 33, T-17-S, R-28-E
Eddy County, New Mexico

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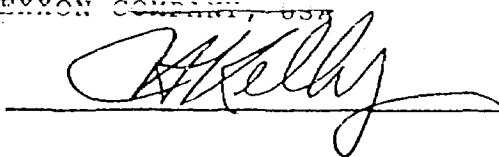
Very truly yours,


Wm. L. Embry
Land Department

WLE:lcs
Enclosure

THE UNDERSIGNED HAS NO OBJECTIONS TO THE UNORTHODOX LOCATION.

^{GOV. P.}
EXXON COMPANY, USA



DATE: July 7, 1976

Atlantic Richfield Company

North American Producing Division

Permian District

Post Office Box 1610

Midland, Texas 79701

Telephone 915 682 8631

C. H. McClure

District Land Manager



June 29, 1976

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ATLANTIC RICHFIELD COMPANY
LAND DEPT.

American Petrofina Company of Texas
P. O. Box 1311
Big Spring, Texas 79720

Re: Application for Unorthodox Well
Location and Compulsory Pooling
ARCO No. 1 Empire State "33"
1320 feet from the south and west
lines of Section 33, T-17-S, R-28-E
Eddy County, New Mexico

Gentlemen:

According to our information, you are a working interest owner in lands offsetting Section 33, Township 17 South, Range 28 East, Eddy County, New Mexico. Attached is a copy of Application of Atlantic Richfield Company before the Oil Conservation Commission, State of New Mexico, for an unorthodox well location and compulsory pooling pertaining to the subject well. If you have no objections to the unorthodox location, we ask that you sign the waiver and return one copy of this letter to this office. On the other hand if you have objections or comments, we would appreciate you informing of your objection. We have requested the application to be included on the second examiner's hearing in July which we expect to be held on either the 21st or 28th. We, therefore, request your early response.

Very truly yours,

Wm. L. Embry
Wm. L. Embry
Land Department

WLE:lcs
Enclosure

THE UNDERSIGNED HAS NO OBJECTIONS TO THE UNORTHODOX LOCATION.

AMERICAN PETROFINA COMPANY OF TEXAS

J. C. Chapman
J. C. Chapman for
R. C. Bott, District Mgr. of Production

DATE: July 8, 1976



June 29, 1976

RECEIVED
JUL 9 1976ATLANTIC RICHFIELD COMPANY
LAND DEPT.

Mr. Jerry Curtis
605 South 15th Street
Artesia, New Mexico 88210

Re: Application for Unorthodox Well
Location and Compulsory Pooling
ARCO No. 1 Empire State "33"
1320 feet from the south and west
lines of Section 33, T-17-S, R-28-E
Eddy County, New Mexico

Dear Mr. Curtis:

According to our information, you are a working interest owner in lands offsetting Section 33, Township 17 South, Range 28 East, Eddy County, New Mexico. Attached is a copy of Application of Atlantic Richfield Company before the Oil Conservation Commission, State of New Mexico, for an unorthodox well location and compulsory pooling pertaining to the subject well. If you have no objections to the unorthodox location, we ask that you sign the waiver and return one copy of this letter to this office. On the other hand if you have objections or comments, we would appreciate you informing of your objection. We have requested the application to be included on the second examiner's hearing in July which we expect to be held on either the 21st or 28th. We, therefore, request your early response.

Very truly yours,

Wm. L. Embry
Wm. L. Embry
Land Department

WLE:lcs
Enclosure

THE UNDERSIGNED HAS NO OBJECTIONS TO THE UNORTHODOX LOCATION.
JERRY CURTIS

Jerry Curtis

DATE: 7/6/77

Atlantic Richfield Company

North American Producing Division

Permian District

Post Office Box 1610

Midland, Texas 79701

Telephone 915 682 8631

C. H. McClure

District Land Manager

RECEIVED

JUL 12 1976

JUL 6 1976

ATLANTIC RICHFIELD COMPANY
LAND DEPT.

June 29, 1976

Sun Oil Company

P. O. Box 1861

Midland, Texas 79701

Re: Application for Unorthodox Well
Location and Compulsory Pooling
ARCO No. 1 Empire State "33"
1320 feet from the south and west
lines of Section 33, T-17-S, R-28-E
Eddy County, New Mexico

Gentlemen:

According to our information, you are a working interest owner in lands offsetting Section 33, Township 17 South, Range 28 East, Eddy County, New Mexico. Attached is a copy of Application of Atlantic Richfield Company before the Oil Conservation Commission, State of New Mexico, for an unorthodox well location and compulsory pooling pertaining to the subject well. If you have no objections to the unorthodox location, we ask that you sign the waiver and return one copy of this letter to this office. On the other hand if you have objections or comments, we would appreciate you informing of your objection. We have requested the application to be included on the second examiner's hearing in July which we expect to be held on either the 21st or 28th. We, therefore, request your early response.

Very truly yours,

Wm. L. Embry

Wm. L. Embry
Land Department

WLE:lcs
Enclosure

THE UNDERSIGNED HAS NO OBJECTIONS TO THE UNORTHODOX LOCATION.

SUN OIL COMPANY

H. R. Huey

DATE: *7-7-76*

Atlantic Richfield Company

North American Producing Division

Permian District

Post Office Box 1610

Midland, Texas 79701

Telephone 915 682 8631

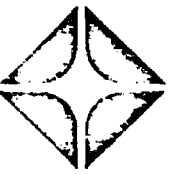
C. H. McClure

District Land Manager

RECEIVED

JUL 12 1976

ATLANTIC RICHFIELD COMPANY
LAND DEPT.



June 29, 1976


Castle & Wigzell
Penroc Oil Corporation
P.O. Box 831
Midland, Texas 79701

Re: Application for Unorthodox Well
Location and Compulsory Pooling
ARCO No. 1 Empire State "33"
1320 feet from the south and west
lines of Section 33, T-17-S, R-28-E
Eddy County, New Mexico

Gentlemen:

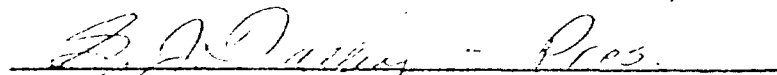
According to our information, you are a working interest owner in lands offsetting Section 33, Township 17 South, Range 28 East, Eddy County, New Mexico. Attached is a copy of Application of Atlantic Richfield Company before the Oil Conservation Commission, State of New Mexico, for an unorthodox well location and compulsory pooling pertaining to the subject well. If you have no objections to the unorthodox location, we ask that you sign the waiver and return one copy of this letter to this office. On the other hand if you have objections or comments, we would appreciate you informing of your objection. We have requested the application to be included on the second examiner's hearing in July which we expect to be held on either the 21st or 28th. We, therefore, request your early response.

Very truly yours,


Wm. L. Embry
Land Department

WLE:lcs
Enclosure

THE UNDERSIGNED HAS NO OBJECTIONS TO THE UNORTHODOX LOCATION.


B. J. Denny - Pres.
Penroc Oil Corp.

DATE: 7-7-76

AtlanticRichfieldCompany

North American Producing Division
Permian District
Post Office Box 1610
Midland, Texas 79701
Telephone 915 682 8631

C. H. McClure
District Land Manager



June 29, 1976

RECEIVED
JUL 12 1976

ATLANTIC RICHFIELD COMPANY
LAND DEPT.


Marbob Energy Corporation
P. O. Box 304
Artesia, New Mexico 88210

Re: Application for Unorthodox Well
Location and Compulsory Pooling
ARCO No. 1 Empire State "33"
1320 feet from the south and west
lines of Section 33, T-17-S, R-28-E
Eddy County, New Mexico

Gentlemen:

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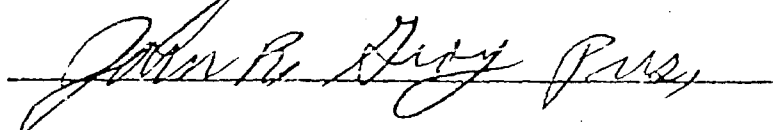
Very truly yours,


Wm. L. Embry
Land Department

WLE:lcs
Enclosure

THE UNDERSIGNED HAS NO OBJECTIONS TO THE UNORTHODOX LOCATION.

MARBOB ENERGY CORPORATION



DATE: 7/8/76

Atlantic Richfield Company

North American Producing Division

Permian District

Post Office Box 1610

Midland, Texas 79701

Telephone 915 682 8631

C. H. McClure

District Land Manager



June 29, 1976

RECEIVED

JUL 14 1976

ATLANTIC RICHFIELD COMPANY
LAND DEPT.

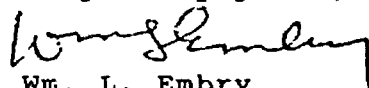
Samedan Oil Corporation
2207 Wilco Building
Midland, Texas 79701

Re: Application for Unorthodox Well
Location and Compulsory Pooling
ARCO No. 1 Empire State "33"
1320 feet from the south and west
lines of Section 33, T-17-S, R-28-E
Eddy County, New Mexico

Gentlemen:

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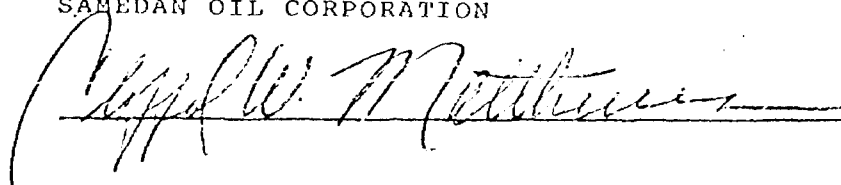
Very truly yours,



Wm. L. Embry
Land Department

WLE:lcs
Enclosure

THE UNDERSIGNED HAS NO OBJECTIONS TO THE UNORTHODOX LOCATION.
SAMEDAN OIL CORPORATION



DATE: 7/13/1976

Atlantic Richfield Company

North American Producing Division
Permian District
Post Office Box 1610
Midland, Texas 79701
Telephone 915 682 8631

C. H. McClure
District Land Manager



RECEIVED
JUL 2 1976

June 29, 1976

Depco, Inc.
1025 Petroleum Building
Denver, Colorado 80202

RECEIVED
JUL 14 1976

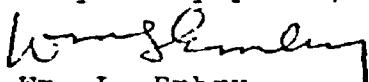
ATLANTIC RICHFIELD COMPANY
LAND DEPT.

Re: Application for Unorthodox Well
Location and Compulsory Pooling
ARCO No. 1 Empire State "33"
1320 feet from the south and west
lines of Section 33, T-17-S, R-28-E
Eddy County, New Mexico

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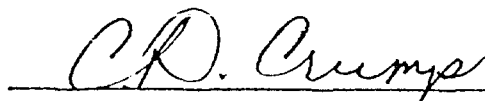
Very truly yours,


Wm. L. Embry
Land Department

WLE:lcs
Enclosure

THE UNDERSIGNED HAS NO OBJECTIONS TO THE UNORTHODOX LOCATION.

DEPCO, INC.



DATE: July 7, 1976

AtlanticRichfieldCompany

North American Producing Division
Permian District
Post Office Box 1610
Midland, Texas 79701
Telephone 915 682 8631

C. H. McClure
District Land Manager

mjc



June 29, 1976

Myco Industries
207 South Fourth Street
Artesia, New Mexico 88210

Re: Application for Unorthodox Well
Location and Compulsory Pooling
ARCO No. 1 Empire State "33"
1320 feet from the south and west
lines of Section 33, T-17-S, R-28-E
Eddy County, New Mexico

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Very truly yours,

Wm. L. Embry
Wm. L. Embry
Land Department

WLE:lcs
Enclosure

THE UNDERSIGNED HAS NO OBJECTIONS TO THE UNORTHODOX LOCATION.
MYCO INDUSTRIES

[Signature]

DATE: 7-2-76

Richfield Company

North American Producing Division

Permian District

Post Office Box 1610

Midland, Texas 79701

Telephone 915 682 8631

C. H. McClure

District Land Manager



June 29, 1976

RECEIVED JUL 1 1976

Mr. S. P. Yates
207 South Fourth Street
Artesia, New Mexico 88210

Re: Application for Unorthodox Well
Location and Compulsory Pooling
ARCO No. 1 Empire State "33"
1320 feet from the south and west
lines of Section 33, T-17-S, R-28-E
Eddy County, New Mexico

Dear Mr. Yates:

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Very truly yours,

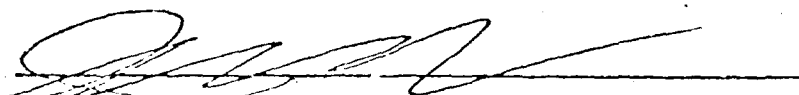


Wm. L. Embry
Land Department

WLE:lcs
Enclosure

THE UNDERSIGNED HAS NO OBJECTIONS TO THE UNORTHODOX LOCATION.

S. P. Yates



DATE: 7-2-76

RECEIVED JUL 1 1976



C. H. McClure

District Land Manager

June 29, 1976


Yates Petroleum Corporation
207 South Fourth Street
Artesia, New Mexico 88210

Re: Application for Unorthodox Well
Location and Compulsory Pooling
ARCO No. 1 Empire State "33"
1320 feet from the south and west
lines of Section 33, T-17-S, R-28-E
Eddy County, New Mexico

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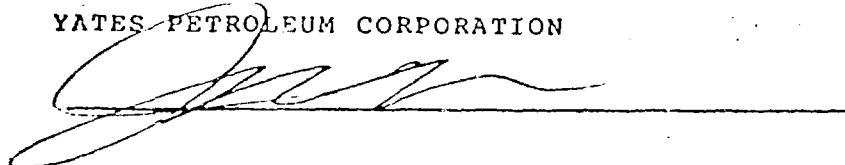
Very truly yours,


Wm. L. Embry
Land Department

WLE:lcs
Enclosure

THE UNDERSIGNED HAS NO OBJECTIONS TO THE UNORTHODOX LOCATION.

YATES PETROLEUM CORPORATION

DATE: 7-2-76

Atlantic Richfield Company

North American Producing Division

Permian District

Post Office Box 1610

Midland, Texas 79701

Telephone 915 682 8631

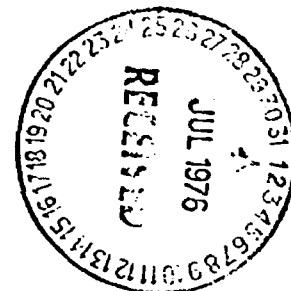
C. H. McClure

District Land Manager



June 29, 1976

Mr. Martin Yates III
207 South Fourth Street
Artesia, New Mexico 88210

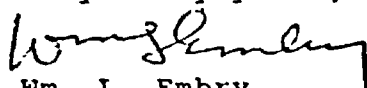


Re: Application for Unorthodox Well
Location and Compulsory Pooling
ARCO No. 1 Empire State "33"
1320 feet from the south and west
lines of Section 33, T-17-S, R-28-E
Eddy County, New Mexico

Dear Mr. Yates:

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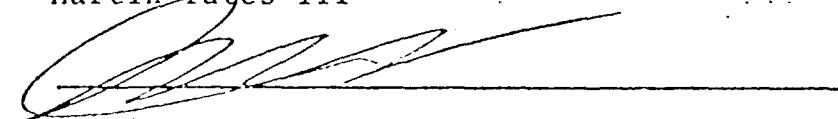
Very truly yours,


Wm. L. Embry
Land Department

WLE:lcs
Enclosure

THE UNDERSIGNED HAS NO OBJECTIONS TO THE UNORTHODOX LOCATION.

Martin Yates III



DATE: 7-2-76

Atlantic Richfield Company

North American Producing Division

Permian District

Post Office Box 1610

Midland, Texas 79701

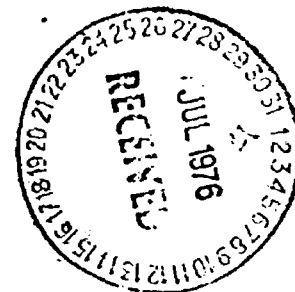
Telephone 915 682 8631

C. H. McClure

District Land Manager



June 29, 1976



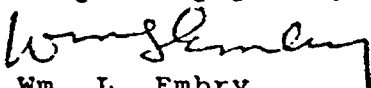
Abo Petroleum Corporation
407 South Fourth Street
Artesia, New Mexico 88210

Re: Application for Unorthodox Well
Location and Compulsory Pooling
ARCO No. 1 Empire State "33"
1320 feet from the south and west
lines of Section 33, T-17-S, R-28-E
Eddy County, New Mexico

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Very truly yours,


Wm. L. Embry
Land Department

WLE:lcs
Enclosure

THE UNDERSIGNED HAS NO OBJECTIONS TO THE UNORTHODOX LOCATION.

ABO PETROLEUM CORPORATION



DATE: 7-7-76

Atlantic Richfield Company

North American Producing Division

Permian District

Post Office Box 1610

Midland, Texas 79701

Telephone 915 682 8631

C. H. McClure

District Land Manager

RECEIVED

JUL 2 1976

ATLANTIC RICHFIELD COMPANY
LAND DEPT.

June 29, 1976


H & S Oil Company
Carper Building
Artesia, New Mexico 88210

Re: Application for Unorthodox Well
Location and Compulsory Pooling
ARCO No. 1 Empire State "33"
1320 feet from the south and west
lines of Section 33, T-17-S, R-28-E
Eddy County, New Mexico

Gentlemen:

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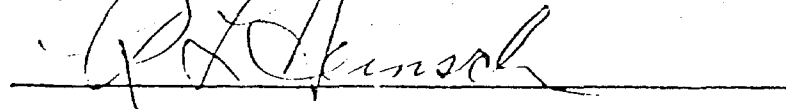
Very truly yours,


Wm. L. Embry
Land Department

WLE:lcs
Enclosure

THE UNDERSIGNED HAS NO OBJECTIONS TO THE UNORTHODOX LOCATION.

H & S OIL COMPANY



DATE: 7/1/76

Atlantic Richfield Company

North American Producing Division

Permian District

Post Office Box 1610

Midland, Texas 79701

Telephone 915 682 8631

C. H. McClure

District Land Manager

RECEIVED

JUL 1 1976

ATLANTIC RICHFIELD COMPANY
LAND DEPT.

June 29, 1976

Kincaid & Watson Drilling Company
P. O. Box ~~536~~ 498
Artesia, New Mexico 88210

Re: Application for Unorthodox Well
Location and Compulsory Pooling
ARCO No. 1 Empire State "33"
1320 feet from the south and west
lines of Section 33, T-17-S, R-28-E
Eddy County, New Mexico

Gentlemen:

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Very truly yours,



Wm. L. Embry
Land Department

WLE:lcs
Enclosure

THE UNDERSIGNED HAS NO OBJECTIONS TO THE UNORTHODOX LOCATION.

KINCAID & WATSON DRILLING COMPANY

DATE: _____

We do not have any acreage in this area.

Permian District
Post Office Box 1610
Midland, Texas 79701
Telephone 915 622 8631

C. H. McClure
District Land Manager

June 29, 1976

RECEIVED
JUL 9 1976

ATLANTIC RICHFIELD COMPANY
LAND DEPT.

Marathon Oil Company
P.O. Box 552
Midland, Texas 79701

Re: Application for Unorthodox Well
Location and Compulsory Pooling
ARCO No. 1 Empire State "33"
1320 feet from the south and west
lines of Section 33, T-17-S, R-28-E
Eddy County, New Mexico

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Very truly yours,

Wm. L. Embry
Wm. L. Embry
Land Department

WLE:lcs
Enclosure

RECEIVED

JUL 9 1976

PERMIAN - LAND

THE UNDERSIGNED HAS NO OBJECTIONS TO THE UNORTHODOX LOCATION.

MARATHON OIL COMPANY

R. S. Moore
District Operations Manager

DATE: July 8, 1976

Atlantic Richfield Company

North American Producing Division

Permian District

Post Office Box 1610

Midland, Texas 79701

Telephone 915 682 8631

C. H. McClure

District Land Manager



June 29, 1976

RECEIVED

JUL 6 1976

ATLANTIC RICHFIELD COMPANY
LAND DEPT.

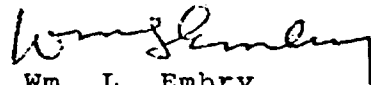
Mr. Tom L. Ingram
P. O. Box 1757
Roswell, New Mexico 88201

Re: Application for Unorthodox Well
Location and Compulsory Pooling
ARCO No. 1 Empire State "33"
1320 feet from the south and west
lines of Section 33, T-17-S, R-28-E
Eddy County, New Mexico

Dear Mr. Ingram:

According to our information, you are a working interest owner in lands offsetting Section 33, Township 17 South, Range 28 East, Eddy County, New Mexico. Attached is a copy of Application of Atlantic Richfield Company before the Oil Conservation Commission, State of New Mexico, for an unorthodox well location and compulsory pooling pertaining to the subject well. If you have no objections to the unorthodox location, we ask that you sign the waiver and return one copy of this letter to this office. On the other hand if you have objections or comments, we would appreciate you informing of your objection. We have requested the application to be included on the second examiner's hearing in July which we expect to be held on either the 21st or 28th. We, therefore, request your early response.

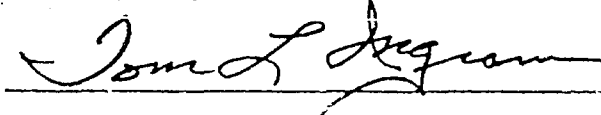
Very truly yours,


Wm. L. Embry
Land Department

WLE:lcs
Enclosure

THE UNDERSIGNED HAS NO OBJECTIONS TO THE UNORTHODOX LOCATION.

TOM L. INGRAM



DATE: 7-1-76

LIST OF OIL SET OPERATORS TO ARCO #1 EMPIRE STATE "33"
(1320 feet F&SWL Section 33, T-17-S, R-28-E, Eddy County, New Mexico)

Hondo Oil & Gas Company ✓
P. O. Box 1610
Midland, Texas 79701

Amoco Production Company
P. O. Box 3092
Houston, Texas 77001

Yates Petroleum Corporation ✓
207 South Fourth Street
Artesia, New Mexico 88210

Mr. S. P. Yates ✓
207 South Fourth Street
Artesia, New Mexico 88210

Mr. Martin Yates III ✓
207 South Fourth Street
Artesia, New Mexico 88210

Harvey E. Yates Company ✓
Suite 1000, Security National Bank Bldg.
Roswell, New Mexico 88201

Mr. J. O. Miller
P. O. Box 892
Lago Vista, Texas 78641

Husky Oil Company ✓
600 South Cherry Street
Denver, Colorado 80222

Castle & Wigzell ✓
Penroc Oil Corporation
P. O. Box 831
Midland, Texas 79701

Mr. Eugene E. Nearburg, et al
4219 Sigma Road
Dallas, Texas 75240

Mr. Joe A. Warren
7504 South 69 East Court
Tulsa, Oklahoma 74113

Kincaid & Watson Drilling Company
P. O. Box 536
Artesia, New Mexico 88210

Petroleum Corporation of Texas
~~707 Mann Avenue~~ 2003 Beckenmeyer Ave
Artesia, New Mexico 88210
P.O. Box 1000, Tex 76024

H & S Oil Company ✓
Carper Building
Artesia, New Mexico 88210

Hanson Oil Corporation
P. O. Box 1515
Roswell, New Mexico 88201

Burnah Oil & Gas Company
600 Western United Life Building
Midland, Texas 79701

Sun Oil Company ✓
P. O. Box 1861
Midland, Texas 79701

Depco, Inc. ✓
1025 Petroleum Building
Denver, Colorado 80202

Tenneco Oil Company
Suite 1200, 1860 Lincoln Street
Denver, Colorado 80203
Attention: Mr. D. D. Myers

Continental Oil Company
P. O. Box 431
Midland, Texas 79701

Cities Service Oil Company
P. O. Box 1919
Midland, Texas 79701

Marathon Oil Company ✓
P. O. Box 552
Midland, Texas 79701

Exxon Company, USA ✓
P. O. Box 1600
Midland, Texas 79701

American Petrofina Company of Texas ✓
P. O. Box 1311
Big Spring, Texas 79720

Mr. Walter Solt ✓
713 Carper Drive
Artesia, New Mexico 88210

Abo Petroleum Corporation ✓
407 South Fourth Street
Artesia, New Mexico 88210

Myco Industries ✓
207 South Fourth Street
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Mr. Tom L. Ingram ✓
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Roswell, New Mexico 88201

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607 Midland National Bank Building
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P. O. Box 2369
South Padre Island
Port Isabelle, Texas 78578

Featherstone Farms, Inc.
236 Petroleum Building
Roswell, New Mexico 88201

Franklin, Aston & Fair, Inc.
P. O. Box 1090
Roswell, New Mexico 88201

Wilson Oil Company
P. O. Box 1297
Santa Fe, New Mexico 87501

Mr. F. D. Shufflebarger
P. O. Box 1014
Albuquerque, New Mexico 87103

LIST OF OFFSET OPERATORS TO ARCO #1 EMPIRE STATE "33"
(1320 feet FS&WL Section 33, T-17-S, R-28-E, Eddy County, New Mexico)

Samedan Oil Corporation
2207 Wilco Building
Midland, Texas 79701

Mr. J. H. Moore
314 Gulf Building
Midland, Texas 79701

Mr. R. L. Burrow
~~P. O. Box 706-105~~ *1171105*
Roswell, New Mexico 88201

Mr. Van Welch, Jr.
Booker Building
Artesia, New Mexico 88210

Red Lake Oil Company
P. O. Drawer W
Artesia, New Mexico 88210

Mr. Jerry Curtis
605 South 15th Street
Artesia, New Mexico 88210

L.
Mr. S. A. Lanning
~~1102 Hermosa Drive~~
Artesia, New Mexico 88210
1105 W. Richardson

Marbob Energy Corporation
P. O. Box 304
Artesia, New Mexico 88210

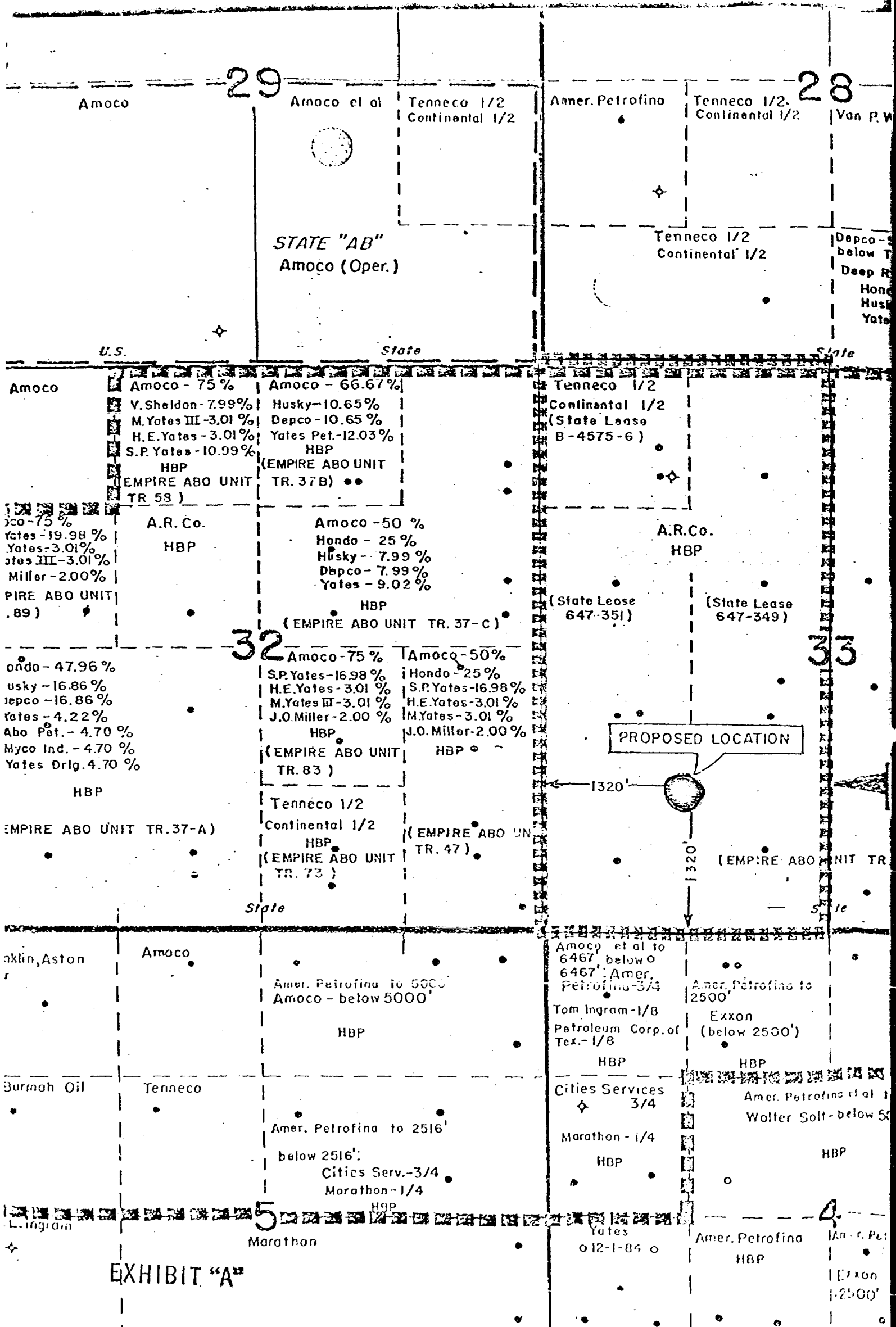
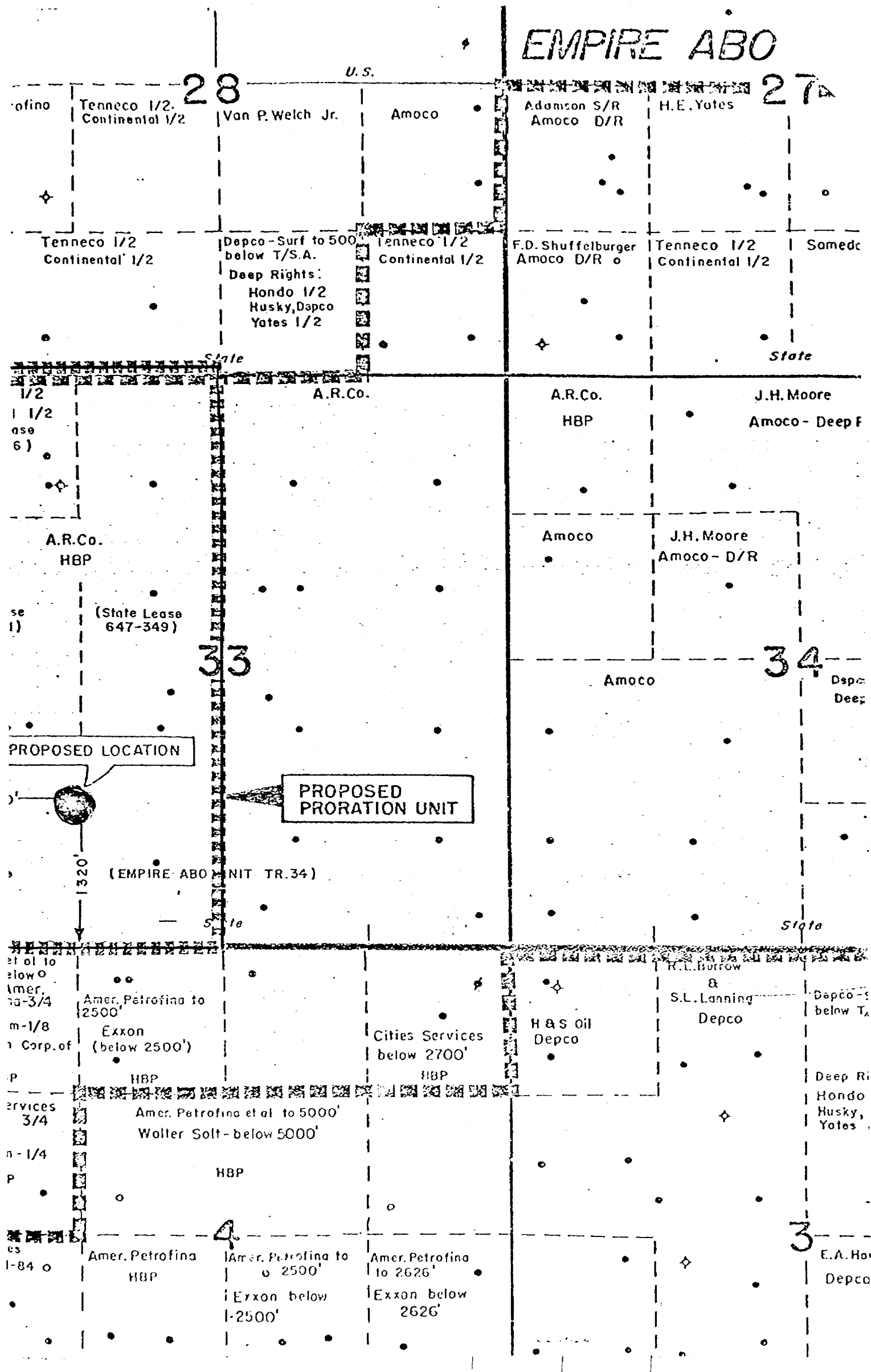


EXHIBIT "A"

EMPIRE ABO



Dockets Nos. 22-76 and 23-76 are tentatively set for hearing on August 4 and August 18, 1976. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JULY 21, 1976

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

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

- ALLOWABLE: (1) Consideration of the allowable production of gas for August, 1976, from seventeen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.
- (2) Consideration of the allowable production of gas for August, 1976, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.
- CASE 5715: Application of Marathon Oil Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Northeast Anderson Ranch Unit Area comprising 2,720 acres, more or less, of State lands in Township 15 South, Range 32 East, Lea County, New Mexico.
- CASE 5716: Application of Atlantic Richfield Company 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 the Pennsylvanian formation underlying the W/2 of Section 33, Township 17 South, Range 28 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 1315 feet from the South and West lines of said Section 33. 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 5717: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Petroleum Development Corporation, Commercial Union Assurance Companies, and all other interested parties to appear and show cause why the Vaughn State Well No. 1, located in Unit E of Section 16, Township 6 North, Range 17 East, Guadalupe County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5718: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Morad Oil & Mining Company, Western Surety Company, and all other interested parties to appear and show cause why the Campbell Well No. 1, located in Unit A of Section 25, Township 28 North, Range 35 East, Union County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5719: Application of La Rue and Muncy for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from its McClay Federal Wells Nos. 9 and 10, located in Units G and F, respectively, of Section 33, Township 18 South, Range 30 East, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.
- CASE 5720: Application of Harvey E. Yates for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from its State Wells Nos. 1, 2, 3, 4, and 6 located in Units G, B, A, J, and H, respectively, of Section 32, Township 18 South, Range 30 East, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.
- CASE 5721: Application of H & S Oil Company for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from its McClay Well No. 7, located in Unit C of Section 33, Township 18 South, Range 30 East, North Benson-Queen Grayburg Pool, Eddy County, New Mexico.
- CASE 5722: Application of Gene Snow for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from his Elk Well No. 1, located in Unit L of Section 32, Township 18 South, Range 30 East, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.
- CASE 5723: Application of Marbob Energy Corporation for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from its Elliott Well No. 1 located in Unit E of Section 28, and its Elliott Wells Nos. 2 and 3 located in Units H and G, respectively, of Section 29, all in Township 18 South, Range 30 East, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.

Case 5716

LAW OFFICES

HINKLE, BONDURANT, COX & EATON

TELEPHONE (505) 622-6510

CLARENCE E. HINKLE
W. E. BONDURANT, JR. 1914-1973
LEWIS C. COX, JR.
PAUL W. EATON, JR.
CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.
STUART D. SHANOR
C. D. MARTIN
PAUL J. KELLY, JR.
JAMES H. BOZARTH
RONALD G. HARRIS
JAMES H. ISBELL
DOUGLAS L. LUNSFORD

600 HINKLE BUILDING

POST OFFICE BOX 10

ROSWELL, NEW MEXICO 80201

June 25, 1976

MR. ISBELL LICENSED
IN TEXAS ONLY

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

Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

We enclose herewith in triplicate application of Atlantic Richfield Company for an unorthodox gas well location and for compulsory pooling in connection with a well to be located in Section 33, Township 17 South, Range 28 East, Eddy County, within the Empire Abo Unit.

We would appreciate your placing this matter on the second examiner's hearing in July.

Yours very truly,

HINKLE, BONDURANT, COX & EATON

By 

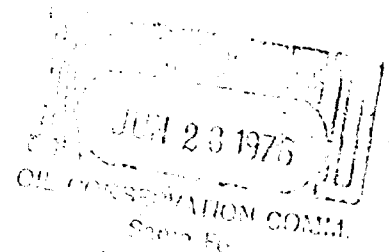
CEH:cs
Enc.

cc: Mr. Horace Burton
cc: Mr. Jerry Tweed
cc: Mr. Don Chancy

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

APPLICATION OF ATLANTIC RICHFIELD COMPANY FOR AN UNORTHODOX GAS WELL LOCATION AND FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO. APPLICANT SEEKS APPROVAL OF AN UNORTHODOX GAS WELL LOCATION 1320 FEET FROM THE SOUTH AND WEST LINES OF SECTION 33, TOWNSHIP 17 SOUTH, RANGE 28 EAST, SAID WELL TO BE PROJECTED TO 10,500 FEET TO TEST THE MORROW ZONE OF PENNSYLVANIAN AGE, AND THE DEDICATION TO SAID WELL OF THE $W\frac{1}{2}$ SAID SECTION 33. APPLICANT ALSO SEEKS AN ORDER POOLING ALL MINERAL INTERESTS IN FORMATIONS OF PENNSYLVANIAN AGE UNDERLYING THE $W\frac{1}{2}$ SECTION 33. ALSO TO BE CONSIDERED WILL BE THE COST OF DRILLING AND COMPLETING SAID WELL; THE ALLOCATION OF THE COST THEREOF, AS WELL AS THE ACTUAL OPERATING COSTS, CHARGES FOR SUPERVISION AND THE DESIGNATION OF APPLICANT AS OPERATOR AND A CHARGE FOR THE RISK INVOLVED IN DRILLING SAID WELL.



Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

Comes Atlantic Richfield Company, acting by and through the undersigned attorneys, and hereby makes application for an unorthodox gas well location and for compulsory pooling, Eddy County, New Mexico. Applicant seeks approval of an unorthodox gas well location 1320 feet from the south and west lines of Section 33, Township 17 South, Range 28 East, said well to be projected to 10,500 feet to test the Morrow zone of Pennsylvanian age, and the dedication to said well of the $W\frac{1}{2}$ said Section 33. Applicant also seeks an order pooling all mineral interests in formations of Pennsylvanian age underlying the $W\frac{1}{2}$ Section 33. Also to be considered will be the cost of drilling and completing said well; the allocation of the cost thereof, as well as the actual operating costs, charges for supervision and the designation of applicant as operator and a charge for the risk involved in drilling said well, and in support thereof respectfully shows:

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

Said plat also shows a partial outline of the Empire Abo Unit Area in which the W $\frac{1}{2}$ Section 33 is located. The leasehold interests covering said spacing unit down to and including the unitized formation in the Empire Abo Unit are committed to said unit agreement. The purpose of the proposed well is to test the Morrow zone of Pennsylvanian age.

2. Applicant believes that the proposed unorthodox location is the most strategic position to obtain production from the Morrow zone of Pennsylvanian age.

3. The W $\frac{1}{2}$ Section 33 is land of the State of New Mexico and applicant is the owner of all oil and gas leasehold interests therein except the NW $\frac{1}{4}$ NW $\frac{1}{4}$ said section, which is owned 1/2 by Tenneco Oil Company and 1/2 by Continental Oil Company. Applicant has been unable to reach an agreement with Tenneco and Continental for the pooling of their interests for the purpose of drilling said well and forming a spacing and proration unit.


4. Applicant believes that the entire W $\frac{1}{2}$ Section 33 will prove productive of gas in paying quantities from the Morrow zone of Pennsylvanian age and that the pooling of the mineral and leasehold interests within said half section will avoid the drilling of unnecessary wells, prevent waste and protect correlative rights. Applicant seeks compulsory pooling to form a standard spacing and proration unit as provided by Section 65-3-14 N.M.S.A. 1953 Comp. and in connection therewith to consider the cost of drilling and completing said well, the proper allocation of the cost thereof, as well as the cost of operating said well and charges for supervision. Also to be considered is a charge for the risk involved in drilling the well and approval of applicant as operator.

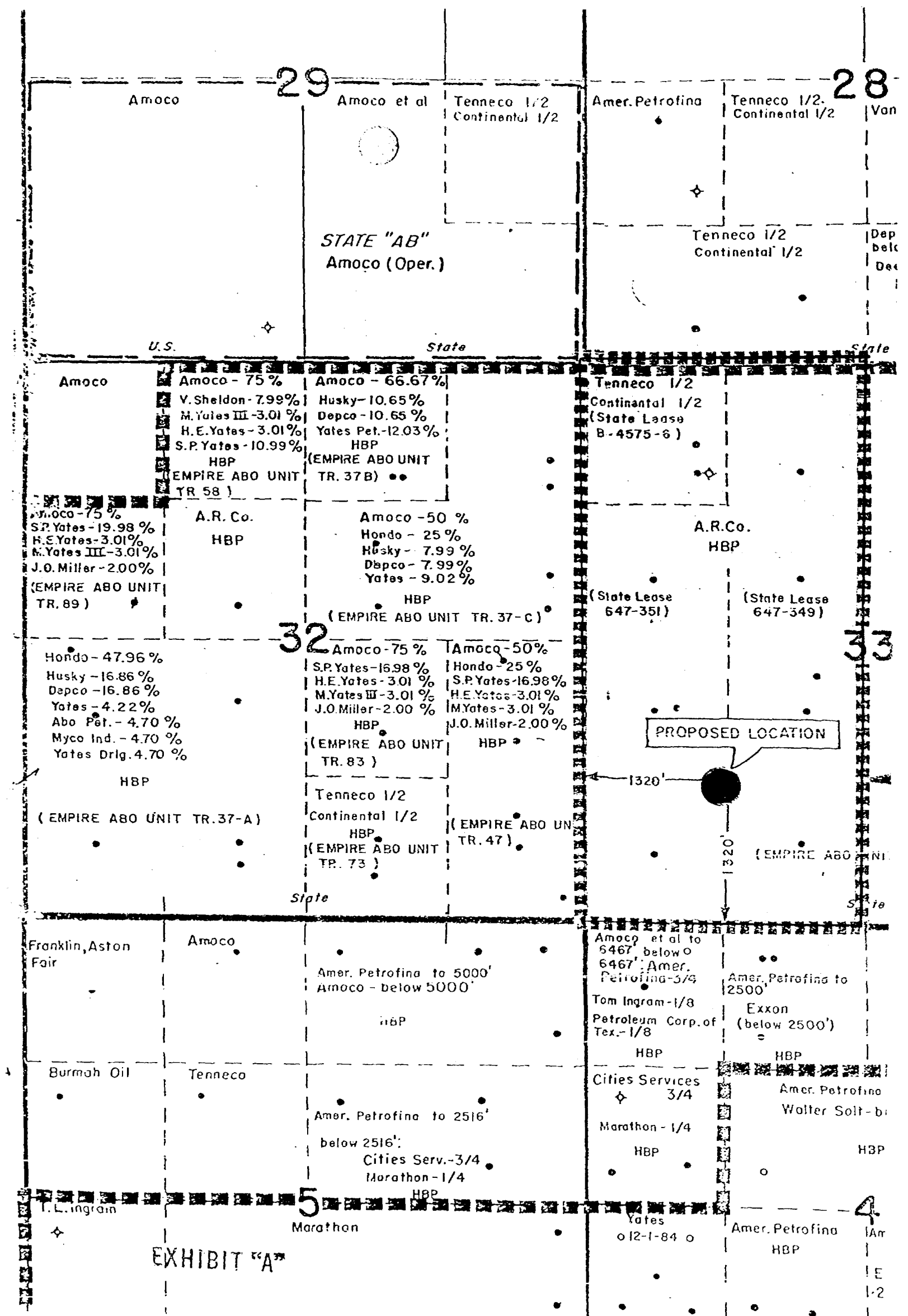
5. There is attached hereto a list of all offset owners insofar as is known to applicant and copies of this application are being mailed to all of said owners at the addresses shown on the list.

6. Applicant requests that this matter be included on the second examiner's hearing in July, 1976.

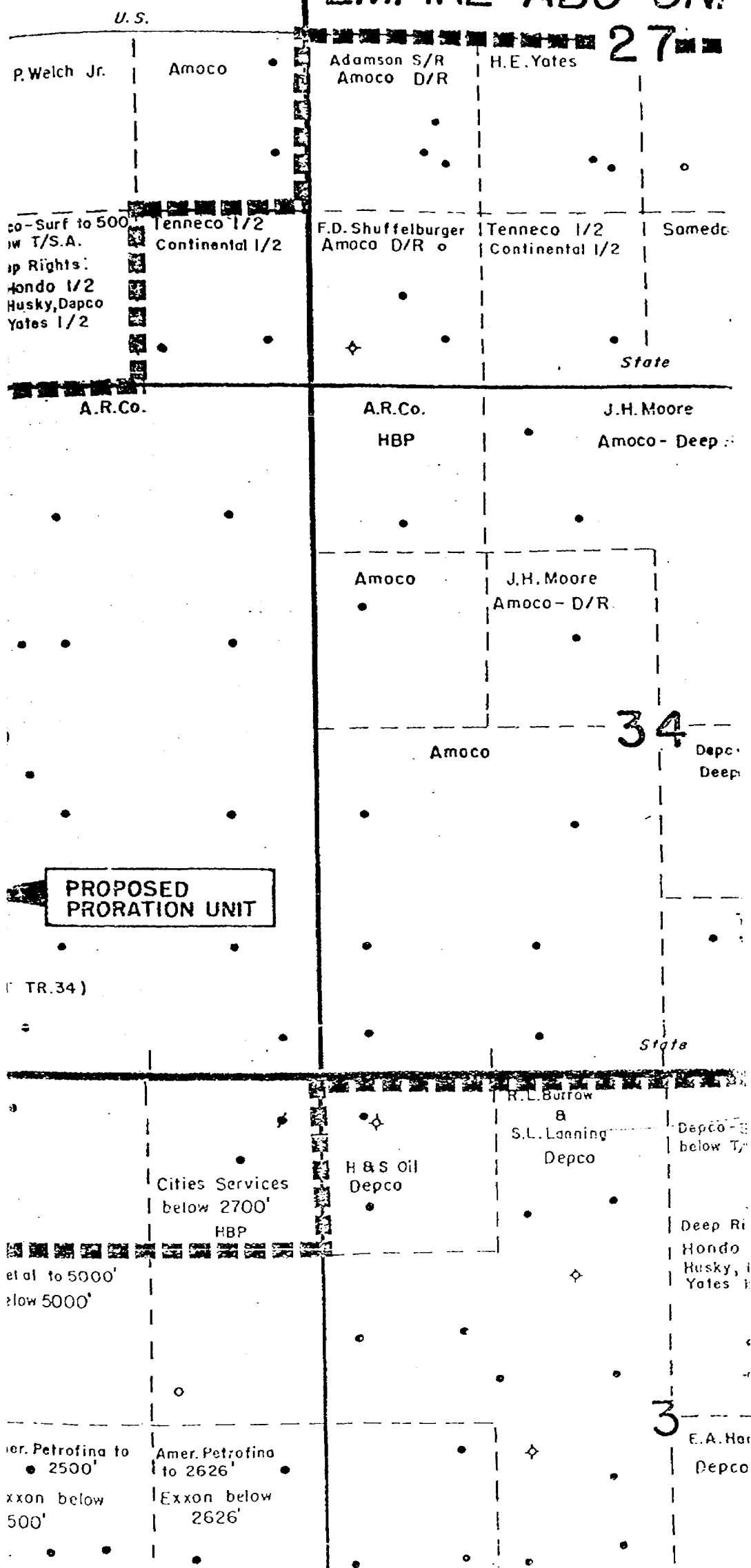
Respectfully submitted,

ATLANTIC RICHFIELD COMPANY

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



EMPIRE ABO UN



Hondo Oil & Gas Company
P. O. Box 1610
Midland, Texas 79701

Amoco Production Company
P. O. Box 3092
Houston, Texas 77001

Yates Petroleum Corporation
207 South Fourth Street
Artesia, New Mexico 88210

Mr. S. P. Yates
207 South Fourth Street
Artesia, New Mexico 88210

Mr. Martin Yates III
207 South Fourth Street
Artesia, New Mexico 88210

Harvey E. Yates Company
Suite 1000, Security National Bank Bldg.
Roswell, New Mexico 88201

Mr. J. O. Miller
P. O. Box 892
Lago Vista, Texas 78641

Husky Oil Company
600 South Cherry Street
Denver, Colorado 80222

Castle & Wigzell
Penroc Oil Corporation
P. O. Box 831
Midland, Texas 79701

Mr. Eugene E. Nearburg, et al
4219 Sigma Road
Dallas, Texas 75240

Mr. Joe A. Warren
7504 South 69 East Court
Tulsa, Oklahoma 74113

Kincaid & Watson Drilling Company
P. O. Box 536
Artesia, New Mexico 88210

Petroleum Corporation of Texas
707 Mann Avenue
Artesia, New Mexico 88210

H & S Oil Company
Carper Building
Artesia, New Mexico 88210

Hanson Oil Corporation
P. O. Box 1515
Roswell, New Mexico 88201

Burmah Oil & Gas Company
600 Western United Life Building
Midland, Texas 79701

Sun Oil Company
P. O. Box 1861
Midland, Texas 79701

Depco, Inc.
1025 Petroleum Building
Denver, Colorado 80202

Tenneco Oil Company
Suite 1200, 1860 Lincoln Street
Denver, Colorado 80203
Attention: Mr. D. D. Myers

Continental Oil Company
P. O. Box 431
Midland, Texas 79701

Cities Service Oil Company
P. O. Box 1919
Midland, Texas 79701

Marathon Oil Company
P. O. Box 552
Midland, Texas 79701

Exxon Company, USA
P. O. Box 1600
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American Petrofina Company of Texas
P. O. Box 1311
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Mr. Walter Solt
713 Carper Drive
Artesia, New Mexico 88210

Abo Petroleum Corporation
407 South Fourth Street
Artesia, New Mexico 88210

Myco Industries
207 South Fourth Street
Artesia, New Mexico 88210

Mr. Tom L. Ingram
P. O. Box 1757
Roswell, New Mexico 88201

C&K Petroleum, Inc.
607 Midland National Bank Building
Midland, Texas 79701

Mr. Vilas P. Sheldon
P. O. Box 2369
South Padre Island
Port Isabelle, Texas 78578

Featherstone Farms, Inc.
236 Petroleum Building
Roswell, New Mexico 88201

Franklin, Aston & Fair, Inc.
P. O. Box 1090
Roswell, New Mexico 88201

Wilson Oil Company
P. O. Box 1297
Santa Fe, New Mexico 87501

Mr. F. D. Shufflebarger
P. O. Box 1044
Albuquerque, New Mexico 87103

LIST OF LIASEE OPERATORS TO ARCO #1 EMPIRE STATE "32"
(1320 feet FSNL Section 33, T-17-S, R-28-E, Eddy County, New Mexico)

Case 5716

Samedan Oil Corporation
2207 Wilco Building
Midland, Texas 79701

Mr. J. H. Moore
314 Gulf Building
Midland, Texas 79701

Mr. R. L. Burrow
P. O. Box 706
Roswell, New Mexico 88201

Mr. Van Welch, Jr.
Booker Building
Artesia, New Mexico 88210

Red Lake Oil Company
P. O. Drawer W
Artesia, New Mexico 88210

Mr. Jerry Curtis
605 South 15th Street
Artesia, New Mexico 88210

Mr. S. A. Lanning
1102 Hermosa Drive
Artesia, New Mexico 88210

Marbob Energy Corporation
P. O. Box 304
Artesia, New Mexico 88210

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

APPLICATION OF ATLANTIC RICHFIELD COMPANY
FOR AN UNORTHODOX GAS WELL LOCATION AND
FOR COMPULSORY POOLING, EDDY COUNTY, NEW
MEXICO. APPLICANT SEEKS APPROVAL OF AN
UNORTHODOX GAS WELL LOCATION 1320 FEET
FROM THE SOUTH AND WEST LINES OF SECTION
33, TOWNSHIP 17 SOUTH, RANGE 28 EAST, SAID
WELL TO BE PROJECTED TO 10,500 FEET TO
TEST THE MORROW ZONE OF PENNSYLVANIAN AGE,
AND THE DEDICATION TO SAID WELL OF THE $W\frac{1}{2}$
SAID SECTION 33. APPLICANT ALSO SEEKS AN
ORDER POOLING ALL MINERAL INTERESTS IN
FORMATIONS OF PENNSYLVANIAN AGE UNDERLYING
THE $W\frac{1}{2}$ SECTION 33. ALSO TO BE CONSIDERED
WILL BE THE COST OF DRILLING AND COMPLETING
SAID WELL; THE ALLOCATION OF THE COST THEREOF,
AS WELL AS THE ACTUAL OPERATING COSTS, CHARGES
FOR SUPERVISION AND THE DESIGNATION OF APPLI-
CANT AS OPERATOR AND A CHARGE FOR THE RISK
INVOLVED IN DRILLING SAID WELL.

Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

Comes Atlantic Richfield Company, acting by and through the undersigned attorneys, and hereby makes application for an unorthodox gas well location and for compulsory pooling, Eddy County, New Mexico. Applicant seeks approval of an unorthodox gas well location 1320 feet from the south and west lines of Section 33, Township 17 South, Range 28 East, said well to be projected to 10,500 feet to test the Morrow zone of Pennsylvanian age, and the dedication to said well of the $W\frac{1}{2}$ said Section 33. Applicant also seeks an order pooling all mineral interests in formations of Pennsylvanian age underlying the $W\frac{1}{2}$ Section 33. Also to be considered will be the cost of drilling and completing said well; the allocation of the cost thereof, as well as the actual operating costs, charges for supervision and the designation of applicant as operator and a charge for the risk involved in drilling said well, and in support thereof respectfully shows:

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

() *Case 5716*

Said plat also shows a partial outline of the Empire Abo Unit Area in which the W $\frac{1}{2}$ Section 33 is located. The leasehold interests covering said spacing unit down to and including the unitized formation in the Empire Abo Unit are committed to said unit agreement. The purpose of the proposed well is to test the Morrow zone of Pennsylvanian age.

2. Applicant believes that the proposed unorthodox location is the most strategic position to obtain production from the Morrow zone of Pennsylvanian age.

3. The W $\frac{1}{2}$ Section 33 is land of the State of New Mexico and applicant is the owner of all oil and gas leasehold interests therein except the NW $\frac{1}{4}$ NW $\frac{1}{4}$ said section, which is owned 1/2 by Tenneco Oil Company and 1/2 by Continental Oil Company. Applicant has been unable to reach an agreement with Tenneco and Continental for the pooling of their interests for the purpose of drilling said well and forming a spacing and proration unit.

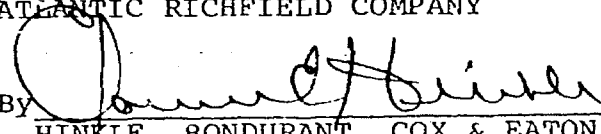
4. Applicant believes that the entire W $\frac{1}{2}$ Section 33 will prove productive of gas in paying quantities from the Morrow zone of Pennsylvanian age and that the pooling of the mineral and leasehold interests within said half section will avoid the drilling of unnecessary wells, prevent waste and protect correlative rights. Applicant seeks compulsory pooling to form a standard spacing and proration unit as provided by Section 65-3-14 N.M.S.A. 1953 Comp. and in connection therewith to consider the cost of drilling and completing said well, the proper allocation of the cost thereof, as well as the cost of operating said well and charges for supervision. Also to be considered is a charge for the risk involved in drilling the well and approval of applicant as operator.

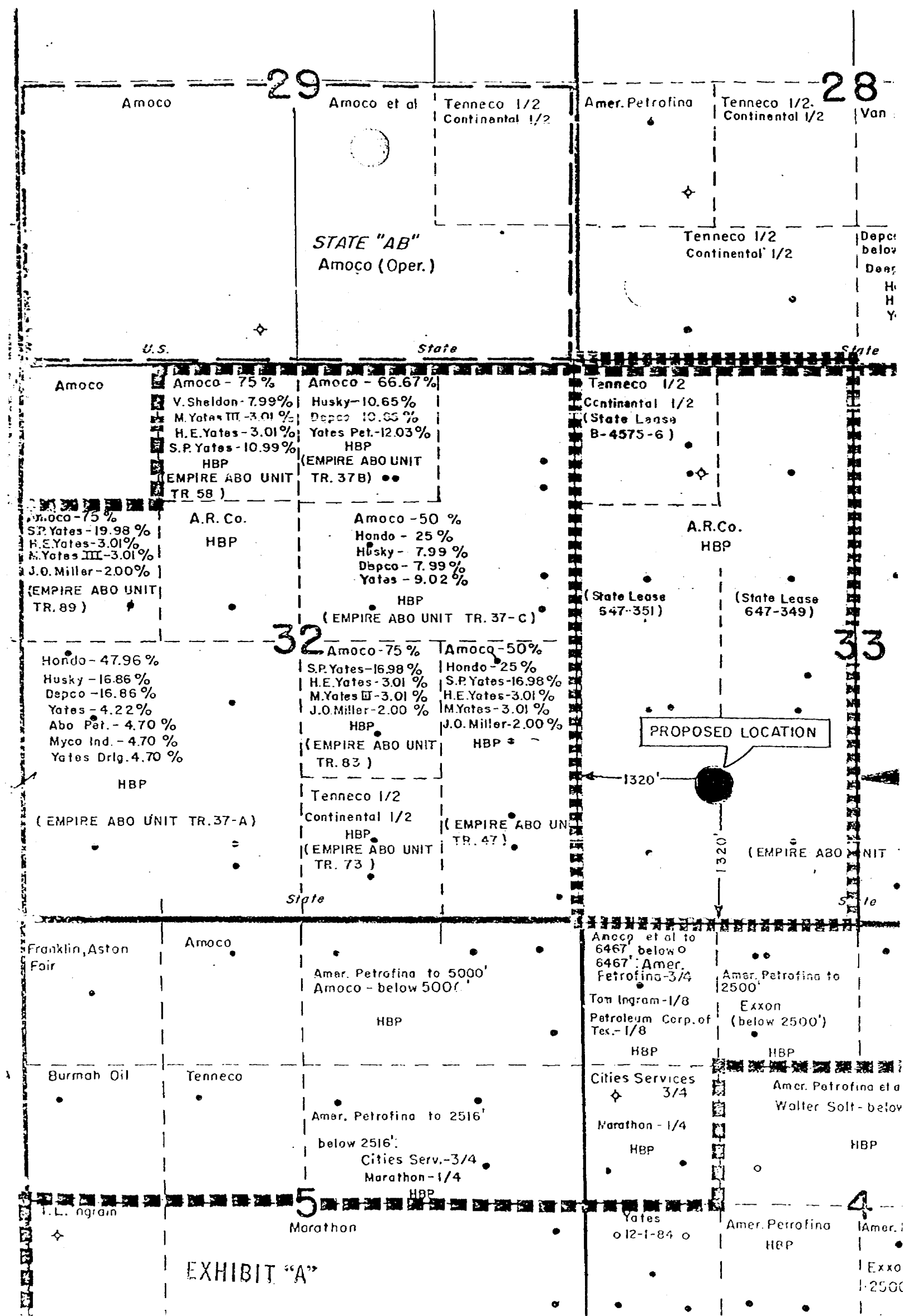
5. There is attached hereto a list of all offset owners insofar as is known to applicant and copies of this application are being mailed to all of said owners at the addresses shown on the list.

6. Applicant requests that this matter be included on the second examiner's hearing in July, 1976.

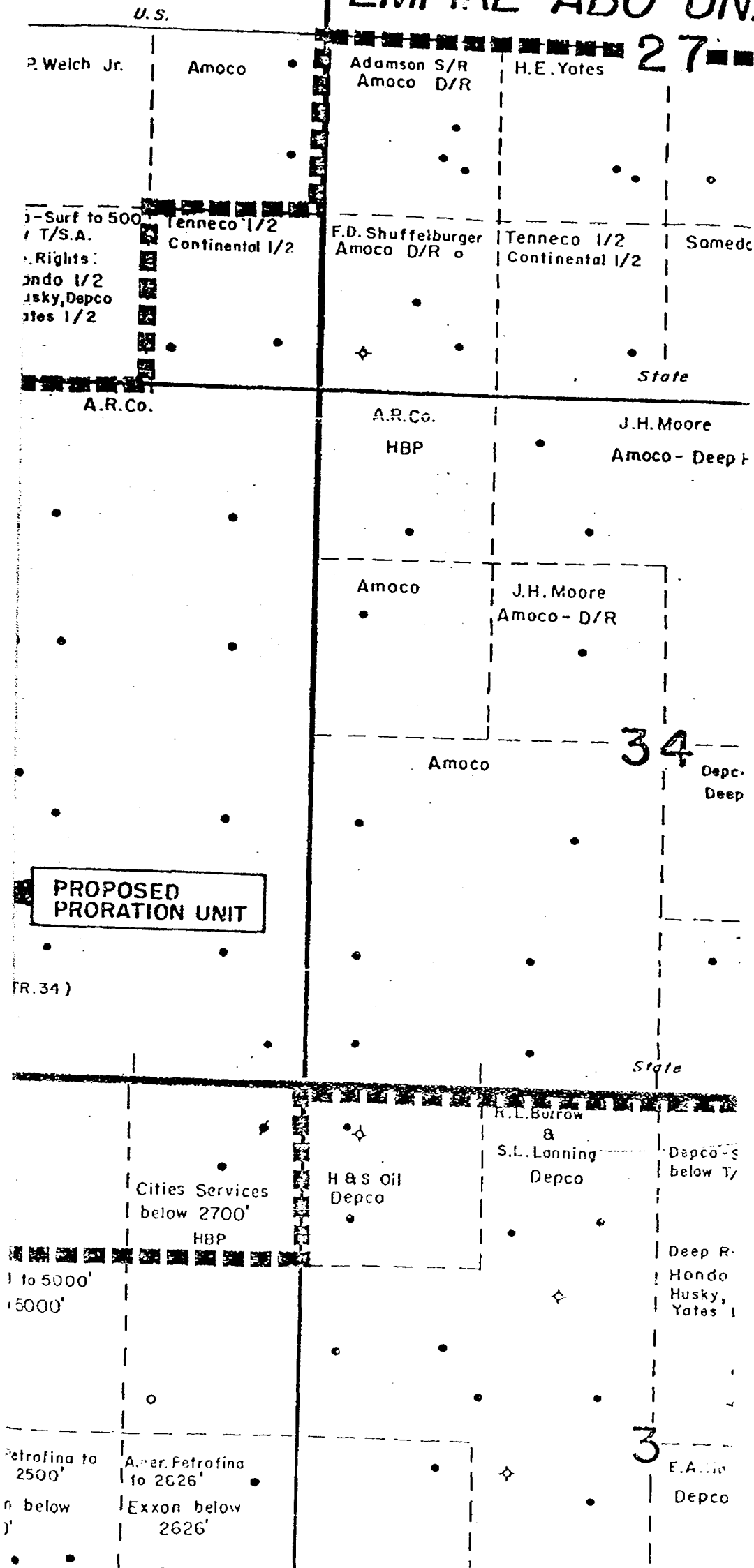
Respectfully submitted,

ATLANTIC RICHFIELD COMPANY

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



EMPIRE ABO UN.



Case 5716

LIST OF OIL SET OPERATORS TO ARCO #1 EMPIRE LEASE "33"
(1320 feet FSSWL Section 33, T-17-S, R-28-E, Eddy County, New Mexico)

Hondo Oil & Gas Company
P. O. Box 1610
Midland, Texas 79701

Amoco Production Company
P. O. Box 3092
Houston, Texas 77001

Yates Petroleum Corporation
207 South Fourth Street
Artesia, New Mexico 88210

Mr. S. P. Yates
207 South Fourth Street
Artesia, New Mexico 88210

Mr. Martin Yates III
207 South Fourth Street
Artesia, New Mexico 88210

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600 South Cherry Street
Denver, Colorado 80222

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Penroc Oil Corporation
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Midland, Texas 79701

Mr. Eugene E. Nearburg, et al
4219 Sigma Road
Dallas, Texas 75240

Mr. Joe A. Warren
7504 South 69 East Court
Tulsa, Oklahoma 74113

Kincaid & Watson Drilling Company
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Artesia, New Mexico 88210

Petroleum Corporation of Texas
707 Mann Avenue
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Carper Building
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Hansen Oil Corporation
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600 Western United Life Building
Midland, Texas 79701

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Depco, Inc.
1025 Petroleum Building
Denver, Colorado 80202

Tenneco Oil Company
Suite 1200, 1860 Lincoln Street
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Attention: Mr. D. D. Myers

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713 Carper Drive
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607 Midland National Bank Building
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236 Petroleum Building
Roswell, New Mexico 88201

Franklin, Aston & Fair, Inc.
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Roswell, New Mexico 88201

Wilson Oil Company
P. O. Box 1297
Santa Fe, New Mexico 87501

Mr. F. D. Shufflebarger
P. O. Box 1044
Albuquerque, New Mexico 87103

LIST OF CASSET OPERATORS TO ARCO #1 EMPIRE STATE "33"
(1320 feet FSEWL Section 33, T-17-S, R-28-E, Eddy County, New Mexico)

Case 5716

Samedan Oil Corporation
2207 Wilco Building
Midland, Texas 79701

Mr. R. L. Burrow
P. O. Box 106
Roswell, New Mexico 88201

Red Lake Oil Company
P. O. Drawer W
Artesia, New Mexico 88210

Mr. S. A. Lanning
1102 Hermosa Drive
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Mr. J. H. Moore
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Mr. Van Welch, Jr.
Booker Building
Artesia, New Mexico 88210

Mr. Jerry Curtis
605 South 15th Street
Artesia, New Mexico 88210

Marbob Energy Corporation
P. O. Box 304
Artesia, New Mexico 88210

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. 5716

Order No. R-5257

APPLICATION OF ATLANTIC RICHFIELD COMPANY
FOR COMPULSORY POOLING AND AN UNORTHODOX GAS
WELL LOCATION, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 21, 1976
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 17th day of July, 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 the applicant, Atlantic Richfield Company,
seeks an order pooling all mineral interests in the
Pennsylvanian formation underlying the W/2
of Section 33, Township 17 South, Range 28 East,
NMPM, Empire Field, Eddy County, New
Mexico.

(3) That the applicant has the right to drill and proposes to drill a well/ at an unorthodox location 1315 feet from the South line and 1315 feet from the West line of said Section 33

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

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

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 128 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

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(11) That ~~\$1760.00 per month while drilling and \$210.00 per month while producing~~ ^{\$1760.00} 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 charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before November 15, 1976, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the W/2 of Section 33, Township 17 South, Range 28 East, NMPM, Empire Field, Eddy County, New Mexico, are hereby pooled to form a standard 320- acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox location 1315 feet from the South line and 1315 feet from the West line of said Section 33.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of November, 1976, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of November, 1976, Order (1) of this order shall be null and void and of no effect whatsoever; unless said operator obtains a time extension from the Commission for good cause shown.

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

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

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

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

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

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

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

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

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

(B) As a charge for the risk involved in the drilling of the well, 12.8 per cent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$1700.00 per month ^{th while drilling and \$210.00 per month ~~th while~~ producing} ~~per month~~ ^{are} hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

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

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

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

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