

CASE 5794: CONTINENTAL OIL CO.
FOR COMPULSORY POOLING, EDDY
COUNTY, NEW MEXICO

CASE NO.

5794

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,

ETC.



L. P. Thompson
Division Manager
Production Department
Hobbs Division

Continental Oil Company
P.O. Box 460
1001 North Turner
Hobbs, New Mexico 88240
(505) 393-4141

November 11, 1976

Bass Enterprises Production Company
Box 171
Midland, Texas 79701

Belco Petroleum Corporation
411 Petroleum Building
204 West Texas
Midland, Texas 79701

Gentlemen:

James Ranch Unit Well No. 8, Eddy County, New Mexico

Attached for your information and file is a copy of Order No. R-5315 entered in Case No. 5794 before the New Mexico Oil Conservation Commission. The Order provides for the compulsory pooling of the W/2 Section 31, T-22S, R-31E, in the Los Medanos Field for a well to be drilled in the NW/4 SW/4 of the section. As required by that Order we are also attaching the estimated cost to drill, complete and equip the well. These are the identical costs which were shown on our AFE previously furnished you.

So far as Continental Oil Company is concerned, it will be satisfactory to furnish an approved AFE for the amount of the estimated cost attributable to the S/2 of the proration unit, rather than advancing the money as provided in the Order. The Order provides for Continental to recoup the cost and penalty provided for any portion of the estimated cost not covered by an approved AFE.

Application for permit to drill this well has been submitted to the USGS and requests for bids to drilling contractors have been sent out. As we have stated in previous correspondence, Continental sought the force-pooling order only to prevent any unnecessary delay in beginning the drilling of this well. We fervently hope that all parties will come to mutually agreeable terms for jointly sharing the cost of the well. We shall keep you informed of developments on this matter.

Yours very truly,

VTL:rej

Enc

CC:

New Mexico Oil Conservation Commission

P.O. Box 2088

Santa Fe, New Mexico 87501

CFE: FOR: JWK

File Case 5794

*Rutter
Examiner*

NOV 15 1976
OIL CONSERVATION COMMISSION
SANTA FE, N.M.

Estimated Cost to Drill and Equip James Ranch Unit Well No. 8
 1980' FSL and 660' FWL of Section 31, T-22S, R-31E
 Eddy County, New Mexico

	<u>Drill and Complete</u>	<u>Equip</u>	<u>Total</u>
Controllable Materials	\$ 336,400	\$60,800	\$ 397,200
Non-Controllable Materials	25,000	10,000	35,000
Fuel, water, lubs, elect.	15,000	-	15,000
Location, roads, damages	10,000	1,500	11,500
Drilling Contract	384,600	-	384,600
Drilling bits and reamers	26,000	-	26,000
Mud, chemicals and services	45,000	-	45,000
Cementing and services	31,200	-	31,200
Drilling Tool Rental	100,000	-	100,000
Perforating	8,000	-	8,000
Formation Treating	45,000	-	45,000
Logging and Surveys	35,000	-	35,000
Transportation	15,000	2,000	17,000
Division Expense	3,500	-	3,500
Company Labor and Supervision	15,000	-	15,000
Contract Labor	25,000	10,000	35,000
Sales Tax	13,500	3,500	17,000
Miscellaneous Costs	17,800	3,700	21,500
 TOTAL	 \$1,151,000	 \$91,500	 \$1,242,500



L. P. Thompson
Division Manager
Production Department
Hobbs Division

Continental Oil Company
P.O. Box 480
1001 North Turner
Hobbs, New Mexico 88240
(505) 393-4141

December 21, 1976

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

Attention Mr. J. D. Ramey
Secretary-Director

Gentlemen:

Order No. R-5315, Case No. 5794, Compulsory Pooling, W/2 Section 31,
Township 23 South, Range 31 East, Eddy County, New Mexico


Subject Order force-pooled the Pennsylvanian formations in the above-described area for the drilling of James Ranch Unit No. 8 in the Los Medanos field. The order becomes void if the well is not drilling before January 1, 1977 or an extension obtained. The purpose of this letter is to request a 30-day extension to that order.

Processing through federal offices of the Notice of Intent to Drill has been delayed to an unusual degree. Furthermore, we have been conducting negotiations with ERDA in regard to alternative actions. Because of these circumstances, the drilling of this well has been delayed and will be delayed beyond the deadline established in the subject order.

We have verbal agreement from the owners in the other half interest of this proration unit for the cost of this well. Operating Agreement is being processed for execution, and there appears to be no reason to expect any problem along this line. Out of an abundance of caution, however, we believe that we should retain all existing options because of the very complicated nature of this project.

It is respectfully requested that a 30-day extension to the deadline in Order No. R-5315 be granted so that the well may be commenced during the month of January, 1977.

Yours very truly,


L. P. Thompson
Division Manager

VTL:ed

CC: Bass Interprises Production Co. - Midland
Belco Petroleum Co. - Midland
C. F. Ellis, Production, Houston
F. O. Hull, Legal, Houston
J. W. Kellahin, Santa Fe
B. R. Marshall, Exploration, Midland

Case File
5794

RECEIVED
DEC 23 1976
NEW MEXICO
OIL CONSERVATION COMMISSION

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

December 23, 1976

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

Re: Extension R-5315

Gentlemen:

We are in receipt of your letter dated December 21, 1976, requesting a 30-day extension to that provision of Commission Order No. R-5315 requiring the commencement of drilling operations on the pooled unit by January 1, 1977, to keep the order in effect unless a time extension for such commencement has been approved by the Commission.

The Commission is aware of the circumstances peculiar to the proposed well on the subject pooled unit, and recognizes that there may be some unavoidable delay in commencing same. The time limit prescribed in Order No. (1) of R-5315 is therefore hereby extended to February 1, 1977.

Very truly yours,

JOE D. RAMEY,
Secretary-Director

JDR/DSN/dr

cc: Oil Conservation Commission - Hobbs
File Case 5794

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

February 24, 1977

**Continental Oil Company
P. O. Box 460
Hobbs, New Mexico 88240**

Attn: Mr. L. P. Thompson

Re: Extension Order No. R-5315

Gentlemen:

We are in receipt of your letter dated February 23, 1977, requesting an additional extension of time for the commencement of drilling operations for a well on the 320-acre unit (the W/2 of Section 31, Township 22 South, Range 31 East, NMPM, Eddy County, New Mexico) pooled by Order No. R-5315. We also received your application for a hearing to amend said order to provide for the drilling of the unit well in Unit E or to consider drilling a well in Unit E as a non-standard location for a spacing and proration unit comprising the N/2 of said Section 31.

This application will be set for hearing on the next available docket, being March 23, 1977. Meanwhile the time for commencement of drilling a well pursuant to the provisions of Order No. R-5315 is hereby extended to April 15, 1977.

Yours very truly,

**JOE D. RAMEY
Director**

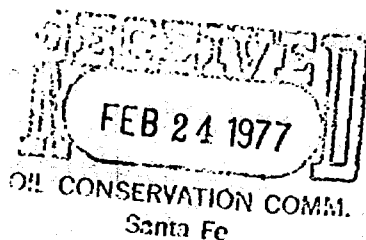
JDR/fd

**cc: OCC Hobbs
Case File 5794**

C
O
P
Y



L. P. Thompson
Division Manager
Production Department
Hobbs Division



Continental Oil Company
P.O. Box 460
1001 North Turner
Hobbs, New Mexico 88240
(505) 393-4141

February 23, 1977

*Extend R-5315 by ltr
and act for reg.*

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

Attention Mr. J. D. Ramey - Secretary Director

Gentlemen:

Applications Regarding Order No. R-5315 and Related Matters Concerning
W/2 Section 31, T-22S, R-31E, Eddy County, New Mexico

Upon our application dated January 26, 1977, the Commission granted extension of Order R-5315 to March 1 by letter dated February 1. Since that time, as you are probably aware, ERDA has instituted condemnation proceedings covering the S/2 Section 31, including the authorized location of the well contemplated in Order No. R-5315.

In response to the condemnation proceedings and in order to preserve our rights under the oil and gas lease, an application is enclosed, in triplicate, for amendment of Order No. R-5315 to authorize the well to be located in Unit E of Section 31; or in the alternative, should the forced pooling order not be amended and extended, for approval of a non-standard location for a well to be drilled in Unit E of Section 31, for a proration unit consisting of the N/2 of Section 31.

It is respectfully requested that Order No. R-5315 be extended until it can be superseded by an Order arising out of the enclosed application.

Case 5794

File Case 5794 w/ copy of reply

RECEIVED
FEB 24 1977
OIL CONSERVATION COMM.
Santa Fe

New Mexico Oil Conservation Commission
Page 2
February 23, 1977

Please set the application for hearing at the earliest Examiner hearing date.

Yours very truly,

J. Thompson

VTL:ed

Enc

CC:

Belco Petroleum Company
411 Petroleum Building
204 West Texas
Midland, Texas 79701

Bass Enterprises Production Company
3100 Fort Worth National Bank Building
Fort Worth, Texas 76102

E.R.D.A.

P. O. Box 5400

Albuquerque, New Mexico 87111

CFE: FOH: JWK: BRM

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

February 1, 1977

C
O
P
Y

Continental Oil Company
P. O. Box 460
Hobbs, New Mexico 88240

Attn: Mr. L. P. Thompson

Re: Extension Order No. R-5315

Gentlemen:

We are in receipt of your letter dated January 26, 1977, requesting an additional 30-day extension to that provision of Commission Order No. R-5315 requiring the commencement of drilling operations on the pooled unit by January 1, 1977, to keep the order in effect unless a time extension for such commencement has been approved by the Commission. The Commission has previously extended the time limit for commencing the well from January 1, 1977, to February 1, 1977.

Inasmuch as you have obtained the necessary drilling permit for the well and are now in the process of securing a drilling contractor for the drilling of the well, the time limit prescribed in Order No. (1) of R-5315 is hereby extended to March 1, 1977.

Yours very truly,

JOE D. RAMEY
Director

JDR/DSN/54

cc: OCC Hobbs
✓ Case File 5794



L. P. Thompson
Division Manager
Production Department
Hobbs Division

Continental Oil Company
P.O. Box 460
1001 North Turner
Hobbs, New Mexico 88240
(505) 393-4141

JAN 23 1977

NEW MEXICO OIL CONSERVATION COMMISSION

January 26, 1977

*Nutter
Examiner*

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

Attention Mr. J. D. Ramey
Secretary-Director

Gentlemen:

Order No. R-5315, Case No. 5794, Compulsory Pooling W/2 Section 31, T-22S,
R-31E, Eddy County, New Mexico

Subject order was extended to February 1, upon application for such extension dated December 21, 1976. The permit for the well was approved by the U.S.G.S. on January 20. We are now in the process of securing a drilling contractor for the drilling of the well. It appears at this time that we will not be able to have a rig on location prior to the extended deadline for this order. Therefore, it is respectfully requested that a further extension to March 1, 1977, be given for the commencement of this well.

Yours very truly,

H. M. Richardson
for L. P. Thompson

VIL:rej

CC:

Bass Enterprises
Production Company
3100 Fort Worth National Bank Bldg.
Fort Worth, Texas 76102

Belco Petroleum Company
411 Petroleum Building
Midland, Texas 79701

CFE: FOH: JWK: BRM

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
October 27, 1976

EXAMINER HEARING

IN THE MATTER OF:

Application of Continental Oil Company
for compulsory pooling, Eddy County,
New Mexico.

CASE
5794

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil
Conservation Commission:

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

For the Applicant:

Jason W. Kellahin, Esq.
KELLAHIN & FOX
Attorneys at Law
500 Don Gaspar
Santa Fe, New Mexico

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

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Phone (505) 982-9212

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I N D E X

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EXHIBIT INDEX

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Page 3

1 MR. NUTTER: We will call next Case Number 5794.

2 MS. TESCHENDORF: Case 5794, application of
3 Continental Oil Company for compulsory pooling, Eddy County,
4 New Mexico.

5 MR. KELLAHIN: If the Examiner please, Jason Kellahin,
6 Kellahin and Fox, appearing for the applicant and we have one
7 witness to be sworn.

8 (THEREUPON, the witness was duly sworn.)

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, located at
22 Hobbs, New Mexico.

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

25 A Yes, I have.

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

3 MR. NUTTER: Yes, they are.

4 Q (Mr. Kellahin continuing.) Mr. Lyon, are you familiar
5 with the application of Continental Oil Company in Case 5794?

6 A Yes, I am.

7 Q What is proposed by the applicant in this case?

8 A Case 5794 is the application of Continental Oil
9 Company for compulsory pooling of the Pennsylvanian formations
10 in the west half of Section 31, Township 22 South, Range 31
11 East, Eddy County, New Mexico in the Los Medanos Field area.

12 Q Now referring to what has been marked as the
13 Applicant's Exhibit Number One, would you discuss that exhibit,
14 please?

15 A Yes, sir, Exhibit One is a plat showing the acreage
16 under question at this hearing and the immediately surrounding
17 area. The proposed proration unit which is the subject of this
18 compulsory pooling is outlined in red and consists of the
19 west half of Section 31, Township 22 South, Range 31 East. More
20 specifically it includes Lots One, Two, Three and Four, the
21 east half of the northwest quarter and the east half of the
22 southwest quarter of Section 31.

23 It shows the proposed location of the well with a
24 small circle at a standard location, nineteen hundred and
25 eighty feet from the south line and six hundred and sixty feet

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1 from the west line of the Section. It also shows that
2 Continental Oil Company is the lessee of the north half of
3 Section 31 and that Richardson Oils, or successor in interest
4 to Richardson Oils, owns the south half of the Section. Actually
5 originally Section 31 was owned by Continental Oil Company
6 and by assignment early in the life of the James Ranch Unit
7 in which this acreage is located, an assignment was made
8 whereby this lease was subdivided and segregated and the
9 south half was assigned to Richardson Oils and successor
10 companies.

11 Q Now, do you know who the successor companies are?

12 A I believe that the lessee of record is Perry R. Bass
13 and Bass Enterprises Production Company.

14 Q In some proportion?

15 A I'm also given to understand that there has been a
16 farmout agreement whereby the Bass companies have assigned
17 the ownership or the operating rights under this property to
18 Belco Petroleum Corporation.

19 Q Would you refer now to Exhibit Number Two and state
20 what that exhibit shows, please?

21 A Well, I would like to preface that with a little
22 explanation leading up to Exhibit Number Two.

23 In July our office proposed to our headquarters
24 office in our budget presentation, the drilling of a well on
25 the west half of Section 31 for 1977. Our management requested

1 that this well be drilled in 1976. At the time we were
2 preparing the paperwork, precedent to the drilling of the
3 well, some comment was made that there may be some conflict
4 here with the atomic waste disposal area which is under con-
5 sideration and we may not be able to drill this well. Therefore,
6 I directed inquiries to the USGS and the Bureau of Land
7 Management and ultimately to the Sandia Corporation and to
8 the ERDA office in Albuquerque in regard to this situation and
9 as a result of those contacts we have had several meetings with
10 ERDA and with the Sandia Corporation who is the contractor for
11 ERDA on this project.

12 Exhibit Number Two is a plat which was given to us
13 by Sandia and it shows the areas which they have under considera-
14 tion in this atomic waste disposal project. They have
15 divided the lands in this area into four zones. Zone one, which
16 is the small square containing parts of Sections 20, 21, 28 and
17 29 in Township 22 South, Range 31 East, is the proposed
18 workings for the initial storage caverns. Zone two is the
19 possible extent of underground workings for storage of atomic
20 waste. This is the irregular octagonal-shaped area containing
21 larger areas in those same four sections. Zone three is a
22 protective area one mile extended from the boundaries of zone
23 two and it is proposed that there would be in those three zones
24 no other activities permitted in the areas when this project
25 becomes operational. Zone four is a buffer zone which has been

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1 proposed in which there would be limited activity.

2 These representatives have told us that they are
3 proceeding as soon as they can to get operations suspended in
4 the entire area, zones one, two, three and four, as soon as
5 this can be accomplished.

6 I have shown by the small red circle the location of
7 the proposed James Ranch Unit No. 8 which is the subject of
8 this hearing.

9 There was also a meeting of ERDA people with
10 representatives of the oil and gas industry immediately
11 following the New Mexico Oil and Gas Association's annual
12 meeting in which they gave a time schedule. This time table
13 has thirteen steps, the thirteen steps being the withdrawal
14 of all leases in the entire areas, zones one, two, three and
15 four but step four in this time table is the suspension of
16 activities in this entire area and in our meetings with ERDA
17 and with Sandia they recognized that they had no authority at
18 this time to interfere with our drilling activity in here but
19 they are proceeding as soon as they can to implement the time
20 schedule and, as I say, step four is the suspension of activities
21 by the Secretary of the Interior as soon as they can cut through
22 the red tape in Washington and, therefore, we feel that we are
23 in essentially a race with ERDA to get our well drilled before
24 this acreage is withdrawn or that operations are suspended.

25 One of the reasons for our conversations with ERDA is

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Page 8

1 that they are interested in information which will be gained
2 by the drilling of this well. They have asked that we run
3 certain logs, that we modify the drilling program in regard to
4 hole sizes and casing sizes penetrating the salt and the
5 placement of cement and other items in connection with the
6 drilling of this well and we have agreed to make these modifica-
7 tions and ERDA has agreed to reimburse us for any costs involved.
8 So ERDA is entirely aware of our operations. They are interested
9 in the information that we will get. They would prefer really
10 that that well not be drilled but they recognize that, you
11 know, the lessee's rights and they are not impaired at this
12 time.

13 Q Now referring to what has been marked as Exhibit
14 Number Three, would you identify that exhibit, please?

15 A Exhibit Number Three is a plat which also was
16 furnished us by Sandia and it shows the ownership of the land
17 within the entire area which they are proposing to be withdrawn
18 from other activities.

19 The legend is shown on the right-hand portion and
20 Section 31 which is involved in this application is shown as
21 represented on Exhibit One, the north half owned by Continental
22 Oil Company; Richardson Oils and Bass Enterprises owning the
23 south half of Section 31.

24 Q Now referring to Exhibit Number Four would you
25 discuss that exhibit, please?

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1 A Exhibit Number Four is a copy of the AFE which was
 2 prepared for the drilling of an alternate location in the
 3 north half of Section 31 at an unorthodox location. It shows
 4 the estimated cost of drilling this well to be one million,
 5 two hundred and forty-two thousand, five hundred dollars as a
 6 producing well. This is essentially the same cost we would
 7 estimate for the drilling of the well at the location proposed
 8 in this application.

9 Q Is that AFE in line with the well costs reflected
 10 in other drilling activities in this area?

11 A Yes, I think so.

12 Q And does it take into consideration the modifications
 13 requested by ERDA?

14 A No, it really does not.

15 Q But that would be paid by ERDA?

16 A As I say, it will be paid by ERDA.

17 Q So it would have no application on your recovery of
 18 costs?

19 A That's correct.

20 Q Now, what effort has Continental Oil Company made to
 21 obtain voluntary agreement to the drilling of this well?

22 A As soon as we were aware that this well was to be
 23 drilled in 1976 rather than in 1977, a letter was sent to Belco
 24 and to Bass and I'm sorry I do not have that correspondence with
 25 me but my best recollection is that that letter was dated

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1 approximately August the eighth. The letter was preceded
2 by a telephone call to Belco in their Houston office telling
3 them that the letter was coming. I read to the representative
4 the contents of the letter and told him that we felt that we
5 were under some pressure to drill this well as soon as possible,
6 and we would like to have their response as soon as possible
7 and they assured me that it would be. However, it was some
8 time before we heard anything from either Belco or Bass.

9 The alternate location was considered and a request
10 was made to those parties asking for some support for the drill-
11 ing of a well at our one hundred percent expense on our own
12 lease and this received a rather cool reception.

13 An AFE was prepared coincident with the preparation
14 of the AFE which is Exhibit Number Four, asking that they give
15 us an early response and it appeared that there was some
16 friction between the other two companies and so an application
17 was filed. Well, first we contacted both of them and told them
18 that we thought in order to expedite the thing we would file
19 an application for forced pooling, that this was strictly for
20 the purpose of expediting the drilling of this well and
21 clarifying the relationship of the parties, that it would not
22 in any way interfere with their continued negotiations for a
23 mutually agreeable arrangement.

24 We have furnished them with a proposed operating
25 agreement. We have a letter from Belco Petroleum Corporation

1 dated September 29, 1976. We received it on August first,
2 advising us that --

3 MR. NUTTER: What date was the letter?

4 A. The date of the letter was September 29th.

5 MR. NUTTER: When did you receive it?

6 A. October first.

7 MR. NUTTER: You said August.

8 A. I did? I'm sorry, October first. Where they agreed
9 to participate in the drilling of the well. We contacted
10 them by phone and were advised that this approval was as to
11 one-third interest in the well, which is two-thirds of the
12 fifty percent interest attributable to the south half of
13 the section.

14 We were informed that Bass had not elected to pick
15 up their one-third interest in that half interest or a total
16 of one-sixth interest in the well and so the status of that
17 one-sixth interest is still in question at this time.

18 MR. NUTTER: Okay, now, this unit will be a three
19 hundred and twenty acre unit and Continental owns one hundred
20 and sixty of the three-hundred, right?

21 A. Correct.

22 MR. NUTTER: And the other one hundred and sixty is
23 owned by Bass and by Belco?

24 A. Right.

25 Q. And Belco owns two-thirds of that one-hundred and

1 Bass owns one-third of that one-sixty, is that it?

2 A Well, I'm speaking from hearsay that both parties
3 agree that in the farmout agreement Bass has the option to
4 come in for a one-third interest in any well that is drilled
5 and if they do not exercise that option then they retain a
6 one-eighth overriding royalty. I don't believe that that
7 agreement is a matter of record and as I say, I have not seen
8 the agreement but this is what they tell me.

9 MR. NUTTER: So if Bass doesn't become a working
10 interest owner then Belco is the entire working interest owner
11 under that one-sixty, is that right?

12 A Correct.

13 MR. NUTTER: And then Bass would have an override?

14 A Right.

15 MR. NUTTER: But Belco has agreed to join you in
16 the well at this time now?

17 A Yes, but they have approved only the one-third
18 interest in the well.

19 MR. NUTTER: So if they become full owner of that
20 other half down there they haven't agreed to join with the
21 entire one hundred and sixty?

22 A That's right.

23 MR. KELLAHIN: If the Examiner please, I can say
24 this: I talked with Lee Nering and their management has only
25 approved the one-third commitment. They are anxious to go

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1 ahead but they have to go back and get new approval as to
2 full interest in the event they get it.

3 MR. NUTTER: Which might come?

4 MR. KELLAHIN: That's right.

5 MR. NUTTER: Okay.

6 Q (Mr. Kellahin continuing.) Mr. Lyon, in connection
7 with the drilling of this well, do you propose to recover your
8 costs of drilling and completing the well out of production
9 in the event that you don't get voluntary agreement?

10 A Yes, sir.

11 Q And also the operating costs?

12 A Yes, sir.

13 Q And what about a cost for supervision?

14 A Yes, we believe it would be appropriate to specify
15 a cost of supervision. We would recommend that seventeen
16 hundred dollars per month for while the well is drilling and
17 two hundred and twenty-five dollars per month when the well
18 is producing be assessed as a supervision charge.

19 Q Now what risk factor would you propose?

20 A I would propose a two hundred percent risk factor
21 because of the fact that, you know, it is a Morrow well and it
22 isn't that well proven. We believe that there is substantial
23 risk involved.

24 Q Actually in this particular well it is a rather
25 far step out, is it not, from the nearest production?

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

1 A. It is between half and three-quarters of a mile, yes.

2 Q. And that is a risky step out in the Morrow production,
3 is it not?

4 A. Yes, it is.

5 Q. Do you ask that Continental Oil Company be designated
6 as operator of this well?

7 A. Yes, sir, I feel that we have done all of the work
8 to this time. We have negotiated with ERDA, we have come to
9 agreeable terms, we initiated the approval through the USGS
10 and the Bureau of Land Management and I feel that it would be
11 counter-productive and would delay the well if the operator
12 be designated otherwise.

13 Q. And in your opinion is it important that this well
14 be drilled promptly?

15 A. Yes, sir, I feel there is a distinct possibility
16 that by the end of the year or shortly thereafter that operations
17 in this area could be suspended by order of the Secretary of
18 the Interior.

19 Q. Were Exhibits One through Four prepared by you or
20 under your supervision?

21 A. Exhibit One was prepared by me and Exhibit Two and
22 Three were supplied by ERDA and I have merely copied them and
23 Exhibit Four was prepared under my direction, yes, sir.

24 MR. KELLAHIN: At this time I offer Exhibits One
25 through Four inclusive.

1 MR. NUTTER: Continental's Exhibits One through Four
2 will be admitted into evidence.

3 (THEREUPON, Continental's Exhibits One
4 through Four were admitted into evidence.)
5

6 CROSS EXAMINATION

7 BY MR. NUTTER:

8 Q Mr. Lyon, the well to the west of your proposed
9 location, is that the Shell James Ranch No. 1 Well?

10 A Yes, it is.

11 Q That's the original well in this area, is it not?

12 A Yes, sir.

13 Q When was it drilled, do you recall?

14 A I believe about 1953 or '54.

15 Q How about these three wells to the south of your
16 proposed location, what is the date of completion on those?

17 A Those are fairly recent wells. Our No. 7 in Unit G
18 of Section 6 was completed, I believe, in the fall of 1975.
19 No. 4 has been drilled by -- well, 3 and 4 have been drilled
20 by Belco, I would say within the past two to two and a half
21 years.

22 Q Now again the date on that Shell James Ranch was
23 what?

24 A It was 1953 or '54.

25 Q How about this well over here, this Belco well in the

1 west half of Section 1, that location that is shown drilling
2 there?

3 A I'm not sure what the status of that well is.

4 MR. KELLAHIN: If the Examiner please, I believe that
5 is located in the potash area and I don't believe it has been
6 permitted yet.

7 MR. NUTTER: I see.

8 Q (Mr. Nutter continuing.) Mr. Lyon, have you filed
9 an actual drilling permit or request for a drilling permit
10 with the USGS for this proposed well?

11 A We have filed for preliminary approval, archaeological
12 clearance and this sort of thing. The application for the
13 drilling of the well was being prepared when I left Hobbs.

14 Q Have you received any indication from the GS as
15 to whether they will approve the drilling permit, subject to
16 whatever approval it takes from the Commission or whatever?

17 A I have discussed this with the District Engineer in
18 Artesia and he was -- well, I contacted the BLM first and they
19 said they had no authority to interfere with any oil and gas
20 operations on that property and the USGS said the same
21 thing.

22 Q At this point it is just another oil and gas lease
23 as far as they are concerned?

24 A Correct.

25 MR. NUTTER: Does anyone have anything further they

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1 wish to ask Mr. Lyon? He may be excused.

2 (THEREUPON, the witness was excused.)

3 MR. NUTTER: Do you have anything further, Mr.

4 Kellahin?

5 MR. KELLAHIN: That's all, Mr. Nutter, thank you.

6 MR. NUTTER: Does anybody have anything to offer in

7 Case 5794?

8 We will take the case under advisement.

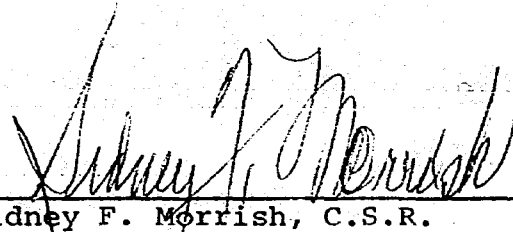
sid morish reporting service

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

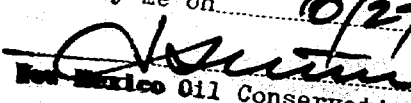
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REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,
do hereby certify that the foregoing and attached Transcript
of Hearing before the New Mexico Oil Conservation Commission
was reported by me, and the same is a true and correct record
of the said proceedings to the best of my knowledge, skill and
ability.


Sidney F. Morrish, C.S.R.

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 record of the proceedings in
the Examiner hearing of Case No. 5794
heard by me on 10/27, 1970
, Examiner
New Mexico Oil Conservation Commission



OIL CONSERVATION COMMISSION

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

DIRECTOR
JOE D. RAMEY

**LAND COMMISSIONER
PHIL R. LUCERO
November 5, 1976**



STATE GEOLOGIST
EMERY C. ARNOLD

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

Re: CASE NO. 5794
ORDER NO. R-5315

Applicant:

Continental Oil Company

Dear Sir:

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

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC	x
Artesia OCC	x
Aztec OCC	

Other _____

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5794
Order No. R-5315

APPLICATION OF CONTINENTAL OIL
COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 27, 1976, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 4th day of November, 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, Continental Oil Company, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 31, Township 22 South, Range 31 East, NMPM, Los Medanos Field, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at a standard location in Unit L of said Section 31.

(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.

-2-

Case No. 5794
Order No. R-5315

(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 200 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 should be fixed as a reasonable charge for supervision (combined fixed rates) while drilling said well, and \$225.00 per month should be fixed as a reasonable charge for supervision while producing; that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1977, 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 31, Township 22 South, Range 31 East, NMPM, Los Medanos 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 a standard location in Unit L of said Section 31.

-3-

Case No. 5794

Order No. R-5315

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of January, 1977, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Morrow formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of January, 1977, 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 Continental Oil 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, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$1700.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling said well, and \$225.00 per month while producing; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

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

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

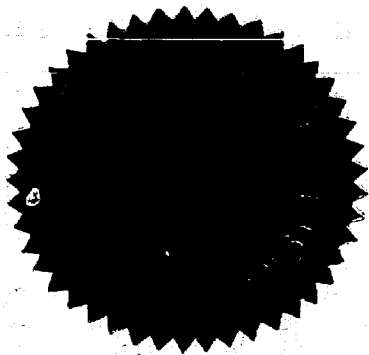
(13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

-5-

Case No. 5794
Order No. R-5315

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



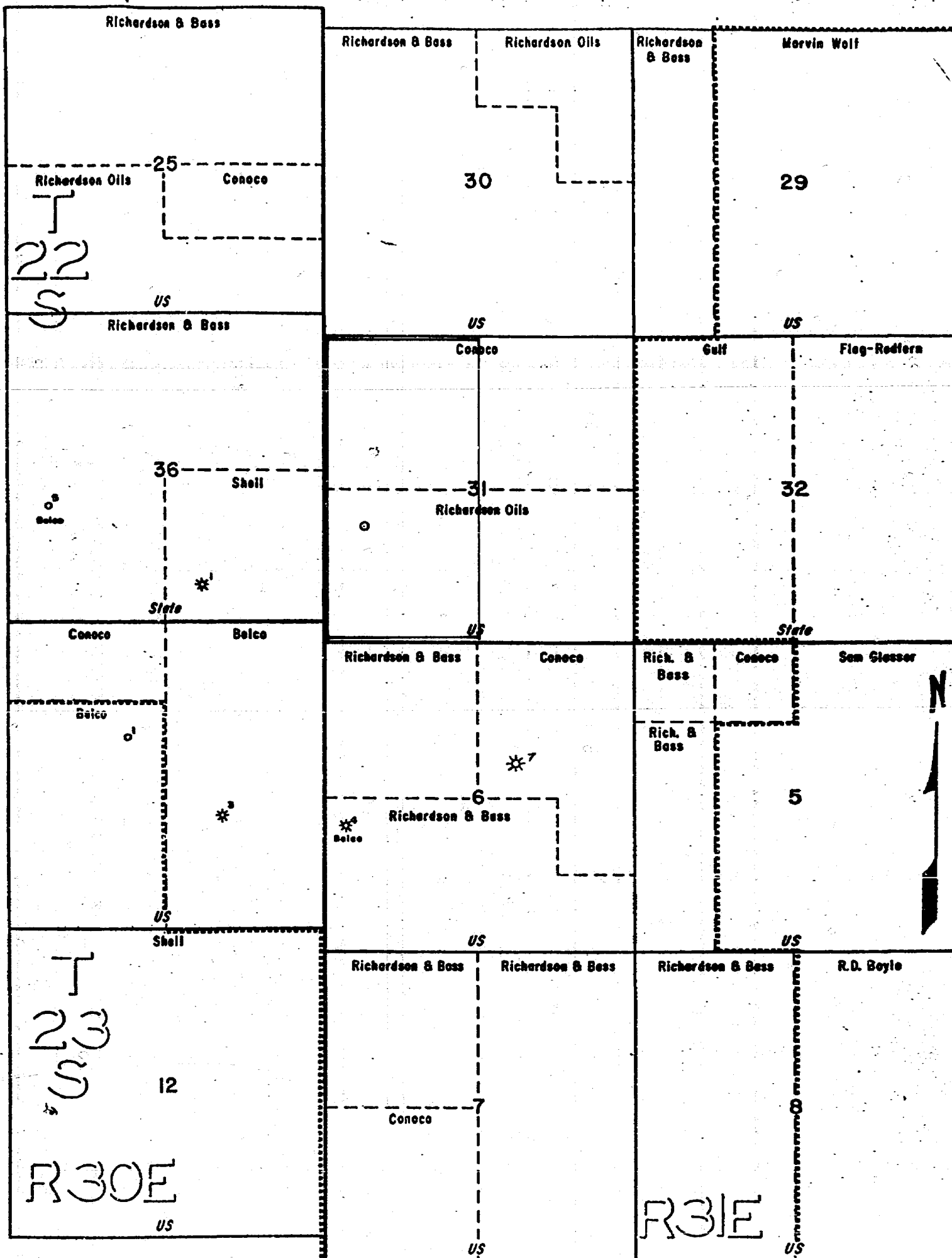
PHIL R. LUCERO, Chairman

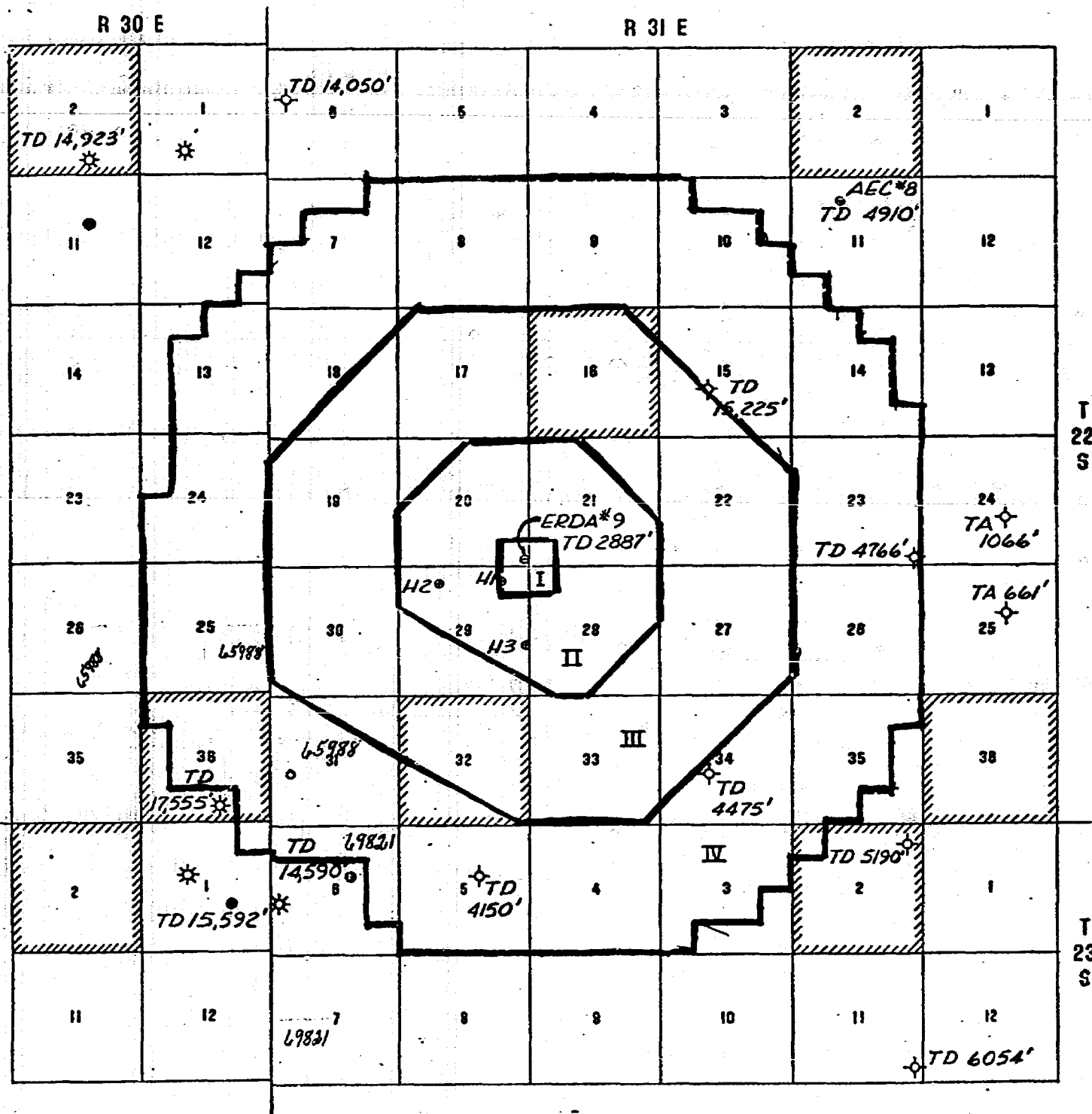
Emery C. Arnold
EMERY C. ARNOLD, Member

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

S E A L

jr/



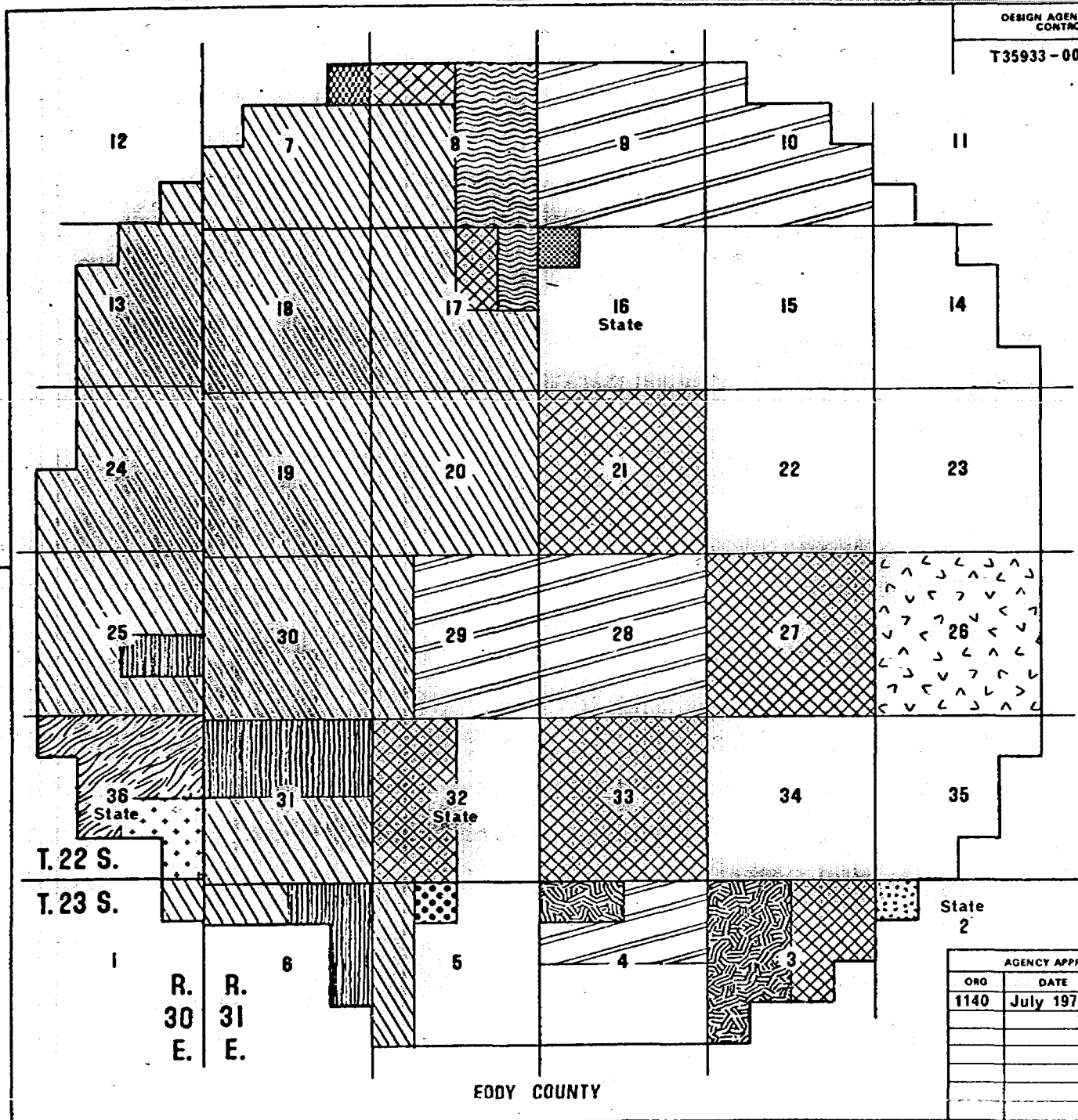


LEGEND

- Producing Oil
- ★ Producing Gas
- ◆ Abandoned Well
- //// State Land
- Land Withdrawal Boundary

BEFORE EXAMINED MUTTER
OIL CONSERVATION DISTRICT
CASE NO. 5794

ZONE	AREA
I	100 acres
II	1,818 acres
III	6,221 acres
IV	10,821 acres
TOTAL	18,960 acres
















DESIGN AGENCY
CONTROL NO.

T35933-000

REVISIONS

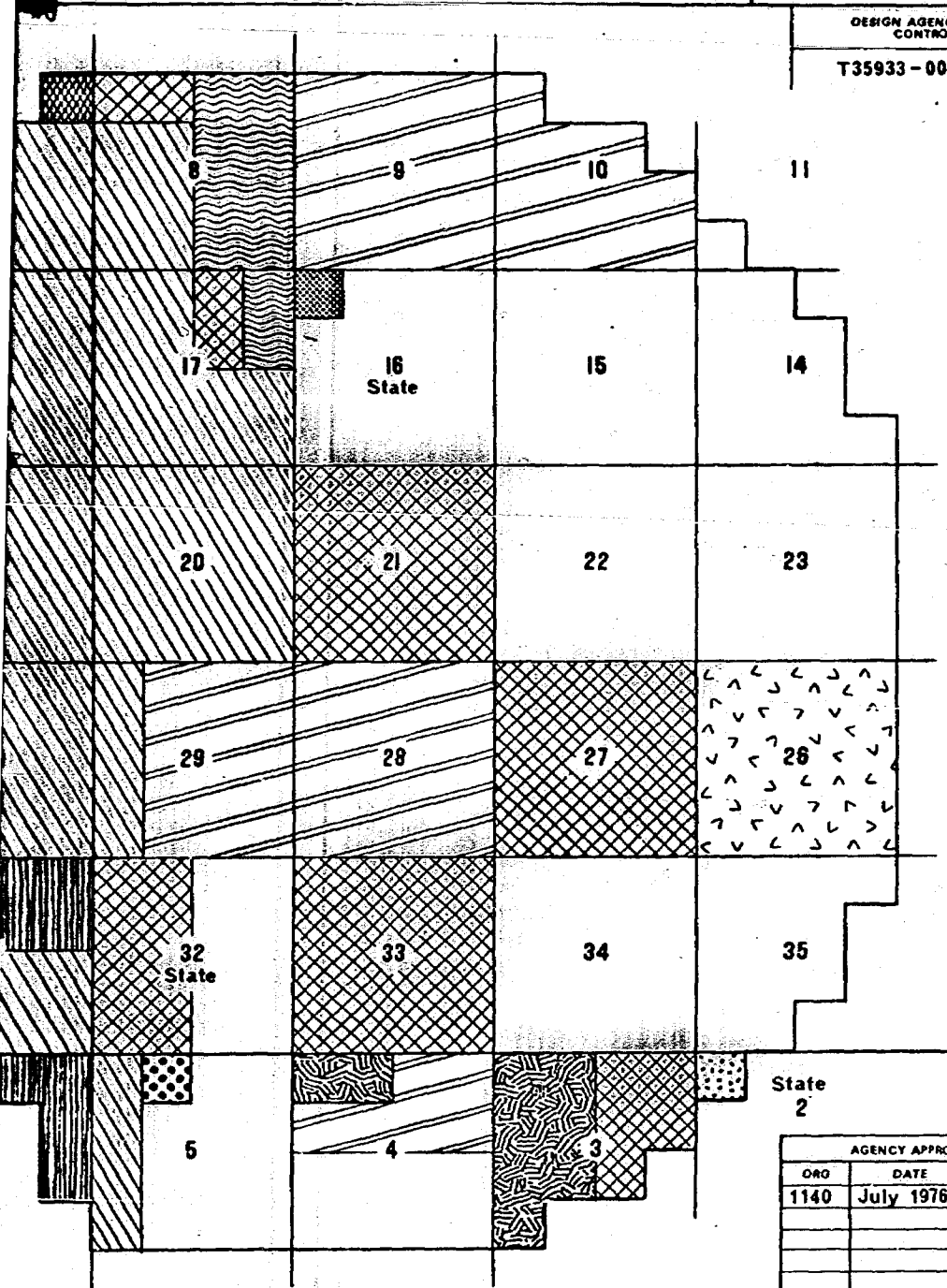
ISSUE	DESCRIPTION	PREPARED BY	DATE
B	SECOND LOCATION A. Faychak, 9652 / R. Stinebaugh, 1142		

REFERENCE: FEDERAL ABSTRACT CO., SANTA FE,

-  UNION OIL CO. (NM 21505)
-  N. G. PTASYSKI (NM 19617)
-  DEL LEA INC. (L 3651)
-  AMOCO PRODUCTION CO. (L 2642-1)
-  MOBIL OIL CORP. (NM 0281482-A)
-  PHILLIPS PETROLEUM CO. (NM 052046)
-  SKELLY OIL CO. (NM 21771)
-  SHELL OIL CO. (E 5229-2)
-  CONTINENTAL OIL CO. (NM 02953 & NM 02954)
-  RICHARDSON OIL INC. & BASS ENTERPRISES (E 5229-4)
-  GULF OIL CORP. (K 6777, NM 19616, NM 19617, NM 21772)
-  SUPERIOR OIL CO. (NM 21773, NM 21774, NM 26387, NM 04175)
-  BASS ENTERPRISES PRODUCTION CO. (LC 069507, LC 069508, LC 069509, LC 064827, NM 02883-A, NM 02884-B, NM 02887-B, NM 02953-A, NM 02953-B)

AGENCY APPROVALS			SHEET	1
ORG	DATE	INITIALS	ISSUE	B
1140	July 1976		SHEET INDEX	
			PART CLASSIFICATION	
			DWG CLASSIFICATION LEVEL	
			UNCLASSIFIED	














Sandia Laboratories		
OIL & GAS L		
SIZE	CODE IDENT NO.	DWG NUMBER
B	14213	
SCALE	SHEET 1	



EDDY COUNTY

DESIGN AGENCY CONTROL NO. T35933-000		REVISIONS			
ISSUE	DESCRIPTION	PREPARED BY	DATE	CHKD	ENGR.
B	SECOND LOCATION A. Faychak , 9652 / R. Stinebaugh , 1142				

REFERENCE: FEDERAL ABSTRACT CO. , SANTA FE , N. MEX.

-  UNION OIL CO. (NM 21505)
-  N. G. PTASYNSKI (NM 19617)
-  DEL LEA INC. (L 3651)
-  AMOCO PRODUCTION CO. (L 2642-1)
-  MOBIL OIL CORP. (NM 0281482-A)
-  PHILLIPS PETROLEUM CO. (NM 0520466)
-  SKELLY OIL CO. (NM 21771)
-  SHELL OIL CO. (E 5229-2)
-  CONTINENTAL OIL CO. (NM 02953 & NM 02887-A)
-  RICHARDSON OIL INC. & BASS ENTERPRISES PROD. CO. (E 5229-4)
-  GULF OIL CORP. (K 6777, NM 19616 , NM 19618 , NM 21770 , NM 21772)
-  SUPERIOR OIL CO. (NM 21773 , NM 21774 , NM 22081 , NM 26387 , NM 0417506)
-  BASS ENTERPRISES PRODUCTION CO. (LC 069507, LC 069508 , LC 069509 , LC 064827-A , NM 0300 , NM 02883-A , NM 02884-B , NM 02887-B , NM 02887-D , NM 02953-A , NM 02953-B)

BEFORE EXAMINED NUTTER
 OIL CONSERVATION COMMISSION
 EXHIBIT NO. 3
 CASE NO. 5794

AGENCY APPROVALS			SHEET 1	Sandia Laboratories		W.I.P.P.	
ORG	DATE	INITIALS	ISSUE	B	OIL & GAS LEASES		
1140	July 1976				SIZE		
			SHEET INDEX		CODE IDENT NO.		
			PART CLASSIFICATION		DWG NUMBER		
			DWG CLASSIFICATION LEVEL		B		14213
			UNCLASSIFIED		T35933		
			SCALE		SHEET 1		OF 1



Continental Oil Co.
Production & Exploration

Authority for
Expenditure

Partnership

Department										Division									
Production										Hobbs									
Card Code		Type		1 - Drill		4 - Exp. (Maint. & Retirement)		7 - Misc. Exp. Intang.		1 - Dev.		2 - Gas		Field or Block					
10		11		2 - Lease Equip.		5 - Capital		8 - Acquisition		3 - Memo		3 - Unassigned							
1		1								1		2		James Ranch Field					
Oper. Code		Lease Code		Project Title (Limit 40 Spaces)															
14		15		D&E James Ranch No. 8															
Card Code		Ex - Oil Int.		1st In - Oil		2nd In - Oil		3rd In - Oil		Con - Ltd. Int.		TD and Obj. Horizon(s)							
10		11		18		19		20		21		22		14,625' Morrow					
2		1		0000000										Land Lease No.					

(1) Location, Geological Province			(2) Division of Interest			(3) Justification								
(1) 1980' FNL and 660' FWL of Section 31, T-22S, R-31E, Eddy County, New Mexico, Geo. Prov. Delaware Basin														
(2) Continental Oil Limited			1.0000000											
(3) See attached			Cash and Warehouse Outlay											
AFE No.			D&E			Con Del Cost			Con Ex Cost			Total		
			Prod. Fac			336,400			814,600			1,151,000		
						91,500			0			91,500		
						427,900			814,600			1,242,500		

Description	CC	Ftr.	Gross \$	CC	Ftr.	Gross \$
	10	11	14	10	11	14
Used Mtl. & Eq - Whse.	3	0008				XXXXXXX
Pur. Mtl. & Eq - Cash/Whse.	3	0009	336,400			XXXXXXX
Total Material			336,400			XXXXXXX
Fuel, Water, Lubs., Elec.	3	0103		3	0403	15,000
Loc. Drngs., Roads, Bridges	3	0107		3	0407	10,000
Salv. & Dismantling Costs	3	0108		3	0408	
Drig. Contract - Footage	3	0111		3	0411	204,000
Drig. Contract - Daywork	3	0112		3	0412	180,600
Drilling Bits & Reamers			XXXXXXX	3	0413	26,000
Fishing Tool Expense			XXXXXXX	3	0414	
Directional Drig. Costs			XXXXXXX	3	0415	
Mud Mtls., Chem. & Svcs.			XXXXXXX	3	0416	45,000
Cement & Cementing Svcs.			XXXXXXX	3	0417	31,200
Noncontrollable Mtls.	3	0118		3	0418	25,000
Tender Costs & Rentals			XXXXXXX	3	0419	
Boatel Service	3	0120		3	0420	
Sp. Drig. Tool Rentals			XXXXXXX	3	0421	100,000
Coring Costs	3	0125		3	0425	
Drill Stem Tests			XXXXXXX	3	0426	
Perforating			XXXXXXX	3	0427	8,000
Acidg., Fractg., Shooting			XXXXXXX	3	0428	45,000
Well Surv., Elec - Mud Log			XXXXXXX	3	0429	35,000
Transportation	3	0131		3	0431	15,000
Marine Vess. Costs & Rentals	3	0132		3	0432	
Aircraft Costs & Rentals	3	0133		3	0433	
Overhead - Partner Oper.	3	0136		3	0436	
Division Expense			XXXXXXX	3	0437	3,500
Co. Labor & Supv.	3	0138		3	0438	15,000
Contract Labor	3	0139		3	0439	25,000
Platform - Fab & Install	3	0141		3	0441	
Platform Maintenance			XXXXXXX	3	0442	
Keyways - Well Structures			XXXXXXX	3	0443	
Sales Tax (Depr. Inv.)			XXXXXXX	3	0444	13,500
Miscellaneous Costs	3	0145		3	0445	17,800
Subtotal - Intangibles						814,600
Dry - Btm. Hole Contb. Rec.			XXXXXXX	3	0448	
Total Intangibles						814,600
Total Cash & Whse. Outlay			336,400			814,600
On Hand Mtl. & Eq.	3	0001				XXXXXXX
Grand Total			336,400			814,600
Grand Total - Mtl. & Depr. Intangibles & Exp. Intangibles						1,151,000

Accounting Distribution	
Accounting Distribution	
Accounting Distribution	

Accounting Use Only	
Approval Date	
Ex - Oil	
Depr. Acct.	
Exp. Acct.	
In - Oil	
Con - Ltd.	
Depr. Acct.	
Exp. Acct.	
Depr. Acct.	
Exp. Acct.	

Budget Project No.	
1102	
Cash and Warehouse Outlay	
Gross	Conoco Net
336,400	336,400
Project Total	
Gross	Conoco Limited
1,151,000	814,600

Approval: *[Signature]* Date: 9-15-76

(Final Approval)

Distribution:

GFW: FEE: GED: WHH: RFW: TRS: RFM: LPT: FILE

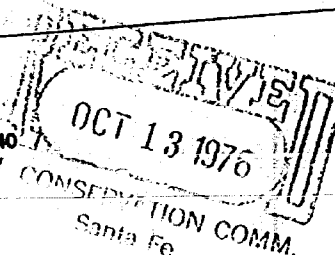
AFE contains \$ 25,000 Conoco net for Pollution abatement.

AFE Identification 40-61-1005 Partnership



L. P. Thompson
Division Manager
Production Department
Hobbs Division

Continental Oil Company
P.O. Box 460
1001 North Turner
Hobbs, New Mexico 88240
(505) 393-4141



September 28, 1976

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 77501

Attention Mr. J. D. Ramey
Secretary Director

Gentlemen:

Application for Forced-Pooling of Pennsylvanian Formations-W/2 Section 31
T-22S, R-31E, Eddy County, New Mexico

Attached in triplicate is our application for force-pooling for the drilling of the James Ranch Unit Well No. 8. Negotiations for voluntary pooling of this proration unit are presently underway. Concurrently Case No. 5776 involves our application for a non-standard location for a well to be drilled on the N/2 Section 31. It is respectfully requested that this case be continued and placed on the same docket as the enclosed application for a hearing on October 27.

Yours very truly,

L. P. Thompson
Division Manager

VTL:gl
Attach.

CC:

CFE: FOH: JWK

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF CONTINENTAL OIL COMPANY FOR AN
ORDER FORCE-POOLING THE PENNSYLVANIAN
FORMATIONS IN THE W/2 OF SECTION 31,
TOWNSHIP 22 SOUTH, RANGE 31 EAST,
EDDY COUNTY, NEW MEXICO; FOR THE
DESIGNATION OF APPLICANT AS OPERATOR
OF A WELL TO BE DRILLED IN THE NW/4
SW/4 OF SAID SECTION; AND FOR THE
ASSESSMENT OF RISK PENALTIES TO
NON-CONSENTING OWNERS

A P P L I C A T I O N


Applicant, Continental Oil Company, hereby requests that the Pennsylvanian formations in the W/2 Section 31, Township 22 South, Range 31 East, Eddy County, New Mexico, be forced pooled; that applicant be designated as operator of a well to be drilled in the NW/4 SW/4 of said section; and that a risk penalty be assessed to non-consenting owners, and in support thereof would show:

1. Applicant is owner of a federal oil and gas lease covering N/2 of Section 31, Township 22 South, Range 31 East, Eddy County, New Mexico.
2. Belco Petroleum Corporation is owner of operating rights under S/2 of said Section 31.
3. Applicant desires to drill a well in the W/2 Section 31 at a standard location.
4. The Energy Research Development Agency is proposing an atomic waste disposal facility at a location some two miles northeast of the proposed gas proration unit.
5. The proposed location is the farthest standard location from the proposed disposal facility.
6. The owners within the proposed proration unit have been unable to agree to the terms of drilling said well and it is necessary that a force-pooling order be entered to permit the drilling of the well, to designate the operator and to assess a non-consent penalty.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing before the Commission's duly appointed examiner and upon hearing an order be entered force-pooling the proration unit and determining the other matters described above.

Respectfully submitted,

CONTINENTAL OIL COMPANY


L. P. Thompson
Division Manager

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF CONTINENTAL OIL COMPANY FOR AN
ORDER FORCE-POOLING THE PENNSYLVANIAN
FORMATIONS IN THE W/2 OF SECTION 31,
TOWNSHIP 22 SOUTH, RANGE 31 EAST,
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DESIGNATION OF APPLICANT AS OPERATOR
OF A WELL TO BE DRILLED IN THE NW/4
SW/4 OF SAID SECTION; AND FOR THE
ASSESSMENT OF RISK PENALTIES TO
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A P P L I C A T I O N

Applicant, Continental Oil Company, hereby requests that the Pennsylvanian formations in the W/2 Section 31, Township 22 South, Range 31 East, Eddy County, New Mexico, be forced pooled; that applicant be designated as operator of a well to be drilled in the NW/4 SW/4 of said section; and that a risk penalty be assessed to non-consenting owners, and in support thereof would show:

1. Applicant is owner of a federal oil and gas lease covering N/2 of Section 31, Township 22 South, Range 31 East, Eddy County, New Mexico.
2. Belco Petroleum Corporation is owner of operating rights under S/2 of said Section 31.
3. Applicant desires to drill a well in the W/2 Section 31 at a standard location.
4. The Energy Research Development Agency is proposing an atomic waste disposal facility at a location some two miles northeast of the proposed gas proration unit.
5. The proposed location is the farthest standard location from the proposed disposal facility.
6. The owners within the proposed proration unit have been unable to agree to the terms of drilling said well and it is necessary that a force-pooling order be entered to permit the drilling of the well, to designate the operator and to assess a non-consent penalty.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing before the Commission's duly appointed examiner and upon hearing an order be entered force-pooling the proration unit and determining the other matters described above.

Respectfully submitted,

CONTINENTAL OIL COMPANY


L. P. Thompson
Division Manager

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF CONTINENTAL OIL COMPANY FOR AN
ORDER FORCE-POOLING THE PENNSYLVANIAN
FORMATIONS IN THE W/2 OF SECTION 31,
TOWNSHIP 22 SOUTH, RANGE 31 EAST,
EDDY COUNTY, NEW MEXICO; FOR THE
DESIGNATION OF APPLICANT AS OPERATOR
OF A WELL TO BE DRILLED IN THE NW/4
SW/4 OF SAID SECTION; AND FOR THE
ASSESSMENT OF RISK PENALTIES TO
NON-CONSENTING OWNERS

A P P L I C A T I O N

Applicant, Continental Oil Company, hereby requests that the Pennsylvanian formations in the W/2 Section 31, Township 22 South, Range 31 East, Eddy County, New Mexico, be forced pooled; that applicant be designated as operator of a well to be drilled in the NW/4 SW/4 of said section; and that a risk penalty be assessed to non-consenting owners, and in support thereof would show:

1. Applicant is owner of a federal oil and gas lease covering N/2 of Section 31, Township 22 South, Range 31 East, Eddy County, New Mexico.
2. Belco Petroleum Corporation is owner of operating rights under S/2 of said Section 31.
3. Applicant desires to drill a well in the W/2 Section 31 at a standard location.
4. The Energy Research Development Agency is proposing an atomic waste disposal facility at a location some two miles northeast of the proposed gas proration unit.
5. The proposed location is the farthest standard location from the proposed disposal facility.
6. The owners within the proposed proration unit have been unable to agree to the terms of drilling said well and it is necessary that a force-pooling order be entered to permit the drilling of the well, to designate the operator and to assess a non-consent penalty.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing before the Commission's duly appointed examiner and upon hearing an order be entered force-pooling the proration unit and determining the other matters described above.

Respectfully submitted,

CONTINENTAL OIL COMPANY


L. P. Thompson
Division Manager

CASE 5776: (Continued & Readvertised)

Application of Continental Oil Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its James Ranch Unit Well No. 8 to be drilled at a point 1980 feet from the North line and 660 feet from the West line of Section 31, Township 22 South, Range 31 East, Los Medanos-Morrow Gas Pool, Eddy County, New Mexico, the N/2 of said Section 31 to be dedicated to the well.

CASE 5794: Application of Continental Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 31, Township 22 South, Range 31 East, Los Medanos Field, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location in Unit L of said Section 31. 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 5795: Application of Continental Oil Company for an exception to the provisions of Order No. R-1670, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 21(A) of the General Rules and Regulations for the prorated gas pools of Northwestern New Mexico contained in Order No. R-1670, to permit the reporting of Basin Dakota production from wells on its Northeast Haynes Lease in Township 24 North, Range 5 West, Rio Arriba County, New Mexico, without the necessity of separately measuring the production from each well.

CASE 5777: (Continued & Readvertised)

Application of Gifford & Mitchell and M. B. Wisentaker for pool creation, pool rules, and a non-standard gas spacing unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new gas pool for Pennsylvanian production for its Horse Back Well No. 1 located 1000 feet from the South line and 1980 feet from the East line of Section 33, Township 26 South, Range 36 East, Lea County, New Mexico, the promulgation of pool rules therefor, including a provision for 640-acre spacing and approval for a 589.52-acre non-standard gas spacing unit comprising all of partial Sections 33 and 34 of the aforesaid township.

Docket No. 30-76

Dockets Nos. 31-76 and 32-76 are tentatively set for hearing on November 10 and November 23, 1976. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - THURSDAY - NOVEMBER 4, 1976

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

CASE 5743: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit John W. Adams, Executor of Estates of R. W. and June Adams; and Ruth McGahey, Fred McGahey and David McGahey dba Adams & McGahey, American Employers' Insurance Company, and all other interested parties to appear and show cause why the following wells located in Township 21 North, Range 30 East, Harding County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program:

Gonzales Well No. 2, located in Unit P of Section 9; Adams & McGahey Well No. 1, located in Unit B of Section 16; and Gonzales "A" Well No. 1, located in Unit H of Section 32.

Upon application of John W. Adams, this case will be heard De Novo pursuant to the provisions of Rule 1220.

Dockets Nos. 31-76 and 32-76 are tentatively set for hearing on November 10 and November 23, 1976. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - OCTOBER 27, 1976

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

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

CASE 5768: (Continued from September 29, 1976, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Service Drilling Company, The Travelers Indemnity Company, and all other interested parties to appear and show cause why the Gonzales-Pittman Well No. 1, located in Unit M of Section 24, Township 21 North, Range 21 East, Mora County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5785: (Continued from October 13, 1976, Examiner Hearing)

Application of Doyle Hartman for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Seven Rivers-Queen formation underlying the NE/4 NE/4, NW/4 NE/4, SW/4 NE/4, and SE/4 NE/4 of Section 19, Township 24 South, Range 37 East, Langlie-Mattix Pool, Lea County, New Mexico, to form four 40-acre proration units to be dedicated to four oil wells to be drilled at standard locations on said tracts. Also to be considered will be the cost of drilling and completing said wells 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 wells and a charge for risk involved in drilling said wells.

CASE 5574: (Reopened) (Continued from October 13, 1976, Examiner Hearing)

In the matter of Case 5574 being reopened pursuant to the provisions of Order No. R-5118 which order established a temporary special depth bracket allowable of 750 barrels of oil per day for the Eagle Mesa-Entrada Oil Pool, Sandoval County, New Mexico. All interested parties may appear and show cause why said special depth bracket allowable should not be rescinded.

CASE 5789: Application of Amoco Production Company for salt water disposal well, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Fusselman formation through the perforated interval from 8313 feet to 8538 feet in its Swearingen "C" Well No. 2 located in Unit M of Section 18, Township 5 South, Range 33 East, Petersen-Fusselman Pool, Roosevelt County, New Mexico.

CASE 5790: Application of Dome Petroleum Corporation for pool creation and assignment of a discovery allowable, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new oil pool for Entrada production and the assignment of approximately 58,770 barrels of oil discovery allowable to the discovery well, being the Federal 21 Well No. 1 located in Unit K of Section 21, Township 20 North, Range 5 West, McKinley County, New Mexico.

CASE 5791: Application of Texaco Inc. for a non-standard gas proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 320-acre non-standard Eumont gas proration unit comprising the E/2 SE/4, SW/4 SE/4, and SE/4 SW/4 of Section 23; the W/2 NW/4 of Section 25; and the E/2 NE/4 of Section 26, all in Township 19 South, Range 36 East, Lea County, New Mexico, to be simultaneously dedicated to applicant's William Weir Wells Nos. 1 and 2 at unorthodox locations in Unit E of said Section 25 and Unit H of said Section 23, respectively.

CASE 5792: Application of Dugan Production Corporation for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Angels Peak-Callup and Basin-Dakota production in the wellbore of its McAdams Well No. 3 located in Unit H of Section 34, Township 27 North, Range 10 West, San Juan County, New Mexico.

CASE 5793: Application of Dugan Production Corporation for an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Sherman Edward Well No. 2A, to be drilled at a point 2500 feet from the North line and 510 feet from the West line of Section 3, Township 29 North, Range 5 West, Blanco Mesaverde Gas Pool, Rio Arriba County, New Mexico, the N/2 of said Section 3 to be dedicated to the well.

Application of Continental Oil Company
for compulsory pooling, Eddy County,
N.M. Applicant in the above-styled
cause seeks an order pooling all
mineral interests in the Pennsylvanian
formation underlying the w/2 of Section
31, Township 22 South, Range 31 East,
Los Medanos Field, Eddy County, N.M.
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.

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. 5794

Order No. R- 5315

APPLICATION OF CONTINENTAL OIL COMPANY
FOR COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 27, 1976
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this day of November, 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, Continental Oil Company,
seeks an order pooling all mineral interests in the
Pennsylvanian formation underlying the W/2
of Section 31, Township 22 South, Range 31 East,
NMPM, Los Medanos Field, Eddy County, New
Mexico.

(3) That the applicant has the right to drill and proposes at a standard location in Unit L of said to drill a well / Section 31.

(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 200 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.

*while drilling said well, and
\$225.00 per month should be
fixed as a reasonable charge
for supervision while producing;*

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

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1977, 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 31, Township 22 South, Range 31 East, NMPM, Los Medanos 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 a standard location in Unit L of said Section 31.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of January, 1977, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Marathon formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of January, 1977, 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 Continental Oil 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, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs. \$225.00 while drilling said well, and \$2000.00 per month while producing;

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

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

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

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

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

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