

CASE 5815: MARK PRODUCTION CO.
FOR COMPULSORY POOLING, EDDY
COUNTY, NEW MEXICO

ny

CASE NO.

5815

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,

ETC.

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. 5815
Order No. R-5340

APPLICATION OF MARK PRODUCTION 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 December 15, 1976,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 4th day of January, 1977, 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, Mark Production Company, seeks
an order pooling all mineral interests in the San Andres
formation underlying the NW/4 SE/4 of Section 1, Township 18
South, Range 26 East, NMPM, Red Lake-San Andres Pool, Eddy
County, New Mexico.

(3) That the applicant has the right to drill and proposes
to drill a well at a standard location in the NW/4 SE/4 of said
Section 1.

(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 hydrocarbons 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.

(11) That \$1250.00 per month while drilling and \$175.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before March 31, 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 San Andres formation underlying the NW/4 SE/4 of Section 1, Township 18 South, Range 26 East, NMPM, Red Lake-San Andres Pool, Eddy County, New Mexico, are hereby pooled to form a standard 40-acre oil spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 31st day of March, 1977, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the San Andres formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 31st day of March, 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 Mark Production 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.

-5-

Case No. 5815

Order No. R-5340

(9) That \$1250.00 per month while drilling and \$175.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates): that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges 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.

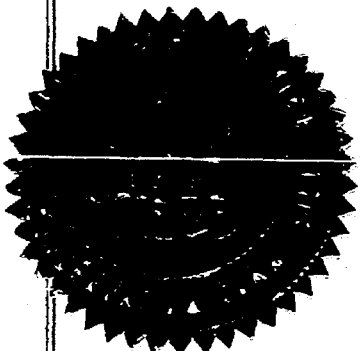
(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(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.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


Phil R. Lucero
PHIL R. LUCERO, Chairman

EMERY C. ARNOLD, Member

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

S E A L

dr/

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
December 15, 1976

EXAMINER HEARING

IN THE MATTER OF:

Application of Mark Production Company
for compulsory pooling, Eddy County,
New Mexico.

CASE
5815

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:

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

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General Court Reporting Service
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Page 2

I N D E X

Page

CURTIS W. MEWBOURNE

Direct Examination by Mr. Kellahin

3

EXHIBIT INDEX

Offered Admitted

Applicant's Exhibit One, Plat

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Applicant's Exhibit Two, Structure Map

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Applicant's Exhibit Three, Letter

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Applicant's Exhibit Four, Letter

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Applicant's Exhibit Five, Letter

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Applicant's Exhibit Six, Letter

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Applicant's Exhibit Seven, Letter

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Applicant's Exhibit Eight, Letter

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Applicant's Exhibit Nine, Cost Estimate

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1 MR. STAMETS: Next we will call Case 5815.

2 MS. TESCHENDORF: Case 5815, application of Mark
3 Production Company for compulsory pooling, Eddy County,
4 New Mexico.

5 MR. KELLAHIN: Tom Kellahin of Kellahin and Fox
6 appearing on behalf of Mark Production Company and I have one
7 witness to be sworn.

8 (THEREUPON, the witness was duly sworn.)

9
10 CURTIS W. MEWBOURNE

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 please state your name, by whom you are
17 employed and in what capacity?

18 A My name is Curtis W. Mewbourne, I'm a Petroleum
19 Engineer and President of Mark Production Company.

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

23 A I have.

24 Q Have you made a study of and are you familiar with
25 the facts surrounding this particular application?

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Page 4

1 A Yes, I have and I am.

2 MR. KELLAHIN: If the Examiner please, are the
3 witness' qualifications acceptable?

4 MR. STAMETS: They are.

5 Q (Mr. Kellahin continuing.) Mr. Mewbourne, would
6 you please refer to what has been marked as Applicant Exhibit
7 Number One, identify it and tell us what you are seeking to
8 accomplish?

9 A Exhibit One is a plat showing the leases with wells
10 spotted in the area of the Red Lake-San Andrés Field, Eddy
11 County, New Mexico.

12 The area in question is in Section 1, Township 18
13 South, 26 East. The forty acres outlined in yellow being
14 the northwest quarter of the southeast quarter of Section 1,
15 is a proposed proration unit for the Mark Production Company
16 No. 1 Higgins 8. The well would be a nineteen hundred foot
17 San Andres test at a normal location.

18 Q Mark Production Company seeks to be the operator
19 of this particular forty acre tract, is that correct?

20 A Yes, sir.

21 Q Of the forty acres, what acreage has not yet been
22 voluntarily committed to the drilling of this particular well?

23 A There are two tracts, I'm sorry, two mineral owner-
24 ships in the forty acres which have not been committed, the
25 first owned by Mr. Nelson Collier, point, five, five, two, five

1 acres, that being approximately one-half of an acre and Mr.
2 Robert A. Brown, point, two, seven, six, two, five acres or
3 approximately a quarter of an acre.

4 Q Please refer to what has been marked as Exhibit
5 Number Two and identify it?

6 A Exhibit Number Two is a structure map on the San
7 Andres datum for the Red Lake-San Andres and Atoka-San Andres
8 Fields. The area in question in Section 1 is on the flank
9 of the San Andres feature and it's characterized by an area
10 of non-producing acreage, with the exception of the eastern-
11 most part of Section 1. There are three wells along the east
12 side Section 1 that were drilled in the fifties that are
13 active. There are no other San Andres wells in Section 1. If
14 you move west to Section 2 there is one abandoned San Andres
15 producer in the northwest of the southeast. That well made
16 two thousand and fifty-six barrels of oil before it was plugged
17 and abandoned. It made a great deal of water and was a very
18 marginal well.

19 There is no other production in those two sections,
20 other than the three wells which are active and are currently
21 producing approximately five barrels per day for the total of
22 the three.

23 This area is characterized by water production in
24 the San Andres as it is on the flank of the feature. You also
25 have stratigraphy moving into the back reef facies of the

1 San Andres, characterizing it by low permeability, lower
2 porosity, poorer producing characteristics.

3 Q Okay. Please refer to Exhibit Number Three and
4 identify it?

5 A Exhibit Three is a letter to Mr. Nelson Collier
6 dated December 3 urging him to either lease his interest or
7 participate in the drilling of the well in one form or the
8 other.

9 Q Exhibit Number Four?

10 A Number Four is a letter also dated December 3 to
11 Mr. Robert Brown asking him to lease his interest or participate
12 in the drilling of the well.

13 Q Exhibit Number Five?

14 A A letter dated October 29th to Mr. Collier in reply
15 to an earlier letter of his of October 27th. Once again this
16 letter is asking him to either lease or participate.

17 Q Exhibit Number Six?

18 A It is correspondence from Mr. Collier to Mark
19 Production Company in which he is responding to Mark Production
20 Company's letter of October 21. He is saying in this letter
21 he does not want to either lease his interest nor participate,
22 he is going on in the second page to say that he realizes
23 that the Commission may request a compulsory pooling agreement
24 and perhaps he thinks that this might be the best situation for
25 him.

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Page 7

1 Q Exhibit Number Seven?

2 A A letter from Mark Production Company to Mr. Collier
3 dated October 21.

4 Q And Exhibit Number Eight?

5 A From Mark Production Company to Mr. Brown dated
6 October 21.

7 Q As of this date, Mr. Mewbourne, have you been able
8 to enter into a satisfactory agreement with either Mr. Collier
9 or Mr. Brown?

10 A No, sir, and numerous efforts have been made to
11 either have them lease their interest on any acceptable terms
12 whatsoever or participate and join in the drilling of the well.

13 Q Please refer to what is marked as Exhibit Number Nine
14 and identify it?

15 A An authority for expenditure and well cost estimate
16 for the proposed Higgins A. It reflects a drilling cost of
17 seventy thousand dollars and a completion cost of seventy
18 thousand dollars for a total of a hundred and forty thousand.
19 This is for only a nineteen hundred foot well because numerous
20 shallow strings of pipe have to be set in this area to protect
21 the water formations. It is a very expensive well to be so
22 shallow.

23 Q Do you have a recommended cost to be charged against
24 the non-consenting participants while the well is drilling.

25 A In the way of a fixed overhead?

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1 Q Yes, sir.

2 A We propose a hundred and seventy-five dollars per
3 month.

4 Q While drilling?

5 A For administrative overhead while the well is
6 producing. As a drilling charge we propose a thousand two
7 hundred and fifty dollars while the well is drilling.

8 Q Okay. In your opinion, Mr. Mewbourne, what is
9 the risk factor incidental to the drilling of this well at this
10 particular location and on this acreage?

11 A The risk factor is very high. This area is character-
12 ized by very poor production. There is a great deal of question
13 whether or not you'll sustain economic production. I would say
14 we would need a risk factor of two hundred percent above our
15 cost.

16 Q Were Exhibits One through Nine either compiled by
17 you directly or compiled under your supervision?

18 A They were compiled directly by me.

19 Q And in your opinion, Mr. Mewbourne, will the
20 granting of this application be in the best interests of
21 conservation, the prevention of waste and the protection of
22 correlative rights?

23 A Yes, sir, it will.

24 MR. KELLAHIN: That concludes our direct examination
25 and we move the introduction of Exhibits One through Nine.

1 MR. STAMETS: These exhibits will be admitted.

2 (THEREUPON, Applicant's Exhibits One through
3 Nine were admitted into evidence.)

4 MR. STAMETS: Are there any questions of the witness?

5 He may be excused.

6 (THEREUPON, the witness was excused.)


7 MR. STAMETS: Is there anything further in this
8 case? We will take the case under advisement.

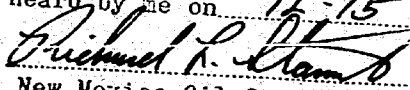
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25

REPORTER'S CERTIFICATE

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


Sidney F. Morrish, C.S.R.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 5815,
heard by me on 12-15, 1976.
, Examiner
New Mexico Oil Conservation Commission

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This is a detailed oil and gas lease map of a section of Texas, showing numerous land parcels with owner names, lease dates, and acreage. The map is divided into several large units, including 'KENNEDY FARMS', 'ATOKA', 'ATOKA KEWAL', 'ATOKA GBBG UNIT', 'DAYTON', and 'KAISER LAKE UNIT'. The map also shows major roads, rivers, and other geographical features. The text is dense and difficult to read in many places due to the small size of the parcels and the complexity of the lease information.

C O P Y

December 3, 1976

Mr. Nelson Collier
1605 Bixby
Ardmore, Oklahoma 73401

Re: Higgins "A"
NW/4 SE/4 Section 1
T-18-S, R-26-E
Eddy County, New Mexico

Dear Sir:

Mark Production Company has delayed the drilling of the subject well in order to make a final effort to obtain your agreement to either lease your interest in the proration unit or participate in the drilling of the well and pay your proportionate share of the drilling cost. We would be pleased to enter into either arrangement with you and urge your cooperation in order to move forward with drilling operations.

Feel free to discuss this matter with us by telephone, or either sign the lease which has been furnished you, or indicate to us by letter your willingness to participate.

Very truly yours,

Curtis W. Mewbourne

Bjd

Exh. 3

C O P Y

December 3, 1976

Mr. Robert A. Brown
Box 47
Fletcher, Oklahoma 73541

Re: Higgins "A"
NW/4 SE/4 Section 1
T-18-S, R-26-E
Eddy County, New Mexico

Dear Sir:

Mark Production Company has delayed the drilling of the subject well in order to make a final effort to obtain your agreement to either lease your interest in the proration unit or participate in the drilling of the well and pay your proportionate share of the drilling cost. We would be pleased to enter into either arrangement with you and urge your cooperation in order to move forward with drilling operations.

Feel free to discuss this matter with us by telephone, or either sign the lease which has been furnished you, or indicate to us by letter your willingness to participate.

Very truly yours,

Curtis W. Mewbourne

Bjd

Pl. 4

C O P Y

October 29, 1976

Mr. Nelson Collier
1605 Bixby
Ardmore, Oklahoma 73401

Dear Sir:

Thank you for your letter of October 27. If you elect not to sign an oil and gas lease as to the unleased mineral interest, we would be pleased to offer you an opportunity to participate in the well and pay your proportionate part of the expenses. If this is your desire, please so inform this office so that we might forward to you an Authority for Expenditure.

Very truly yours,

Curtis W. Mewbourne

Bjd

Encl. 5

Nelson Collier
1605 Bixby
Ardmore, Okla. 73401

October 27, 1976

Mark Production Company
330 Citizens Bank Bldg.
Tyler, Texas 75701

Attn: Mr. Curtis W. Mewlourne

Re: Your letter of October 21, 1976, relative to
lease in the NW/4, SE/4, Sec. 1, T-18-S, R-26-E,
Eddy County, New Mexico.

Gentlemen:

As you no doubt are aware, the royalty interest and drilling rights currently held in my name, as well as all drilling rights acquired by Mark Production Company from the heirs of the W. H. Swearingen Estate, are subject to Quiet Title Suit No. 31008 as filed in Eddy County, N. M. Mark Production Company being a named defendant in this suit.

On advise of attorney, I would sign no lease, nor make any assignment of drilling rights. My only action would be to participate in the drilling of a well, and then only under such conditions as worked out with Amoco Production Company on other properties in New Mexico subject to similar suit where-in I hold a 2.5% working interest. (In the above property I would have royalty and drilling rights giving me a working interest of approximately 1.75%.)

For your information I quote from my letter of agreement with Amoco Production Company.
"Your working interest in the NW/4 of Section 20 is currently considered as being .025 which would correspond to an approximate net dry hole cost of \$3,875 and an approximate net producer cost of \$6,069. Amoco, however, would carry your interest free through tanks or X-mas tree, as applicable, and therefore you would not incur any of the aforementioned costs of this well through drilling and completion but would share in the revenues attributable to said well. It should be understood, however, that all revenues attributable to your interest whether royalty or working interest will be held in suspense until such time as the quiet title suit has been settled."

Exh. 6

Should Mark Production Company be interested in executing such an agreement, please forward letter of proposal of such drilling agreement along with copies of working agreement as worked out with Gulf Oil Corporation and Southern Union Production Co. concerning monthly operating agreement including any fixed overhead costs. These papers would then be submitted to my attorney for approval.

I realize that Mark Production Company may petition the NMOGC and request a compulsory pooling agreement. This from my standpoint would possibly be more satisfactory, even though it would require payment for my portion of the drilling costs. Such an agreement would also require Mark Production Company to separate the royalty interest and the working interest. Thus should my working interest then be placed in suspense, Mark Production Company would have to place that portion of its' working interest derived from the W. H. Swearingen estate in suspense also or subject itself to a possible damage claim, so I am advised. This is seemingly the position they have already placed themselves in as regards both the "Federal B" and "No. 1 Spencer".

It is interesting at least, and seemingly will continue to be interesting to see how all of the problems brought about by suite No. 31008 are finally settled.

Yours truly,

Nelson Collier

Nelson Collier

C O P Y

October 21, 1976

HIGGINS A

Mr. Nelson Collier
1605 Bixby
Ardmore, Oklahoma 73401

Dear Sir:

Mark Production Company would like to drill a shallow well to test the San Andres formation in the NW/4 of the SE/4 of Section 1, T-18-S, R-26-E, Eddy County, New Mexico. You are the owner of a small mineral interest in one tract of the 40-acre proration unit. We request your cooperation in the drilling of this well and ask you to execute the attached oil and gas lease, have it properly notarized, and return it to this office.

The lease is only for a term of three months and covers depths from the surface of the ground down to the base of the San Andres formation. It provides for a 3/16 royalty. By executing this lease you will in no way alter your ownership or rights as to the deeper beds or to any previously drilled proration units. If you will execute this oil and gas lease, we assure you that a San Andres test well will be started within the ninety-day period. Your cooperation in this matter will be appreciated, and we urge your rapid attention since we would like to begin drilling operations before the end of the year.

Very truly yours,

Curtis W. Mewbourne

Bjd

Attachments

Exh. 7

C O P Y

October 21, 1976

Higgins A

Mr. Robert A. Brown
Box 47
Fletcher, Oklahoma 73541

Dear Sir:

Mark Production Company would like to drill a shallow well to test the San Andres formation in the NW/4 of the SE/4 of Section 1, T-18-S, R-26-E, Eddy County, New Mexico. You are the owner of a small mineral interest in one tract of the 40-acre proration unit. We request your cooperation in the drilling of this well and ask you to execute the attached oil and gas lease, have it properly notarized, and returned to this office.

The lease is only for a term of three months and covers depths from the surface of the ground down to the base of the San Andres formation. The lease provides for a 3/16 royalty. By executing this lease you will in no way alter your ownership or rights as to the deeper beds or to any previously drilled proration units. If you will execute this oil and gas lease, we assure you that a San Andres test well will be started within the ninety-day period. Your cooperation in this matter will be appreciated, and we urge your rapid attention since we would like to begin drilling operations before the end of the year.

Very truly yours,

Curtis W. Mewbourne

Bjd

Attachment

Ph. 8

AUTHORITY FOR EXPENDITURE
MARK PRODUCTION COMPANY - HIGGINS UNIT "A"
1,980' FEL & 1,650' FSL
SECTION 1, T-18-S, R-26-E
EDDY COUNTY, NEW MEXICO

ESTIMATED COST TO CASING POINT:

| | |
|--|--------|
| Survey and stake | \$ 200 |
| Roads and location | 6,500 |
| Surface damages and clean-up | 900 |
| Drilling: Footage - 1,900' @ \$12.00 | 22,800 |
| Daywork - 2 days @ \$2,200 | 4,400 |
| Cement and cementing services | 5,600 |
| Surface casing - 200' of 12-3/4" @ \$13.03 | 2,606 |
| Intermediate casing - 1,175' of 8-5/8" @ \$11.39 | 13,383 |
| Mud and chemicals | 2,500 |
| Drillstem tests | 1,150 |
| Geological services | 600 |
| Drilling overhead | 900 |
| Technical supervision | 750 |
| Logging | 1,600 |
| Legal services | 1,500 |
| Equipment rental | 150 |
| Welding | 160 |
| Casinghead | 500 |
| Trucking | 525 |
| Travel expense | 600 |
| New Mexico Tax @ 4% | 2,693 |

\$70,017

ESTIMATED COMPLETION COSTS:

| | |
|---|--------|
| Production casing - 1,900' of 5-1/2" @ \$4.69 | 8,911 |
| Cement and cementing services | 2,900 |
| Float equipment and centralizers | 250 |
| Wellhead | 1,500 |
| Welding | 350 |
| Corrolation log and perforating | 1,200 |
| Pressure and temperature survey | 275 |
| Completion unit | 2,688 |
| Treating | 20,000 |
| Equipment rental | 400 |
| Tubing - 1,800' of 2-7/8" @ \$2.45 | 4,410 |
| Tank battery and flow lines | 10,750 |
| Roustabout work, fittings and connections | 2,500 |
| Completion overhead | 625 |
| Technical supervision | 1,500 |
| Trucking | 590 |
| Legal services | 1,250 |
| Rig anchors | 250 |
| Travel expense | 600 |
| Pumping unit - D57 and engine | 6,500 |
| Sucker rods - 7/8" and 3/4" rods - 1,800' | 540 |
| New Mexico Tax @ 4% | 2,720 |

70,709

TOTAL ESTIMATED COST

\$140,726

APPROVED:

COMPANY: _____

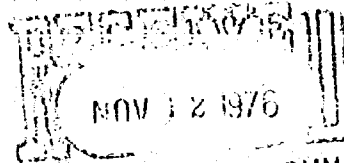
MARK PRODUCTION COMPANY

BY: _____

BY: _____

DATE: _____

DATE: _____



KELLAHIN AND FOX
ATTORNEYS AT LAW
500 DON GASPAR AVENUE
POST OFFICE BOX 1769
SANTA FE, NEW MEXICO 87501

OIL CONSERVATION COMM.
Santa Fe

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

TELEPHONE 982-4315
AREA CODE 505

November 10, 1976

Case 5815

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

Re: Mark Production Company

Dear Dan:

Please set the enclosed application for hearing on
December 15, 1976.

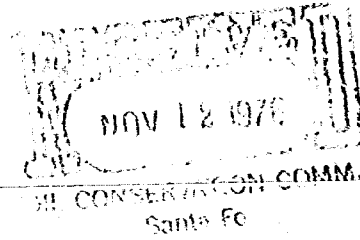
Very truly yours,

Tom
W. Thomas Kellahin

CC: Mr. Curtis Mewbourne

WTK:kjf

Enclosure



BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF MARK PRODUCTION COMPANY FOR
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

A P P L I C A T I O N

COMES NOW, MARK PRODUCTION COMPANY, 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 NW/4 SE/4 of Section 1, Township 18 South,
Range 26 East, N.M.P.M., Eddy County, New Mexico in The San
Andres formations of the Red Lake San Andres Pool, and in
support thereof would show the Commission:

1. Applicant is the owner of the right to drill and
develop the following described acreage: NW/4 SE/4 of Section
19, Township 18 South, Range 26 East, N.M.P.M., Eddy 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 as follows:

| | |
|---|--------------|
| Nelson Collier 1605 Bixby Ardmore, Oklahoma 73401 | 0.5525 acres |
|---|--------------|

| | |
|---|---------------|
| Robert A. Brown Box 47 Fletcher, Oklahoma 73541 | 0.27625 acres |
|---|---------------|

3. As required by the provision of Commission Rule 104,

applicant proposes to dedicate the NW/4 SE/4 of Section 1, T18S, R26E, N.M.P.M., Eddy County, New Mexico to a forty acre proration unit for the drilling of an oil well at locations 1650 feet from the South line and 1980 feet from the East line within said section.

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.

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 interests underlying the NW/4 SE/4 of Section 1, Township 18 South, Range 26 East, N.M.P.M., Eddy 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 for such other and further provisions as may be proper in the premises.

Respectfully submitted,

MARK PRODUCTION COMPANY

By


KELLAHIN & FOX

P. O. BOX 1769

Santa Fe, New Mexico 87501

Attorneys for Applicants

Dockets Nos. 1-77 and 2-77 are tentatively set for hearing on January 5 and 19, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - DECEMBER 15, 1976

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

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

- ALLOWABLE: (1) Consideration of the allowable production of gas for January, 1977, from seventeen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.
- (2) Consideration of the allowable production of gas for January, 1977, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 5796: (Continued from November 10, 1976, Examiner Hearing)

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 5815: Application of Mark Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying the NW/4 SE/4 of Section 1, Township 18 South, Range 26 East, Red Lake-San Andres Pool, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. 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 5816: Application of Texas Oil & Gas Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox gas well location of its Huber Federal Well No. 1 to be drilled 1,027 feet from the North line and 2220 feet from the East line of Section 27, Township 23 South, Range 22 East, Eddy County, New Mexico, the N/2 of said Section 27 to be dedicated to the well.

CASE 5820: Application of Texas Oil & Gas Corporation for compulsory pooling, 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 W/2 of Section 4, Township 22 South, Range 22 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. 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 5817: Application of Read & Stevens, Inc., for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox gas well location of its W. R. State Comm. Well No. 1 to be drilled 660 feet from the South line and 990 feet from the East line of Section 6, Township 21 South, Range 27 East, Burton Flat-Morrow Gas Pool, Eddy County, New Mexico, Lots 9, 10, 15, and 16, and the SE/4 of said Section 6 to be dedicated to the well.

CASE 5818: Application of Union Oil Company of California for the reinstatement of allowable, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks reinstatement of oil allowable for its Tracy Well No. 1 located in Unit C of Section 10, Township 22 South, Range 27 East, Esperanza-Delaware Pool, Eddy County, New Mexico.

CASE 5819: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Scurlock Oil Company to appear and show cause why it should not be found in violation of Rule 801, Commission Rules and Regulations, for purchasing, acquiring, transporting or handling of crude petroleum oil produced in excess of the allowable by Union Oil Company from its California Tracy Lease, Esperanza-Delaware Pool, Eddy County, New Mexico.

CASE 5823: Application of Thornton Hopper for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Delaware formation through the open-hole interval from 1937 feet to 2000 feet of his Bradley Federal Well No. 6, located in Unit D of Section 11, Township 24 South, Range 26 East, Black River-Delaware Pool, Eddy County, New Mexico.

CASE 5822: Southeastern New Mexico nomenclature case calling for the creation, extension, and contraction of certain pools in Lea and Chaves Counties, New Mexico.

a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Springs production and designated as the Antelope Ridge-Bone Springs Pool. The discovery well is the Superior Oil Company State "R" Well No. 1 located in Unit H of Section 25, Township 23 South, Range 34 East, N4PM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, N4PM
Section 25: SW/4

b) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Devonian production and designated as the North Teague-Devonian Gas Pool. A geological study found the northeast portion of the North Teague Devonian Pool to be a separate reservoir due to faulting. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 37 EAST, N4PM
Section 22: SW/4
Section 27: N/2 and N/2 S/2

c) CONTRACT the Teague-Devonian Pool by the deletion of the following described area:

TOWNSHIP 23 SOUTH, RANGE 37 EAST, N4PM
Section 22: SW/4
Section 26: All
Section 27: N/2 and N/2 S/2

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

TOWNSHIP 21 SOUTH, RANGE 37 EAST, N4PM
Section 18: NE/4

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

TOWNSHIP 8 SOUTH, RANGE 33 EAST, N4PM
Section 17: SW/4

f) EXTEND the Flying "M"-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 33 EAST, N4PM
Section 20: SW/4

g) EXTEND the South Leonard-Queen Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 26 SOUTH, RANGE 37 EAST, N4PM
Section 13: SE/4

h) EXTEND the East Lusk-Bone Springs Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, N4PM
Section 15: SW/4

i) EXTEND the Maljamar-Grayburg-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, N4PM
Section 14: NE/4

j) EXTEND the Sawyer-San Andres Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 38 EAST, N4PM
Section 6: W/2

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

TOWNSHIP 8 SOUTH, RANGE 31 EAST, N4PM
Section 2: NE/4

l) EXTEND the North Vacuum-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 35 EAST, N4PM
Section 7: NE/4

CASE 5821: Northwestern New Mexico nomenclature case calling for the creation and extension of certain pools in San Juan, Rio Arriba, McKinley and Sandoval Counties, New Mexico.

a) CREATE a new pool in San Juan County, New Mexico, classified as a gas pool for Pictured Cliffs production and designated as the Potwin-Pictured Cliffs Gas Pool. The discovery well is the Dugan Production Corporation Mountain Well No. 1 located in Unit J of Section 15, Township 24 North, Range 8 West, NMPM. Said pool would comprise:

TOWNSHIP 24 NORTH, RANGE 8 WEST, NMPM

Section 14: SW/4

Section 15: All

Section 16: E/2

b) CREATE a new pool in San Juan County, New Mexico, classified as a gas pool for Pictured Cliffs production and designated as the Albino-Pictured Cliffs Gas Pool. The discovery well is the Coastline Petroleum Company, Inc. #3 Schalk Well No. 94 located in Unit M of Section 26, Township 32 North, Range 8 West, NMPM. Said pool would comprise:

TOWNSHIP 32 NORTH, RANGE 8 WEST, NMPM

Section 26: SW/4

c) CREATE a new pool in San Juan County, New Mexico, classified as a gas pool for Dakota production and designated as the Straight Canyon-Dakota Gas Pool. The discovery well is the Robert C. Anderson Ute Mountain Ute Well No. 1 located in Unit L of Section 14, Township 31 North, Range 16 West, NMPM. Said pool would comprise:

TOWNSHIP 31 NORTH, RANGE 16 WEST, NMPM

Section 14: SW/4

d) CREATE a new pool in McKinley County, New Mexico, classified as an oil pool for Dakota production and designated as the Marcelina-Dakota Oil Pool. The discovery well is the Fairfax Exploration Corporation Bullseye Well No. 3 located in Unit N of Section 18, Township 16 North, Range 9 West, NMPM. The top of the perforations is at 1797 feet. Said pool would comprise:

TOWNSHIP 16 NORTH, RANGE 9 WEST, NMPM

Section 18: S/2 SW/4

Section 19: N/2 NW/4

TOWNSHIP 16 NORTH, RANGE 10 WEST, NMPM

Section 24: NE/4 NE/4

e) CREATE a new pool in San Juan County, New Mexico, classified as a gas pool for Fruitland production and designated as the Jasis Canyon-Fruitland Gas Pool. The discovery well is the Mesa Petroleum Corporation State Com Well No. 39 located in Unit C of Section 36, Township 29 North, Range 8 West, NMPM. Said pool would comprise:

TOWNSHIP 29 NORTH, RANGE 8 WEST, NMPM

Section 36: NW/4

f) CREATE a new pool in San Juan County, New Mexico, classified as a gas pool for Fruitland production and designated as the Crouch Mesa-Fruitland Gas Pool. The discovery well is the Riggs Oil & Gas Corporation Federal Well No. 1 located in Unit F of Section 4, Township 29 North, Range 12 West, NMPM. Said pool would comprise:

TOWNSHIP 29 NORTH, RANGE 12 WEST, NMPM

Section 4: NW/4

g) CREATE a new pool in San Juan County, New Mexico, classified as a gas pool for Fruitland production and designated as the Sedro Canyon-Fruitland Gas Pool. The discovery well is the Southern Union Production Company Seymour Well No. 9 located in Unit F of Section 23, Township 31 North, Range 9 West, NMPM. Said pool would comprise:

TOWNSHIP 31 NORTH, RANGE 9 WEST, NMPM

Section 23: NW/4

h) CREATE a new pool in Sandoval County, New Mexico, classified as a gas pool for Chacra production and designated as the Rusty-Chacra Gas Pool. The discovery well is the Chace Oil Company Rusty Navajo Well No. 1Y located in Unit A of Section 23, Township 22 North, Range 7 West, NMPM. Said pool would comprise:

TOWNSHIP 22 NORTH, RANGE 7 WEST, NMPM

Section 13: E/2
Section 23: All
Section 24: N/2
Section 26: N/2

- i) CREATE a new pool in San Juan County, New Mexico, classified as a gas pool for Chacra production and designated as the Navajo City-Chacra Gas Pool. The discovery well is the Lively Exploration Company Lively Well No. 7Y located in Unit E of Section 35, Township 30 North, Range 8 West, NMPM. Said pool would comprise:

TOWNSHIP 30 NORTH, RANGE 8 WEST, NMPM

Section 24: S/2
Section 25: All
Section 35: N/2
Section 36: N/2

- j) CREATE a new pool in San Juan County, New Mexico, classified as a gas pool for Chacra production and designated as the Animas-Chacra Gas Pool. The discovery well is the Mesa Petroleum Corporation Primo Well No. 1A located in Unit D of Section 6, Township 31 North, Range 10 West, NMPM. Said pool would comprise:

TOWNSHIP 31 NORTH, RANGE 10 WEST, NMPM

Section 6: NW/4

- k) CREATE a new pool in San Juan County, New Mexico, classified as an oil pool for Mississippian production and designated as the Beautiful Mountain-Mississippian Oil Pool. The discovery well is the Petroleum Energy Corporation Navajo Well No. 1-5 located in Unit F of Section 5, Township 26 North, Range 19 West, NMPM. The top of the perforations is at 5960 feet. Said pool would comprise:

TOWNSHIP 26 NORTH, RANGE 19 WEST, NMPM

Section 5: NW/4

- l) CREATE a new pool in San Juan County, New Mexico, classified as a gas pool for Mississippian production and designated as the North Tooto Dome-Mississippian Gas Pool. The discovery well is the Saguaro Oil Company Staver Navajo Well No. 1 located in Unit M of Section 34, Township 27 North, Range 18 West, NMPM. Said pool would comprise:

TOWNSHIP 27 NORTH, RANGE 18 WEST, NMPM

Section 34: S/2

- m) CREATE a new pool in McKinley County, New Mexico, classified as an oil pool for Mesaverde production and designated as the Franciscan Lake-Mesaverde Oil Pool. The discovery well is the Basin Fuels Inc. Star Well No. 1 located in Unit M of Section 7, Township 20 North, Range 5 West, NMPM. The top of the perforations is at 1980 feet. Said pool would comprise:

TOWNSHIP 20 NORTH, RANGE 5 WEST, NMPM

Section 7: All
Section 18: N/2

TOWNSHIP 20 NORTH, RANGE 6 WEST, NMPM

Section 12: E/2

- n) CREATE a new pool in San Juan County, New Mexico, classified as a gas pool for Gallup production and designated as the Albino-Gallup Gas Pool. The discovery well is the Coastline Petroleum Co., Inc. Schalk 94 Well No. 1 located in Unit A of Section 26, Township 32 North, Range 8 West, NMPM. Said pool would comprise:

TOWNSHIP 32 NORTH, RANGE 8 WEST, NMPM

Section 36: NE/4

- o) CREATE a new pool in San Juan County, New Mexico, classified as an oil pool for Gallup production and designated as the Knickerbocker Buttes-Gallup Oil Pool. The discovery well is the El Paso Natural Gas Company Schumacher Well No. 13 located in Unit N of Section 17, Township 30 North, Range 10 West, NMPM. The top of the perforations is at 6440 feet. Said pool would comprise:

TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM

Section 17: SW/4

p) CREATE a new pool in Sandoval County, New Mexico, classified as a gas pool for Gallup production and designated as the Rusty-Gallup Gas Pool. The discovery well is the Engineering & Production Services, Inc. Dana State Well No. 1 located in Unit H of Section 16, Township 22 North, Range 7 West, NMPM. Said pool would comprise:

TOWNSHIP 22 NORTH, RANGE 7 WEST, NMPM
Section 16: NW/4

q) CREATE a new pool in Sandoval County, New Mexico, classified as an oil pool for Gallup production and designated as the Alamito-Gallup Oil Pool. The discovery well is the ECO, Inc. Federal C Well No. 1 located in Unit P of Section 31, Township 23 North, Range 7 West, NMPM. The top of the perforations is at 4706 feet. Said pool would comprise:

TOWNSHIP 23 NORTH, RANGE 7 WEST, NMPM
Section 31: SW/4

r) CREATE a new pool in San Juan County, New Mexico, classified as an oil pool for Gallup production and designated as the Nageezi-Gallup Oil Pool. The discovery well is the ECO, Inc. Federal D Well No. 1 located in Unit G of Section 1, Township 23 North, Range 9 West, NMPM. The top of the perforations is at 5079 feet. Said pool would comprise:

TOWNSHIP 23 NORTH, RANGE 8 WEST, NMPM
Section 6: S/2
Section 7: N/2
Section 8: NW/4 & SE/4

TOWNSHIP 23 NORTH, RANGE 9 WEST, NMPM
Section 1: W/2

s) CREATE a new pool in Rio Arriba County, New Mexico, classified as an oil pool for Gallup production and designated as the Ojito-Gallup Oil Pool. The discovery well is the Skelly Oil Company C. W. Roberts Well No. 4 located in Unit M of Section 17, Township 25 North, Range 3 West, NMPM. The top of the perforations is at 6960 feet. Said pool would comprise:

TOWNSHIP 25 NORTH, RANGE 3 WEST, NMPM
Section 17: SW/4

t) CREATE a new pool in Sandoval County, New Mexico, classified as an oil pool for Gallup production and designated as the Media-Gallup Oil Pool. The discovery well is the Petro Lewis Corporation Federal Media Well No. 7 located in Unit G of Section 22, Township 19 North, Range 3 West, NMPM. The top of the perforations is at 2793 feet. Said pool would comprise:

TOWNSHIP 19 NORTH, RANGE 3 WEST, NMPM
Section 22: SW/4 NE/4

u) CREATE a new pool in San Juan County, New Mexico, classified as a gas pool for Farmington production and designated as the South Gailegos-Farmington Gas Pool. The discovery well is the Dugan Production Corporation Benjamin Franklin Well No. 1 located in Unit C of Section 2, Township 26 North, Range 12 West, NMPM. Said pool would comprise:

TOWNSHIP 26 NORTH, RANGE 12 WEST, NMPM
Section 2: S/2
Section 10: NE/4
Section 11: NW/4

v) EXTEND the Angels Peak Gallup Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 27 NORTH, RANGE 10 WEST, NMPM
Section 36: All

w) EXTEND the Aztec Fruitland Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 10 WEST, NMPM
Section 4: W/2

TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM
Section 33: SW/4

x) EXTEND the Aztec Pictured Cliffs Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 10 WEST, NMPM
Section 19: W/2

y) EXTEND the Ballard Pictured Cliffs Pool in Sandoval County, New Mexico, to include therein:

TOWNSHIP 23 NORTH, RANGE 4 WEST, NMPM

Section 19: S/2
 Section 20: All
 Section 21: W/2
 Section 27: W/2 & SE/4
 Section 28: All
 Section 29: All
 Section 30: All
 Section 31: N/2
 Section 32: N/2
 Section 33: NW/4

TOWNSHIP 24 NORTH, RANGE 4 WEST, NMPM

Section 33: N/2

TOWNSHIP 24 NORTH, RANGE 6 WEST, NMPM

Section 35: SW/4

z) EXTEND the Blanco Mesaverde Pool in Rio Arriba and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 25 NORTH, RANGE 4 WEST, NMPM

Section 2: W/2
 Section 3: E/2
 Section 4: All
 Section 9: All
 Section 16: N/2

TOWNSHIP 30 NORTH, RANGE 5 WEST, NMPM

Section 4: All
 Section 5: All

TOWNSHIP 32 NORTH, RANGE 5 WEST, NMPM

Section 33: All

aa) EXTEND the Blanco Pictured Cliffs Pool in Rio Arriba and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 28 NORTH, RANGE 7 WEST, NMPM

Section 18: N/2

TOWNSHIP 31 NORTH, RANGE 10 WEST, NMPM

Section 3: All
 Section 4: All
 Section 9: All
 Section 10: All
 Section 13: All
 Section 14: E/2

TOWNSHIP 32 NORTH, RANGE 10 WEST, NMPM

Section 30: W/2
 Section 31: NW/4

TOWNSHIP 32 NORTH, RANGE 11 WEST, NMPM

Section 15: W/2
 Section 18: S/2

TOWNSHIP 32 NORTH, RANGE 12 WEST, NMPM

Section 13: N/2 & SE/4

bb) EXTEND the South Blanco Pictured Cliffs Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 24 NORTH, RANGE 4 WEST, NMPM

Section 9: S/2
 Section 13: S/2
 Section 16: All
 Section 21: N/2

- cc) EXTEND the Bloomfield Chacra Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 10 WEST, NMPM

Section 9: S/2

Section 10: S/2

Section 11: S/2

Section 12: S/2

TOWNSHIP 29 NORTH, RANGE 11 WEST, NMPM

Section 35: NE/4

- dd) EXTEND the Campo Gallup Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 4 WEST, NMPM

Section 12: NE/4

- ee) EXTEND the Devils Fork Gallup Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 24 NORTH, RANGE 6 WEST, NMPM

Section 3: SW/4

Section 9: E/2 NE/4

Section 10: NW/4

- ff) EXTEND the Devils Fork Mesaverde Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 24 NORTH, RANGE 6 WEST, NMPM

Section 7: E/2

Section 8: S/2

Section 17: N/2

- gg) EXTEND the Dufers Point Gallup-Dakota Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 24 NORTH, RANGE 7 WEST, NMPM

Section 7: S/2

TOWNSHIP 24 NORTH, RANGE 8 WEST, NMPM

Section 12: SE/4

- hh) EXTEND the Escrito Gallup Pool in San Juan and Rio Arriba Counties, New Mexico, to include therein:

TOWNSHIP 24 NORTH, RANGE 7 WEST, NMPM

Section 18: SW/4

TOWNSHIP 24 NORTH, RANGE 8 WEST, NMPM

Section 2: SW/4

Section 11: NW/4

Section 10: N/2

TOWNSHIP 25 NORTH, RANGE 9 WEST, NMPM

Section 12: E/2

Section 13: E/2

Section 24: E/2

- ii) EXTEND the Gallegos Gallup Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 10 WEST, NMPM

Section 17: W/2 & SE/4

Section 18: S/2

TOWNSHIP 26 NORTH, RANGE 11 WEST, NMPM

Section 13: S/2

Section 24: N/2

TOWNSHIP 27 NORTH, RANGE 13 WEST, NMPM

Section 26: S/2

Section 27: E/2

- jj) EXTEND the South Gallegos Fruitland Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 11 WEST, NMPM

Section 7: All

TOWNSHIP 26 NORTH, RANGE 12 WEST, NMPM

Section 8: N/2

Section 9: N/2

TOWNSHIP 26 NORTH, RANGE 12 WEST, N&PM con'd

Section 10: N/2
Section 13: E/2
Section 24: E/2
Section 25: E/2

kk) EXTEND the Gobernador Pictured Cliffs Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 4 WEST, N&PM

Section 19: S/2
Section 30: All
Section 31: NE/4
Section 32: N/2 & SE/4

TOWNSHIP 29 NORTH, RANGE 5 WEST, N&PM

Section 3: W/2
Section 10: N/2
Section 11: W/2
Section 13: W/2
Section 14: All

ll) EXTEND the Kutz Fruitland Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 28 NORTH, RANGE 10 WEST, N&PM

Section 30: S/2
Section 31: N/2

mm) EXTEND the Kutz Gallup Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 27 NORTH, RANGE 10 WEST, N&PM

Section 5: NW/4
Section 6: N/2
Section 32: SW/4

TOWNSHIP 27 NORTH, RANGE 11 WEST, N&PM

Section 1: N/2

nn) EXTEND the Largo Chacra Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 27 NORTH, RANGE 8 WEST, N&PM

Section 3: S/2
Section 4: SE/4
Section 22: N/2

oo) EXTEND the West Lindrith Gallup Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 25 NORTH, RANGE 4 WEST, N&PM

Section 17: S/2
Section 18: S/2
Section 20: W/2 & NE/4

pp) EXTEND the NIPP Pictured Cliffs Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 25 NORTH, RANGE 12 WEST, N&PM

Section 2: W/2
Section 3: All
Section 11: W/2

TOWNSHIP 26 NORTH, RANGE 12 WEST, N&PM

Section 20: NW/4
Section 21: SE/4
Section 22: S/2

qq) EXTEND the Otero Chacra Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 6 WEST, N&PM

Section 4: W/2
Section 5: S/2
Section 7: All
Section 8: NW/4
Section 25: SW/4

TOWNSHIP 26 NORTH, RANGE 7 WEST, N&PM

Section 12: E/2

rr) EXTEND the Otero Gallup Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 24 NORTH, RANGE 5 WEST, NMPM
Section 15: S/2

TOWNSHIP 25 NORTH, RANGE 5 WEST, NMPM
Section 26: S/2

ss) EXTEND the Fast Puerto Chiquito Gallup Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 24 NORTH, RANGE 1 EAST, NMPM
Section 5: All

tt) EXTEND the Pinon Fruitland Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 28 NORTH, RANGE 12 WEST, NMPM
Section 22: N/2
Section 23: N/2
Section 24: N/2

uu) EXTEND the Rusty Menafce Pool in Sandoval County, New Mexico, to include therein:

TOWNSHIP 22 NORTH, RANGE 7 WEST, NMPM
Section 13: SW/4
Section 14: SE/4

vv) EXTEND the Tapacito Pictured Cliffs Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 4 WEST, NMPM
Section 22: W/2

TOWNSHIP 27 NORTH, RANGE 4 WEST, NMPM
Section 8: W/2
Section 17: W/2
Section 19: NE/4
Section 20: NW/4

ww) EXTEND the Ute Dome Dakota Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 32 NORTH, RANGE 13 WEST, NMPM
Section 30: SW/4

xx) EXTEND the WAW Pictured Cliffs Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 13 WEST, NMPM
Section 4: NW/4

TOWNSHIP 27 NORTH, RANGE 13 WEST, NMPM
Section 29: NW/4
Section 30: NE/4
Section 31: NW/4
Section 33: All
Section 34: SW/4 & N/2

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. 5815

Order No. R- 5340

APPLICATION OF MARK PRODUCTION 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 December 15, 1976
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this day of December, 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, Mark Production Company,
seeks an order pooling all mineral interests in the
San Andres formation underlying the NW/4 SE/4
of Section 1, Township 18 South, Range 26 East,
NMPM, Red Lake-San Andres Pool, Eddy County, New
Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at a standard location, in the NW/4 SE/4 of said Section 1.

(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~~ ^{hydrocarbon} 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.

#1250⁰⁰ per month while drilling and #175⁰⁰ per month while producing

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

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before March 31, 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 San Andres formation underlying the NW/4 SE/4 of Section 1, Township 18 South, Range 26 East, NMPM, Red Lake-San Andres Pool, Eddy County, New Mexico, are hereby pooled to form a standard 40- acre ^{oil} spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 31st day of March, 1977, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the San Andres formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 31st day of March, 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 Mark Production 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 \$1750.00 per month while drilling and \$175.00 per month while producing ~~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 charges 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.

-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 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.