

CASE 5808: C&K PET. INC. FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO

CASE NO.

5808

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
November 10, 1976

EXAMINER HEARING

IN THE MATTER OF:

Application of C & K Petroleum, Inc.,
for compulsory pooling, Lea County,
New Mexico.

CASE
5808

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: 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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Page 2

I N D E X

1		
2		<u>Page</u>
3	<u>EDWARD W. HOOPER</u>	
4	Direct Examination by Mr. Kellahin	3
5	Cross Examination by Mr. Stamets	9

EXHIBIT INDEX

10		<u>Offered</u>	<u>Admitted</u>
11	Applicant's Exhibit One, Estimate of Pay Out	4	9
12	Applicant's Exhibit Two, AFE	5	9
13	Applicant's Exhibit Three, Structure Map	5	9
14	Applicant's Exhibit Four, Isopach Map	5	9

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Page 3

1 MR. STAMETS; At this time we will call Case Number
2 5808.

3 MS. TESCHENDORF: Case 5808, application of C & K
4 Petroleum, Inc. for compulsory pooling, Lea County, New Mexico.

5 MR. KELLAHIN: If the Examiner please, Jason Kellahin
6 Kellahin and Fox, appearing for the applicant. May the record
7 show that Mr. Hooper, the witness, has been sworn?

8 MR. STAMETS: The record will reflect that the
9 witness has been previously sworn and is still sworn and
10 qualified.

11
12 EDWARD W. HOOPER
13 called as a witness, having been previously sworn, was
14 examined and testified as follows:

15
16 DIRECT EXAMINATION

17 BY MR. KELLAHIN:

18 Q Mr. Hooper, what is proposed by C & K Petroleum
19 in Case Number 5808?

20 A Compulsory pooling for the southeast quarter of
21 the southeast quarter, the northeast quarter of the southeast
22 quarter, the northwest quarter of the southeast quarter and
23 the southwest quarter of the southeast quarter of Section 21,
24 Township 16 South, Range 37 East.

25 Q Now, are all of these to be formed into a unit or

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Page 4

1 are they separate units actually? Aren't you proposing to
2 form four forty acre oil proration units?

3 A Right, rather than a hundred and sixty acre unit.

4 Q How many wells do you propose to drill in this
5 proposed unit?

6 A One well to be located in the southeast-southeast
7 quarter of Section 21.

8 MR. STAMETS: The southeast-southeast or the southeast-
9 southwest?

10 A No, the southeast-southeast. It would be six, sixty
11 from the southeast -- I mean from the east line -- and six,
12 sixty from the south line of Section 21.

13 MR. STAMETS: Okay, I'm sorry, I'm looking at the
14 wrong well in this exhibit.

15 Q (Mr. Kellahin continuing.) Mr. Hooper, referring to
16 what has been marked as the Applicant's Exhibit Number One,
17 would you identify that exhibit, please?

18 A It's an estimate of the pay out period for an
19 eleven thousand, eight hundred foot Strawn test in the southeast
20 of the southeast of Section 21.

21 Q Now, what do you base this estimate on?

22 A On current productive rates in the area from the
23 Strawn.

24 Q And based on your estimated well cost, is that
25 correct?

1 A That is correct.

2 Q Now, is that shown on Exhibit Number Two?

3 A Right, it's an AFE prepared by the production depart-
4 ment of C & K Petroleum.

5 Q And do you think that reflects reasonable well costs
6 for this subject well?

7 A I do.

8 Q Now, referring to what has been marked as Exhibit
9 Number Three, would you identify that exhibit?

10 A It is a structure map prepared on top of the Strawn
11 formation, showing the relationship of present Strawn production
12 to structure in the area of interest.

13 Q Does the structure have a strong bearing on production
14 in this area?

15 A None.

16 Q Now, referring to what has been marked as Exhibit
17 Number Four, would you identify that?

18 A This is an isopach map prepared of the Lower Strawn
19 limestone showing the relationship of the thickness of the
20 Lower Strawn to present production.

21 Q And does the isopach have a strong bearing on
22 production in this area?

23 A Yes, it does.

24 Q And is your proposed well located in what you
25 consider a favorable location for production from the Strawn?

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Page 6

1 A Yes, I do.

2 Q Now, referring to what has been marked as Exhibit
3 Number Five, will you identify that exhibit?

4 A Exhibit Five is a production map showing what the
5 production has been from the Lower Strawn limestone to one, one,
6 seventy-six.

7 Q Again does this reflect that your proposed location
8 should be a favorable location?

9 A It does.

10 Q Does it support your estimate of your pay out period
11 as shown on Exhibit Number One?

12 A Correct.

13 Q Now, Mr. Hooper, this application is for compulsory
14 pooling and the persons involved who have not agreed are
15 listed on an exhibit attached to the application in this case.
16 Have there been any changes subsequent to the filing of this
17 application?

18 A Yes, there has. We have located the party listed
19 as Eleanor Brown Luckey and have sent out a -- asked for a
20 commercial lease on this and party eight, we have obtained a
21 lease on this particular tract.

22 Q That is Freddie William Herms, Junior?

23 A Correct. And parties nine, ten and eleven have
24 given us commitments in writing that they will lease their
25 land in this particular hearing.

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Page 7

1 Q So that leaves only a very small fractional interest
2 that will not be committed?

3 A Less than two percent that we are asking for forced
4 pooling on.

5 Q Now, Mr. Hooper, based on your geological information
6 and experience in this area, do you consider this a high risk
7 well?

8 A Very high risk.

9 Q And what do you base that on?

10 A Well, a study of the number of wells that have been
11 drilled to the objective formation, the number of dry holes
12 that have been drilled trying to find this type of production.

13 Q Are those shown on any of the exhibits that you
14 have offered?

15 A Right, they have all been shown by color designation,
16 being the dry holes in trying to find this production.

17 Q On that basis what risk factor would you ask be
18 assigned to this well in the event the Commission approves it?

19 A Two hundred percent above the actual cost of drilling
20 the well.

21 Q Now, what are your costs, do you ask to recover your
22 actual cost of drilling and equipping the well from production?

23 A Yes.

24 Q Plus the risk factor of two hundred percent?

25 A Yes.

1 Q Now, what are your costs of supervision for drilling
2 the well?

3 A The total would be two thousand dollars or actually
4 a thousand dollars a month. We anticipate anywhere from fifty
5 to sixty days to drill the well.

6 Q Now, what about the cost of supervision for a
7 producing well?

8 A Two hundred dollars per month.

9 Q Now, does C & K ask to be designated as the operator
10 of this well?

11 A We do.

12 Q Were Exhibits One through Five, inclusive, prepared
13 by you or under your supervision?

14 A They were.

15 Q What effort did you make to obtain voluntary pooling
16 from those who have not committed their acreage?

17 A We think we have exhausted all possibilities in
18 either by telephone or in writing to contact these people.

19 Q Have you written to all of those?

20 A Yes, we have.

21 Q And did you hear from any of them?

22 A No, we haven't.

23 Q And did you phone all of them?

24 A We've tried.

25 Q You did not reach all of them, is that correct?

1 A We could not.

2 MR. KELLAHIN: If the Examiner please, at this time
3 I offer into evidence Exhibits One through Five, inclusive.

4 MR. STAMETS: These will be admitted.

5 (THEREUPON, Applicant's Exhibits One through
6 Five were admitted into evidence.)

7 MR. KELLAHIN: That completes our case.

8
9 CROSS EXAMINATION

10 BY MR. STAMETS:

11 Q What is your supervision rate while drilling?

12 A It would be about a thousand a month or two thousand
13 dollars for the entire drilling of the well.

14 Q Looking at the list of uncommitted parties here, I
15 see that YMCA of Great Falls, Montana -- it would seem like it
16 would not be a difficult problem to get ahold of the YMCA, what
17 sort of problems have you experienced there?

18 A Well, in this particular case I do not know why they
19 have not responded to either telephone calls or written requests
20 for lease on that. I would have to ascertain from our landman
21 who is doing this work as to why they did not respond, but they
22 haven't.

23 Q The same thing would be true of Shriner's Hospital?

24 A Right.

25 Q I think both of those would be ones that could be

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1 located and some sort of a response obtained.

2 A It could be that they have such a small interest in
3 this that no one has bothered to -- I could ascertain this and
4 try to find out why they haven't from Ed Wise, the landman.

5 MR. KELLAHIN: Would you do that and advise the
6 Examiner, please?

7 A Yes, I will.

8 Q (Mr. Stamets continuing.) I would like to know when
9 the correspondence was initiated on the attempt to get voluntary
10 unitization?

11 A Okay, we will advise the Commission.

12 Q Now, are all interests the same throughout the south-
13 east quarter of Section 21 as in any individual quarter-
14 quarter section?

15 A Well, there again I'm going to have to admit that I
16 don't know but I think this is correct. I will find out for
17 you and let you know.

18 Q Now, as advertised, I believe the application provides
19 that you seek to pool four forty acre tracts in the southeast
20 quarter and drill a well on the southeast-southeast and subse-
21 quent to completion of that well as a producer to drill a
22 second well on another of these forties, and a third well and
23 so on. Is that what you are seeking here, with a reasonable
24 period of time between wells?

25 A Well, I think the way this thing is set up is that

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Page 11

1 we wouldn't have to come back for forced pooling hearings on
2 these other tracts because we would seek a hundred and sixty
3 acre pooling designation for a Strawn well here.

4 Q And as an alternative to drilling four wells you
5 perhaps would come back and ask for special pool rules?

6 A Yes, at this time we would ask for a hundred and
7 sixty acre designation for a new pool here, rather than drill
8 four wells on forty acre spacing.

9 Q It would seem that under those circumstances it would
10 be imperative that the interests be common throughout this
11 entire one-sixty?

12 A I'm sure they are but not knowing definitely I would
13 refrain at this time until I know for sure but I will advise
14 you.

15 MR. KELLAHIN: If the Examiner please, on the basis
16 of the information furnished me by their land department, the
17 interest appears to be common throughout and it's stated on
18 this percentage basis in the entire quarter section as shown
19 on the exhibit attached to the application.

20 MR. STAMETS: Well, we would just like some verifica-
21 tion that that does apply.

22 THE WITNESS: We will definitely verify this.

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

25 (THEREUPON, the witness was excused.)

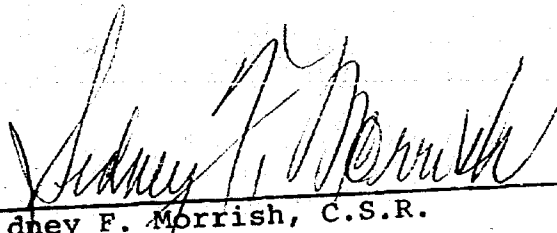
MR. STAMETS: Is there anything further in this case?

We will take the case under advisement.

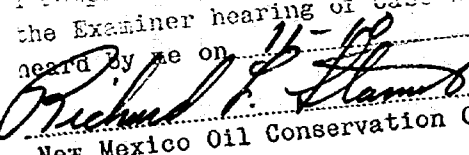
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REPORTER'S CERTIFICATE

1
2 I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,
3 do hereby certify that the foregoing and attached Transcript
4 of Hearing before the New Mexico Oil Conservation Commission
5 was reported by me, and the same is a true and correct record
6 of the said proceedings to the best of my knowledge, skill and
7 ability.

8
9 
10 Sidney F. Morrish, C.S.R.

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11
12
13
14
15 I do hereby certify that the foregoing is
16 a complete record of the proceedings in
the Examiner hearing of Case No. 5808
17 heard by me on 11-18-76, 19 76.
18 , Examiner
New Mexico Oil Conservation Commission
19
20
21
22
23
24
25



DIRECTOR
JOE D. RAMEY

OIL CONSERVATION COMMISSION

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

LAND COMMISSIONER
PHIL R. LUCERO



STATE GEOLOGIST
EMERY C. ARNOLD

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

Re: CASE NO. 5808
ORDER NO. R-5333

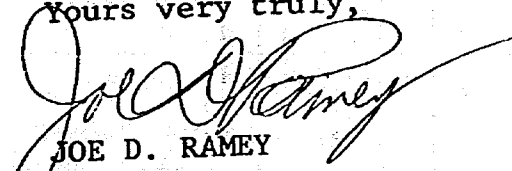
Applicant:

C & K Petroleum, Inc.

Dear Sir:

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

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC x
Artesia OCC 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. 5808
Order No. R-5333

APPLICATION OF C & K PETROLEUM,
INC., FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 10, 1976, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 30th 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, C & K Petroleum, Inc., seeks an order pooling all mineral interests from the surface down to and including the Pennsylvanian formation underlying the SE/4 SE/4, NE/4 SE/4, NW/4 SE/4, and SW/4 SE/4 of Section 21, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, to form four 40-acre oil proration units, the first to be dedicated to a well to be drilled at a point 660 feet from the South line and 660 feet from the East line of said Section 21 to test the Strawn formation and each of the others to a well subsequently drilled thereon.

(3) That the applicant has the right to drill and proposes to drill a well 660 feet from the South line and 660 feet from the East line of said Section 21 and to dedicate thereto the SE/4 SE/4 of said Section.

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

(5) That following completion of the first well drilled the applicant proposes to drill and/or dedicate the remaining pooled units.

(6) 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.

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

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

(9) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of any well authorized by this order.

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

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

(12) That \$1000 per month while drilling and \$200 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 from any well drilled under provisions of this order the proportionate share of such supervision charge attributable to each non-consenting working interest under such well, and in addition thereto, the operator should be authorized to withhold from production from any such well 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 under such well.

(13) That all proceeds from production from any well authorized by this order 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.

-3-

Case No. 5808
Order No. R-5333

(14) That upon the failure of the operator of said pooled units to commence drilling of the well described in Finding No. (3) supra on or before February 28, 1977, this order should become null and void and of no effect whatsoever.

(15) That upon the failure of the operator to drill and/or dedicate any of the pooled units on or before December 31, 1977, this order should become null and void and of no effect whatsoever as to such unit.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, from the surface down to and including the Pennsylvanian formation underlying the SE/4 SE/4, NE/4 SE/4, NW/4 SE/4, and SW/4 SE/4 of Section 21, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, are hereby pooled to form four 40-acre oil proration units the first of which shall be dedicated to a well to be drilled at a point 660 feet from the South line and 660 feet from the East line of said Section 21 to test the Strawn formation.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 28th day of February, 1977, 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 28th day of February, 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.

PROVIDED FURTHER, that should any of the pooled units authorized by this order not be drilled and/or dedicated on or before December 31, 1977, this order shall be null and void and of no effect whatsoever as to such unit.

(2) That C & K Petroleum, Inc. is hereby designated the operator of the well(s) and units authorized by this order.

(3) That after the effective date of this order and within 30 days prior to commencing any well drilled thereunder, the operator shall furnish the Commission and each known working interest owner in the affected 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 any well drilled under provisions of this order; 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 from any well authorized by this order:

- (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.

-5-

Case No. 5808
Order No. R-5333

(9) That \$1000 per month while drilling and \$200 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates) for any well authorized by this order; that the operator is hereby authorized to withhold from production from any such well 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 from any such well 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 any well authorized by this order which are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman

EMERY C. ARNOLD, Member

JOE B. RAMEY, Member & Secretary

SEAL

jr/

SHIPP SHAPE PROSPECT
Lea County, New Mexico

ESTIMATE OF PAYOUT PERIOD

Completed well cost	\$ 519,000
C & K revenue interest until payout	80%
Expected delivery rate	150 BOPD
Oil price @ \$12.30/Bbl less 92.25¢ taxes (7.5% State, Severance & Ad Valorem)	\$ 11.38
Operating cost per month	\$ 750
Monthly revenue $150 \times \$11.30 \times 80\% \times 30 \text{ days} - \$750 =$	\$ 40,673/month
Annual rate of interest	8%
Payout period	<u>14 months</u>

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
C & K	EXHIBIT NO. <u>1</u>
CASE NO.	<u>5808</u>
Submitted by	<u>Harper</u>
Hearing Date	<u>11-10-76</u>

C & K PETROLEUM, INC.
AUTHORITY FOR EXPENDITURE

No. _____
Date 11-4-76

Well No. 1 Field Wildcat Depth 11,800
Location 660' FS&EL Section 21, T-16-S, R-37-E, Lea County, New Mexico
Reason for Request To drill and complete

			ESTIMATED COST TO CASING POINT	COMPLETION AFTER CASING
INTANGIBLE DRILLING & DEVELOPMENT				
1. Surveying			\$ 300.00	\$
2. Roads and Location			5,500.00	
3. Damages			750.00	
4. Contract Drilling: 11,800'		@ \$14.25/ft + 4% tax	175,000.00	
Day work: 4 days		@ \$2,915/day + 4% tax	12,000.00	
5. Cement & Cementing Services:				
Surface	SSX	@ \$	2,200.00	
Intermediate	SSX	@ \$	3,850.00	
Oil String	SSX	@ \$		10,500
6. Drilling Fluids			30,000.00	500
7. Drill Stem Testing: 3 Tests		@ \$2,000.00	6,000.00	
8. Coring & Analysis				
9. Electric Log			8,300.00	950
10. Perforating				1,750
11. Acidizing & Fracturing				5,000
12. Pulling units				5,500
13. Plugging			4,000.00	
14. Trucking			1,200.00	2,000
15. Geology (including 1-man unit @ interm - \$190.00/day)			9,500.00	
16. Miscellaneous				
17. Tool Rentals, Special Services			1,500.00	2,000
18. Contract Labor				4,000
19. Contract Overhead			3,000.00	800
20. Engineering				
21. Supervision			2,000.00	1,500
22. Insurance				
23. Contingencies			25,900.00	3,500
TOTAL INTANGIBLE DRILLING & DEVELOPMENT			\$ 291,000.00	\$ 38,000
EQUIPMENT (Itemized)				
24. Casing - Surface 13-3/8"			5,500.00	
Intermediate 8-5/8"			35,000.00	
Production 5-1/2"				77,000
25. Tubing 2-3/8" N-80 11,800'				28,300
26. Guide Shoes, Float, & Centralizers			700.00	1,500
27. Well Head			2,500.00	4,000
28. Tanks				18,000
29. Flow Lines				1,000
30. Valves & Fittings				1,500
Production Packers				1,500.0
31. Pumping Equipment				
Rods				
32. Other			4,300.00	13,200
TOTAL EQUIPMENT			\$ 48,000.00	\$ 146,000
TOTALS			\$ 339,000.00	\$ 184,000
TOTAL DRILLING & COMPLETION COSTS *does not include 13"-plugging				\$ 519,000

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
C & K EXHIBIT NO. 1
CASE NO. 5808
Submitted by Hooper
Hearing Date 11-10-76

ACCEPTED: _____ Date _____
Company _____
By _____
Your Interest \$ _____

APPROVED: _____
C & K PETROLEUM, INC.
By: _____
Operator's Interest \$ _____

- CASE 5805: Application of Morris R. Antweil for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Morrow formations underlying the N/2 of Section 3, Township 22 South, Range 26 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location in Unit G of said Section 3. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs 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 5806: Application of Anadarko Production Company for two unorthodox well locations, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox locations of its Artesia State Unit Well No. 9-5 to be drilled 1270 feet from the North line and 50 feet from the East line of Section 23 and its Artesia State Unit Well No. 2-3 to be drilled 50 feet from the South line and 1270 feet from the West line of Section 13, both in Township 18 South, Range 27 East, Artesia Queen-Grayburg-San Andres Pool, Eddy County, New Mexico.
- CASE 5797: Application of C&K Petroleum, Inc. for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Dallas Ranch Unit Area comprising 5746 acres, more or less, of State, Federal, and fee lands in Township 9 South, Range 26 East, Chaves County, New Mexico.
- CASE 5807: Application of C&K Petroleum, Inc., for compulsory pooling and a non-standard unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 13, Township 22 South, Range 26 East, South Carlsbad Field, Eddy County, New Mexico, to form a non-standard 336.6-acre unit to be dedicated to a well located 1680 feet from the North line and 1980 feet from the East line of said Section 13. 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 5808: Application of C&K Petroleum, Inc., for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface down to and including the Pennsylvanian formation underlying the SE/4 SE/4, NE/4 SE/4, NW/4 SE/4, and SW/4 SE/4 of Section 21, Township 16 South, Range 37 East, Lea County, New Mexico, to form four 40-acre oil proration units; the first to be dedicated to a well to be drilled at a point 660 feet from the South and East line of said Section 21 to test the Strawn formation and each of the others to a well subsequently drilled thereon. 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 5785: (Continued from October 27, 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, S/4 NE/4, and SE/4 NE/4 of Section 19, Township 24 South, Range 37 East, Langile-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 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 5776: (Continued from October 27, 1976, Examiner Hearing)
- 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.

Docket No. 31-76

Dockets Nos. 32-76 and 33-76 are tentatively set for hearing on November 23 and December 15, 1976. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - NOVEMBER 10, 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. Stanets, Examiner, or Daniel S. Nutter, Alternate Examiner:

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

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

CASE 5796: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Hixon Development Company, National Surety Corporation, and all other interested parties to appear and show cause why the Central Bisti Unit Wells Nos. 41, 46, 47, 49 and 50 located in Units D, I, K, M, and O, respectively, of Section 16, Township 25 North, Range 12 West, Bisti-Lower Gallup Pool, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5798: Application of Exxon Corporation for a unit agreement, Sierra and Dona Ana Counties, New Mexico. Applicant, in the above-styled cause, seeks approval for the Prisor Unit Area comprising 24,910 acres, more or less, of State, Federal, and fee lands in Townships 16 and 17 South, Ranges 1 East and 1 West, Sierra and Dona Ana Counties, New Mexico.

CASE 5799: Application of Gulf Oil Corporation for an unorthodox gas well location and a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 160-acre non-standard proration unit comprising the NE/4 SW/4 and W/2 SE/4 of Section 28 and the NW/4 NE/4 of Section 33, Township 21 South, Range 37 East, Tubb Gas Pool, Lea County, New Mexico, to be dedicated to applicant's J. N. Carson Well No. 9 located at an unorthodox location 1874 feet from the South line and 2086 feet from the West line of said Section 28.

CASE 5809: Application of Gulf Oil Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Drinkard, Tubb, and Blinbry production in the wellbore of its Manda "B" Well No. 1, located in Unit C of Section 28, Township 22 South, Range 37 East, Lea County, New Mexico.

CASE 5800: Application of Yates Petroleum Corporation for salt water disposal well, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Morrow formation through the perforated interval from 8983 feet to 9129 feet in its Bob Gushwa Well No. 1 located in Unit J of Section 21, Township 18 South, Range 26 East, Atoka-Pennsylvanian Gas Pool, Eddy County, New Mexico.

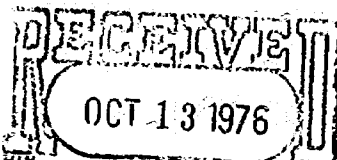
CASE 5801: Application of Atlantic Richfield Company for a non-standard proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 275-acre non-standard gas proration unit comprising the W/2 E/2, N/2 NW/4, and SE/4 NW/4 of Section 19, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to applicant's State 176 Wells Nos. 3 and 6 located, at unorthodox locations in Units J and C, respectively, of said Section 19.

CASE 5802: Application of El Paso Natural Gas Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle South Blanco-Pictured Cliffs and Blanco Mesaverde production in the wellbore of its San Juan 23-7 Unit Well No. 75 located in Unit L of Section 15, Township 28 North, Range 7 West, Rio Arriba County, New Mexico.

CASE 5803: Application of El Paso Co., Inc., for downhole commingling and simultaneous dedication, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Fruitland and Pictured Cliffs gas production in the wellbore of its Valdez "A" Well No. 1, located in Unit P of Section 24, Township 29 North, Range 11 West, San Juan County, New Mexico. Applicant further seeks approval for the simultaneous dedication of the SE/4 of said Section 24 to said well and its Valdez Well No. 1 located in Unit I of said Section 24.

CASE 5804: Application of Stevens Oil Company for a dual completion, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its O'Brien "C" Well No. 2 located in Unit D of Section 1, Township 9 South, Range 28 East, Chaves County, New Mexico, to produce oil from the San Andres and Devonian formations through parallel strings of tubing.

Case 5808



KELLAHIN AND FOX
ATTORNEYS AT LAW
500 DON GASPAR AVENUE
POST OFFICE BOX 1768
SANTA FE, NEW MEXICO 87501

JASON W. KELLAHIN
ROBERT E. FOX
W. THOMAS KELLAHIN

CONSERVATION COMM.

Santa Fe

October 12, 1976

TELEPHONE 982-4315
AREA CODE 505

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

Re: C & K Petroleum, Inc.

Dear Dan:

Please set the enclosed application requesting
the forced pooling of the SE/4 of Section 21, T16S,
R37E, N.M.P.M., Lea County for hearing on November
10, 1976.

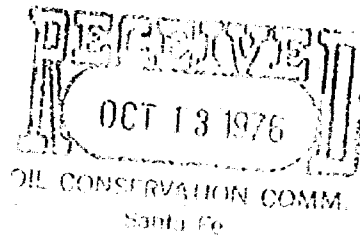
Very truly yours,


W. Thomas Kellahin

CC: Mr. E. B. White

WTK:kjf

Enclosure



BEFORE THE

OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF C & K PETROLEUM, INC. FOR
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO

A P P L I C A T I O N

COMES NOW, C & K PETROLEUM, INC., as provided by
Section 65-13-4, New Mexico Statutes Annotated, 1953, as
amended, and applies to the Oil Conservation Commission of
New Mexico for an order pooling all the mineral interest in
and under the SE/4SE/4, NE/4SE/4, SW/4SE/4 and NW/4SE/4 of
Section 21, Township 16 South, Range 37 East, N.M.P.M., Lea
County, New Mexico in formations from surface to base of
Pennsylvanian Formation to form four 40-acre proration units
dedicated to four oil wells and in support thereof would
show the Commission:

1. Applicant is the owner of the right to drill and
develop the following described acreage: SE/4 of Section 21,
Township 16 South, Range 37 East, N.M.P.M., Lea County, New
Mexico.
2. Applicant has obtained voluntary agreement for pooling
from all but the persons named below, whose addresses, and
the interest owned according to applicant's information and
belief are as set forth on the attached schedule marked Exhibit
A and incorporated by reference herein.
3. As required by the provision of Commission Rule 104,
applicant proposes to dedicate the SE/4SE/4 of Section 21,
T16S, R37E, N.M.P.M., Lea County, New Mexico to the first well

to be drilled at a location 660 feet from the South line and 660 feet from the East line of said section to test the strawn formation.

4. Applicant requests that it be designated operator of the pooled unit requested above.

5. Applicant has been unable to obtain voluntary agreement from the pooling of the unpooled interest indicated in paragraph 2 above, and in order to avoid the drilling of unnecessary wells, to protect correlative rights, and to prevent waste, the Commission should pool all interests in the said unit.

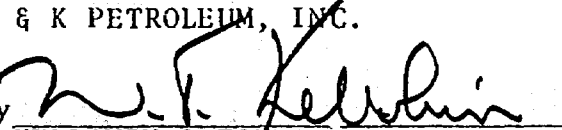
6. Applicant further requests for a provision for a period of 120 days from the date of the order in which to commence the first subject well with the drilling of each subsequent well to be commenced within 120 days of the completion of the preceding well until all four wells have been drilled.

WHEREFORE, applicant respectfully requests that the Commission set this matter for hearing before the Commission's duly appointed examiner, and that after notice and hearing as required by law, the Commission enter its order pooling all interest underlying the SE/4 of Section 21, Township 16 South, Range 37 East, N.M.P.M., Lea County, New Mexico, and designating applicant as operator of the pooled unit, together with provisions for applicant to recover its costs of drilling and completing the well, a reasonable charge for supervision, a risk factor in the amount of 200%, all to be recovered out of production, and further provisions as may be proper in the premises.

Respectfully submitted,

C & K PETROLEUM, INC.

By


KELLAM & FOX

P. O. Box 1769

Santa Fe, New Mexico 87501

Attorneys for Applicant

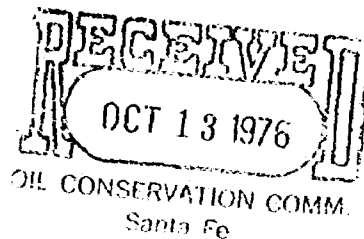
UNCOMMITTED PARTIES - SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 21, Twp. 16 South, Rge. 37 East,
Lea County, New Mexico

<u>PARTY AND LAST KNOWN ADDRESS</u>	<u>TYPE INTEREST</u>	<u>PERCENTAGE</u>
1. Lon Baumgartner and wife, Martha Baumgartner 615 N. 28th Street Billings, Montana	1/320 unleased mineral interest	.3125%
2. Y. W. C. A. of Great Falls, 220 Second Street, North Great Falls, Montana 59401	1/1280 unleased mineral interest	.078125%
3. Shriners' Hospital for Crippled Children, Spokane Unit 323 North Michigan Ave. Chicago, Illinois 60601	1/1280 unleased mineral interest	.078125%
4. Heirs and/or devisees of William J. Brough c/o Alvin S. Kniebes 503 West Ave. Gustin, California 95322	1/320 unleased mineral interest	.3125%
5. Sara Ann Belieu c/o Herbert King 733 Vista Chino Palm Springs, California 92262	1/320 unleased mineral interest	.3125%
6. Heirs and/or devisees of Ella Davies, deceased Sacramento, California	1/640 unleased mineral interest	.15625%
7. Eleanor Braun Luckey Box U-117, University of Connecticut Storrs, Connecticut 06268	1/320 unleased mineral interest	.3125%
8. Frederick William Herms, Jr. 17 Paradise Ave. San Francisco, California 94131	1/320 unleased mineral interest	.3125%
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10. Kirby Exploration Company Box 1745 Houston, Texas 77701	3/160 unleased mineral interest	1.875%
11. Dalco Oil Company 619 W. Texas, Suite 200 Midland, Texas 79701	7/320 unleased mineral interest	2.1875%

*located at
time of
leasing*

*now have
lease*

*written
commitment
to lease*



BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF C & K PETROLEUM, INC. FOR
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO

A P P L I C A T I O N

COMES NOW, C & K PETROLEUM, INC., as provided by
Section 65-13-4, New Mexico Statutes Annotated, 1953, as
amended, and applies to the Oil Conservation Commission of
New Mexico for an order pooling all the mineral interest in
and under the SE/4SE/4, NE/4SE/4, SW/4SE/4 and NW/4SE/4 of
Section 21, Township 16 South, Range 37 East, N.M.P.M., Lea
County, New Mexico in formations from surface to base of
Pennsylvanian Formation to form four 40-acre proration units
dedicated to four oil wells and in support thereof would
show the Commission:

1. Applicant is the owner of the right to drill and
develop the following described acreage: SE/4 of Section 21,
Township 16 South, Range 37 East, N.M.P.M., Lea County, New
Mexico.
2. Applicant has obtained voluntary agreement for pooling
from all but the persons named below, whose addresses, and
the interest owned according to applicant's information and
belief are as set forth on the attached schedule marked Exhibit
A and incorporated by reference herein.
3. As required by the provision of Commission Rule 104,
applicant proposes to dedicate the SE/4SE/4 of Section 21,
T16S, R37E, N.M.P.M., Lea County, New Mexico to the first well

to be drilled at a location 660 feet from the South line and 660 feet from the East line of said section to test the strawn formation.

4. Applicant requests that it be designated operator of the pooled unit requested above.

5. Applicant has been unable to obtain voluntary agreement from the pooling of the unpooled interest indicated in paragraph 2 above, and in order to avoid the drilling of unnecessary wells, to protect correlative rights, and to prevent waste, the Commission should pool all interests in the said unit.

6. Applicant further requests for a provision for a period of 120 days from the date of the order in which to commence the first subject well with the drilling of each subsequent well to be commenced within 120 days of the completion of the preceding well until all four wells have been drilled.

WHEREFORE, applicant respectfully requests that the Commission set this matter for hearing before the Commission's duly appointed examiner, and that after notice and hearing as required by law, the Commission enter its order pooling all interest underlying the SE/4 of Section 21, Township 16 South, Range 37 East, N.M.P.M., Lea County, New Mexico, and designating applicant as operator of the pooled unit, together with provisions for applicant to recover its costs of drilling and completing the well, a reasonable charge for supervision, a risk factor in the amount of 200%, all to be recovered out of production, and further provisions as may be proper in the premises.

Respectfully submitted,

C & K PETROLEUM, INC.

By


KELLAHIN & FOX

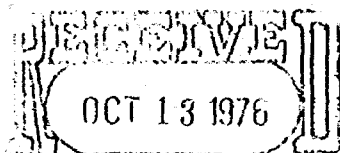
P. O. Box 1769

Santa Fe, New Mexico 87501

Attorneys for Applicant

UNCOMMITTED PARTIES - SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 21, Twp. 16 South, Rge. 37 East,
Lea County, New Mexico

<u>PARTY AND LAST KNOWN ADDRESS</u>	<u>TYPE INTEREST</u>	<u>PERCENTAGE</u>
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11. Dalco Oil Company 619 W. Texas, Suite 200 Midland, Texas 79701	7/320 unleased mineral interest	2.1875%



OIL CONSERVATION COMM.

Santa Fe

BEFORE THE

OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF C & K PETROLEUM, INC. FOR
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO

A P P L I C A T I O N

COMES NOW, C & K PETROLEUM, INC., as provided by
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amended, and applies to the Oil Conservation Commission of
New Mexico for an order pooling all the mineral interest in
and under the SE/4SE/4, NE/4SE/4, SW/4SE/4 and NW/4SE/4 of
Section 21, Township 16 South, Range 37 East, N.M.P.M., Lea
County, New Mexico in formations from surface to base of
Pennsylvanian Formation to form four 40-acre proration units
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develop the following described acreage: SE/4 of Section 21,
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A and incorporated by reference herein.
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applicant proposes to dedicate the SE/4SE/4 of Section 21,
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to be drilled at a location 660 feet from the South line and 660 feet from the East line of said section to test the strawn formation.

4. Applicant requests that it be designated operator of the pooled unit requested above.

5. Applicant has been unable to obtain voluntary agreement from the pooling of the unpooled interest indicated in paragraph 2 above, and in order to avoid the drilling of unnecessary wells, to protect correlative rights, and to prevent waste, the Commission should pool all interests in the said unit.

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Respectfully submitted,

C & K PETROLEUM, INC.

By


KELLAHIN & FOX

P. O. Box 1769

Santa Fe, New Mexico 87501

Attorneys for Applicant

Case 3000

UNCOMMITTED PARTIES - SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 21, Twp. 16 South, Rge. 37 East,
Lea County, New Mexico

<u>PARTY AND LAST KNOWN ADDRESS</u>	<u>TYPE INTEREST</u>	<u>PERCENTAGE</u>
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11. Dalco Oil Company 619 W. Texas, Suite 200 Midland, Texas 79701	7/320 unleased mineral interest	2.1875%

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. 5808

Order No. R- 5333

APPLICATION OF C & K PETROLEUM, INC.,
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 10, 1976
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

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, C & K Petroleum, Inc.,
seeks an order pooling all mineral interests from the surface down to
and including the Pennsylvanian formation underlying the SE/4 SE/4,
NE/4 SE/4, NW/4 SE/4, and SW/4 SE/4
of Section 21, Township 16 South, Range 37 East,
NMPM, _____, Lea County, New

Mexico., to form four 40-acre oil proration units, the first to be
dedicated to a well to be drilled at a point 660 feet from the South
line and 660 feet from the East line of said Section 21 to test the
Strawn formation and each of the others to a well subsequently drilled
thereon.

thereto

(3) That the applicant has the right to drill and proposes to drill a well 660 feet from the South line and 660 feet from the East line of said Section 21 and to dedicate therein the SE45SW4 of said

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

see under
(5) That ~~subsequent~~ ^{following} to completion of the first well drilled the applicant proposes to drill and/or dedicate the remaining pooled units, ~~to subsequent wells or~~

pooling all mineral interests, whatever they may be, within said units.

(6) That the applicant should be designated the operator of the subject well ^(s) and units.

(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~~ ^{any well authorized by this order.}

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

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

while drilling and \$200 per month
while producing

(12) That \$1000 per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from ^{from any ~~any~~ well drilled under provisions of this order} production the proportionate share of such supervision charge attributable to ^{under such well} each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from ^{any such well} production the proportionate share of actual expenditures required for operating the ^{such} ~~subject~~ well, not in excess of what are reasonable, attributable to each non-consenting working interest ^{under such well}.

(13) That all proceeds from production from ^{any} ~~the subject~~ well ^{authorized by this order} which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(14) That upon the failure of the operator of said pooled unit to commence drilling of the well ^{described in finding No. (3) above supra} ~~to which said unit is~~ dedicated on or before February 28, 1977, this order ~~pooling said unit~~ should become null and void and of no effect whatsoever.

(15) That upon the failure of the operator to drill and/or dedicate any of the ^{pooled} units on or ~~before~~ ^{December 31, 1977} ~~February 28, 1978~~, this order should become null and void and of no effect whatsoever as to such unit.

See
under

~~be dedicated to a well to be drilled at a point 660 feet from the South line and 660 feet from the East line of said Section 21 to test the Strawn formation, and each of the others to a well subsequently drilled thereon.~~

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 28th day of February, 1977, 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 28th day of February, 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.

See under
PROVIDED FURTHER, that should any of the pooled units authorized by this order not be drilled and/or dedicated on or before ~~February 28, 1978~~ ^{December 31, 1977}, this order shall be null and void ~~as to such unit~~ and of no effect ~~whenever as to such unit~~.

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 ^{any} ~~the well~~ ^{drilled under provisions of this order}; 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

-5-

Case No.

Order No. R-

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

(7) That the operator is hereby authorized to withhold the following costs and charges from production *from any well authorized by this order:*

(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 \$1000 per month *while drilling and \$200 per month while producing are* is hereby fixed as a reasonable charge for supervision (combined fixed rates) *for any well authorized by this order;* that the operator is hereby authorized to withhold *appropriate* from any such well *from any such well* 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 *appropriate* from any such well *from any such well* 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.

-6-

Case No.

Order No. R~

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

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

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

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

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