

CASE 5841: BETTIS, BOYLE & STO-
VALL FOR COMPULSORY POOLING, LEA
COUNTY, NEW MEXICO

CASE NO.

5841

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 19, 1977

EXAMINER HEARING

IN THE MATTER OF:

Application of Bettis, Boyle & Stovall) CASE
for compulsory pooling, Lea County,) 5841
New Mexico.)

BEFORE: Richard L. Stamets

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: Owen M. Lopez, Esq.
MONTGOMERY, FEDERICI, ANDREWS
& HANNAHS
Attorneys at Law
P. O. Box 2307
Santa Fe, New Mexico

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General Court Reporting Service
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Phone (505) 982-9212

I N D E X

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Page

LARRY O. HULSEY

Direct Examination by Mr. Lopez

3

Cross Examination by Mr. Stamets

8

EXHIBIT INDEX

Offered

Admitted

Applicant's Exhibit One, Plat

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Applicant's Exhibit Two, AFE

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Applicant's Exhibit Three, Division Order

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Applicant's Exhibit Four, Letter

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1 MR. STAMETS: We will call next Case 5841.

2 MS. TESCHENDORF: Case 5841, application of Bettis,
3 Boyle & Stovall for compulsory pooling, Lea County, New Mexico.

4 MR. LOPEZ: Mr. Examiner, my name is Owen Lopez with
5 the law firm of Montgomery, Federici, Andrews and Hannahs in
6 Santa Fe, appearing for the applicant and I have one witness.

7 MR. STAMETS: Will you stand and be sworn, please?

8 (THEREUPON, the witness was duly sworn.)

9
10 LARRY O. HULSEY

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

13
14 DIRECT EXAMINATION

15 BY MR. LOPEZ:

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

18 A Larry O. Hulsey, Graham, Texas. I'm employed by
19 Bettis, Boyle & Stovall as their Production Manager and
20 Petroleum Engineer.

21 Q Are you familiar with the application in Case 5841?

22 A Yes, I am.

23 Q Have you previously testified before the Commission
24 and had your qualifications accepted as a matter of record?

25 A Yes, I have.

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1 MR. LOPEZ: Are his qualifications acceptable?

2 MR. STAMETS: They are.

3 Q (Mr. Lopez continuing.) Would you please describe
4 what you seek in this application?

5 A. We seek an order pooling all mineral interests in
6 the Devonian formation underlying the east half, northeast
7 quarter of Section 34, 12 South, 37 East in the Southwest
8 Gladiola-Devonian Pool, Lea County, New Mexico to be dedicated
9 to the Lowe No. 1 located in Unit A of Section 34.

10 MR. LOPEZ: Mr. Examiner, I think I should point out
11 at this time that I would like to amend our application. Our
12 application requested the north half of Section 34 and actually
13 as advertised, we are seeking only the east half of the north-
14 east quarter of Section 34. So I would request the record to
15 show the application so amended.

16 MR. STAMETS: Yes, I'm sure that the Commission was
17 aware of this because the advertisement went out in the proper
18 form and the application is so amended.

19 MR. LOPEZ: Thank you.

20 Q (Mr. Lopez continuing.) Now, referring to Exhibit
21 Number One would you describe this exhibit?

22 A. Yes, Exhibit Number One is a plat of the area that
23 we are discussing. In Section 34 in the northeast-northeast
24 portion of the Section is located the Lowe No. 1, the
25 producing well or the previously producing well in the northeast

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1 quarter and directly south of it is the injection well which
2 is involved in our proposal.

3 Q Could you give some background of this Lowe No. 1 Well,
4 when it was drilled, completed and its current status?

5 A The Lowe No. 1 Well was completed in October of '64
6 in the Devonian formation and at this time it was operated by
7 Kingrea, Pendleton and Riser. It was potentialed for seven
8 hundred and fifty barrels a day from a depth of twelve thousand
9 two hundred and twenty-six feet to twelve thousand, two hundred
10 and thirty-two feet. Since that time it has been operated by
11 Mallard Exploration, Incorporated, out of Midland and it has
12 produced a cumulative of approximately three hundred and
13 sixteen thousand barrels of oil. In April of '76 it was shut
14 in because it was unecomomical to produce due to the disposal
15 expense and the well not producing continuously.

16 The working interest owners were notified by Mallard
17 at this time that they were going to plug and abandon the well
18 due to the high water production. At this point in time Bettis,
19 Boyle & Stovall entered negotiations with Mallard Exploration
20 to purchase the well and these negotiations strung out to the
21 point that we noticed the original term of the original lease
22 had expired in September of '76. So we set about to notify
23 the mineral interest owners of our intentions to purchase
24 this well and install a submersible pump and we told them how
25 much it was going to cost to do this and in January of this

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1 year we came to an agreement with Mallard Exploration to pur-
2 chase the surface equipment and the downhole equipment in the
3 Lowe No. 1 and since this time we have signed leases from fifty-
4 six percent of the mineral interest owners under this tract also.

5 Q You have attempted to contact all of the mineral
6 interest owners, is that not true?

7 A Yes, we have.

8 Q Do you believe and would you explain how you believe
9 that you will have better experience with disposing of the
10 water?

11 A Yes, the Keeting Well in this tract is a disposal well
12 and heretofore this has been a community disposal well. We
13 have on good authority that the people disposing into this
14 Keeting Well No. 1 are leaving this system and we will be
15 attempting to be the only well disposing of water into this
16 system and, of course, we are going to install a larger
17 submersible pump and move more fluid than was moved previously
18 and since we will be the only well going into this system we
19 feel like we will be able to pump the well down properly and
20 produce more oil, whereas before they were moving in the
21 neighborhood of twelve hundred to two thousand barrels of
22 fluid a day and we're hoping to move somewhere in the
23 neighborhood of three to four thousand barrels of fluid a
24 day.

25 Q Is it your desire to be designated operator of this

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1 recompletion well?

2 A. Yes, it is.

3 Q. Referring to Exhibit Number Two would you explain
 4 what it represents?

5 A. Yes, this is an AFE outlining the cost for installing
 6 a larger submersible pump, the purchase cost of the low produc-
 7 ing well and also the purchase cost of the salt water disposal
 8 well and equipping the disposal well with the necessary surface
 9 equipment.

10 Q. Have you estimated what you would consider a
 11 reasonable fee for operating the well?

12 A. Yes, we have.

13 Q. And what is that figure?

14 A. Two hundred and fifty dollars a month.

15 Q. When do you plan to recomplete this well?

16 A. We can do this almost immediately. I would say within
 17 the neighborhood of two weeks to thirty days is when we could
 18 start on it.

19 Q. What do you believe to be a reasonable charge for
 20 the risk involved?

21 A. We believe that a reasonable charge would be two
 22 hundred percent.

23 Q. Were Exhibits One and Two prepared by you?

24 A. Yes, they were.

25 MR. LOPEZ: At this time, Mr. Examiner, I would like

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1 to offer Exhibits One and Two into evidence.

2 MR. STAMETS: These exhibits will be admitted.

3 (THEREUPON, Applicant's Exhibits One and
4 Two were admitted into evidence.)

5 Q (Mr. Lopez continuing.) Is it your opinion, Mr.
6 Hulsey, that the granting of this application is in the
7 interest of the prevention of waste and the protection of
8 correlative rights?

9 A Yes, it is.

10 MR. LOPEZ: We have no further questions of this
11 witness.

12
13 CROSS EXAMINATION

14 BY MR. STAMETS:

15 Q Mr. Hulsey, who are the interest owners in this
16 proration unit? Do you have a list of those?

17 A Yes, I do.

18 Q Do you have such a list that you could make available
19 to the Examiner?

20 A I sure do.

21 Q I would like to have that.

22 A Okay.

23 Q Are we going to get it now or later?

24 A Well, can we Xerox a copy?

25 (THEREUPON, a discussion was held off the record.)

1 MR. STAMETS: Let me take a look at that copy now
2 and then you can Xerox it and submit that following the close
3 of the case.

4 Q (Mr. Stamets continuing.) What about the working
5 interest now, is that a single working interest under this
6 tract?

7 A Well, we just purchased the well from Mallard
8 Exploration, we purchased ninety-nine percent of the well and
9 the one percent that we didn't get is Mr. Ingraham's interest,
10 who operates the disposal well but we own ninety-nine percent
11 of the Lowe Well.

12 Q Has Mr. Ingraham indicated that he will join
13 voluntarily?

14 A Yes, I have discussed this with Mr. Ingraham and
15 I don't see any problem in working out an agreement with him.

16 Q Have the royalty interests been contacted?

17 A Yes, they have.

18 Q When was that?

19 A I have a copy of the letter that I sent to the
20 royalty interests with their leases here if I can find it.

21 MR. LOPEZ: The letter is dated November 8th, 1976.

22 A The figure that I mentioned there was seventy thousand
23 dollars. That was before I entered into negotiations with
24 Mr. Ingraham. The cost has gone up on the disposal well, what
25 it will cost to purchase it, but that was my letter to them with

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1 a lease and in this lease, I took a one-year lease for producing
2 the Devonian formation and disposing into the Pennsylvanian
3 formation. That was my agreement with them for a one-year
4 lease and I set aside the Devonian to be produced from and the
5 Pennsylvanian to be disposed into and this is what the Keeting
6 Well is being used for.

7 MR. STAMETS: I would like to have a Xerox copy of
8 this Division Order which is dated July 16, '74 and have that
9 marked as Exhibit Three in this case and I would like to have
10 a copy of this letter of November 8, 1976 marked copy, and
11 have it marked Exhibit Number Four in this case.

12 MR. LOPEZ: That's fine.

13 MR. STAMETS: And these will be admitted into the
14 record.

15 (THEREUPON, Applicant's Exhibits Three and
16 Four were admitted into evidence.)

17 Q (Mr. Stamets continuing.) Mr. Hulsey, this letter
18 now of November 8, '76 has gone to each owner of interest?

19 A. Yes, it has.

20 Q On Exhibit Number Three?

21 A. Yes.

22 Q Now, what do you base the two hundred percent risk
23 factor on here? You already have a well, you have a disposal
24 well, where is the risk?

25 A. Well, I have here a letter that Mallard Exploration's

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1 Production Manager sent to his working interest owners and
2 when he was suggesting to them or recommending to them that
3 this Lowe Well be plugged and abandoned at an estimated cost
4 of twenty thousand dollars and his reasons were that the oil
5 percent had declined to twelve barrels of oil a day and they
6 were producing twelve hundred barrels of water a day and that
7 the disposal costs, production costs had increased an average
8 of eleven dollars and twelve cents per barrel. Well, the oil
9 that is produced from this well is old oil, five dollar oil, so
10 naturally they were going in the hole because their disposal
11 costs were two to three thousand dollars a month. Well, they
12 have had problems with remedial work on the disposal system.
13 This is going to be the fly in the ointment if we can get
14 those problems worked out and we can move more fluid on our
15 producing well, I think it will be an economical venture but
16 if we can't get the problems worked out on the disposal well,
17 which obviously there are some big problems or these people
18 wouldn't be moving out to another system. Tom Ingraham and
19 Cities Service are moving out of the system to Rice Engineering
20 System. This is the big risk, is getting this disposal well's
21 problems cured.

22 Q As an overall, the system and your risk is recovering
23 the financial investment. Now, there is only one percent
24 working interest still out so this two hundred percent would
25 apply only to that one percent that at this time has not agreed?

1 A. Well, the one percent, he will go along with us as
2 far as -- he will just join with us in the reCompleting of the
3 well.

4 Q. So in any event you will have the two hundred percent
5 risk factor and then nobody to apply it against? Okay?

6 Now, you indicated you could be ready to start up
7 in two weeks to thirty days. We normally provide for at
8 least thirty days after the issuance of the order for any
9 non-consenting working interests to sign up and join.

10 A. That would be fine.

11 Q. That's fine, okay.

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

14 (THEREUPON, the witness was excused.)

15 MR. STAMETS: Is there anything further in this
16 case? The case will be taken under advisement.

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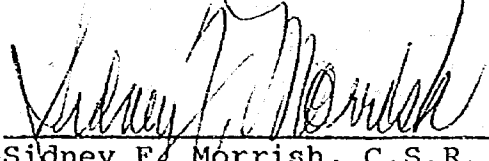
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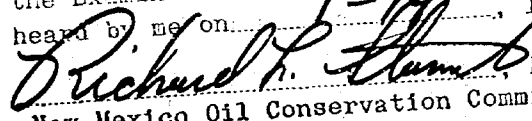
REPORTER'S CERTIFICATE

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


Sidney F. Morrish, C.S.R.

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 5841
heard by me on 5-19-77, 1977.
 Examiner
New Mexico Oil Conservation Commission

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

July 11, 1977

C
O
P
Y

Montgomery, Andrews & Hannahs
P. O. Box 2307
Santa Fe, New Mexico 87501

Attention: Mr. Owen M. Lopez

Re: Extension of R-5372

Gentlemen:

Reference is made to your letter of June 8, 1977, wherein you request an additional period of time in which to comply with that provision of Commission Order No. R-5372 which requires that the unit well for the lands pooled by said order be recompleted by April 30, 1977. This deadline was previously extended to June 30, 1977.

Bettis, Boyle & Stovall are hereby granted a further extension until August 31, 1977, to recomplete the subject well.

Yours very truly,

JOE D. RAMEY
Director

JDR/DSN/fd

cc: ✓ Case File 5841
OCC Hobbs

J. O. SETH (1883-1963)

A. K. MONTGOMERY
FRANK ANDREWS
FRED C. HANNAHS
SETH D. MONTGOMERY
FRANK ANDREWS III
OWEN M. LOPEZ
JEFFREY R. BRANNEN
JOHN BENNETT POUND

GARY R. KILPATRICK
THOMAS W. OLSON
WALTER J. MELENDRES
BRUCE L. HERR

MONTGOMERY, ANDREWS & HANNAHS

ATTORNEYS AND COUNSELORS AT LAW

325 PASEO DE PERALTA

SANTA FE, NEW MEXICO 87501

JUN 10 1977

POST OFFICE BOX 2307
AREA CODE 805
TELEPHONE 982-3373

June 8, 1977

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

Attention: Mr. Dan Nutter

Re: Case No. 5841
Order No. R-5372

Gentlemen:

As you are aware, the testimony regarding the forced pooling application in the above-referenced case was to the effect that the subject well could be capable of producing oil in commercial quantities so long as the salt water could be reasonably disposed of. The so-called game plan was to use the salt water disposal well of Mr. Tom Ingram located in the same unit since it was our client's understanding that Mr. Ingram was preparing to use the salt water disposal system being constructed by Rice Engineering. Our client informs us at this time that Mr. Ingram is not being cooperative, and consequently they have been unable to obtain their disposal well. Therefore, they are now commencing negotiations to enter the salt water disposal system constructed by Rice Engineering, and in this regard again feel that they will need an additional extension of 60 days, or until August 31, to work out whatever arrangements they can with Rice Engineering.

On behalf of our client we assure you that as soon as arrangements are made for disposal of the salt water, our client will recomplete the subject well. Of course, they are extremely anxious to recomplete the well inasmuch as they have a great deal of time and expense involved.

Sincerely yours,

Owen M. Lopez
Owen M. Lopez

OML:RB
5086-76-13

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

May 24, 1977

C
O
P
Y
Montgomery, Federici, Andrews
& Hannahs
P. O. Box 2307
Santa Fe, New Mexico 87501

Attention: Mr. Owen M. Lopez

Gentlemen:

Reference is made to your request for an extension of time in which to commence the recompletion of the Bettis, Boyle & Stovall Lowe Well No. 1, which well was the subject of compulsory pooling Order No. R-5372.

Said order required the recompletion operations to begin by April 30, and due to certain delays, it has become impossible to start such work. You therefore have requested a 60-day extension of time.

Bettis, Boyle & Stovall are hereby authorized an extension of time until June 30, 1977, in which to commence recompletion of its Lowe Well No. 1, located in Unit A of Section 34, Township 12 South, Range 37 East, Southwest Gladiola Pool, Lea County, New Mexico.

Yours very truly,

JOE D. RAMEY
Director

JDR/DSN/fd

cc: OCC Hobbs
✓Case File 5841

J. O. SETH (1883-1963)

A. K. MONTGOMERY
WM. R. FEDERICI
FRANK ANDREWS
FRED C. HANNAHS
SETH D. MONTGOMERY
FRANK ANDREWS III
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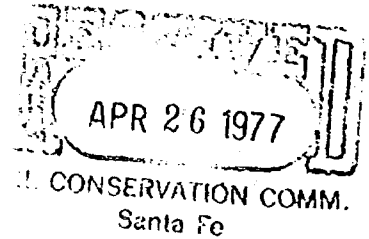
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POST OFFICE BOX 2307
AREA CODE 505
TELEPHONE 982-3873

April 26, 1977



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

Attention: Mr. Dan Nutter

Re: Case No. 5841
Order No. R-5372

Gentlemen:

On behalf of our client, Bettis, Boyle & Stovall, with respect to the above-referenced case and order, we are hereby requesting an extension of 60 days until the 30th day of June, 1977 in order to commence the recompletion of applicant's Lowe Well No. 1 located in Unit A of Section 34, Township 12 South, Range 37 East, N.M.P.M., Southwest Gladiola - Devonian Pool, Lea County, New Mexico. In support of the application for an extension until June 30, please be advised that the recompletion of the well is dependent upon the disposal of salt water which applicant intends to dispose of in a salt water disposal well belonging to Tom Ingram located in the SE/4 of the NE/4, Section 34. Mr. Ingram had advised the applicant that he would abandon the well prior to April 30 in order to avail himself of the salt water disposal services of Rice Engineering Company whose salt water disposal system is located to the Northeast of the subject well. Rice Engineering was unable to complete the salt water disposal system due to right-of-way problems and inability to locate the surface owners. However, we are advised that the right-of-way problems have been resolved and they plan to commence the construction of their salt water disposal system on May 2, 1977 and hopefully have it completed within the month.

As a result of the foregoing, we respectfully request an extension of the April 30 date to June 30, 1977, but

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April 26, 1977

assure you that as soon as work to recomplete the well
can be commenced, it will be done.

If you have any questions or suggestions, please do not
hesitate to contact me.

Sincerely yours,

Owen M. Lopez
Owen M. Lopez

OML:RB
5086-76-13

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. 5841
Order No. R-5372

APPLICATION OF BETTIS, BOYLE &
STOVALL 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 January 19, 1977, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 15th day of February, 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, Bettis, Boyle & Stovall, seek an order pooling all mineral interests in the Devonian formation underlying the E/2 NE/4 of Section 34, Township 12 South, Range 37 East, NMPM, Southwest Gladiola-Devonian Pool, Lea County, New Mexico.

(3) That the applicant has the right to drill, has acquired, and proposes to return to production its Lowe Well No. 1 in Unit A of said Section 34.

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

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

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Case No. 5841
Order No. R-5372

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 recompletion 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 \$250.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence recompletion of the well to which said unit is dedicated on or before April 30, 1977, the order pooling said unit should become null and void and of no effect whatsoever.

Case No. 5841
Order No. R-5372

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Devonian formation underlying the E/2 NE/4 of Section 34, Township 12 South, Range 37 East, NMPM, Southwest Gladiola-Devonian Pool, Lea County, New Mexico, are hereby pooled to form a standard 80-acre oil spacing and proration unit to be dedicated to applicant's Lowe Well No. 1 located in Unit A of said Section 34.

PROVIDED HOWEVER, that the operator of said unit shall commence the recompletion of said well on or before the 30th day of April, 1977.

PROVIDED FURTHER, that in the event said operator does not commence the recompletion of said well on or before the 30th day of April, 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 recompleted or abandoned, 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 Bettis, Boyle & Stovall are 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 recompletion of 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 recompletion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected

Case No. 5841
Order No. R-5372

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 \$250.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-5-

Case No. 5841

Order No. R-5372

(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 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.

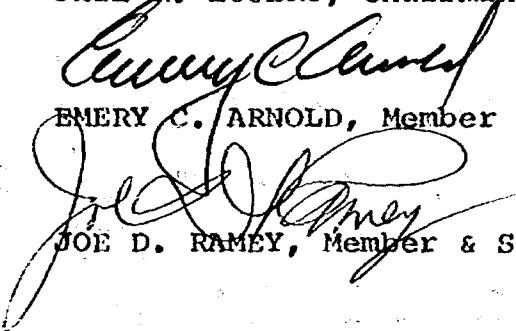
(13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

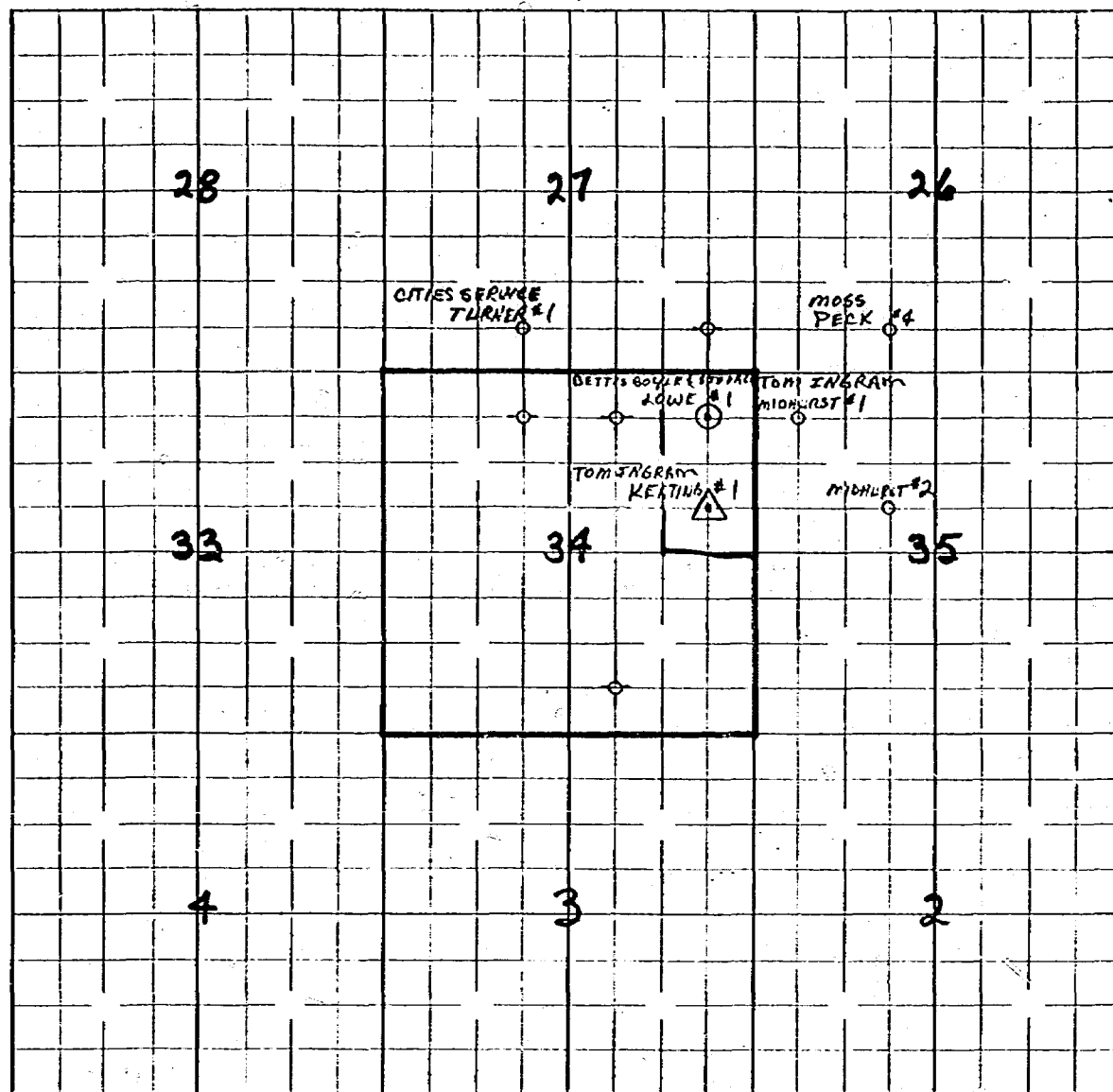

JOE D. RAMEY, Member & Secretary

S E A L

dr/

- CASE 5836: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit James W. Strawn, American Employers Insurance Company, and all other interested parties to appear and show cause why the Horton Well No. 1 located in Unit A of Section 32, Township 11 North, Range 7 East, Santa Fe County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5810: Continued from November 23, 1976, Examiner Hearing
- Application of Yates Petroleum Corporation for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Stonewall "EP" Com Well No. 1, located in Unit F of Section 30, Township 20 South, Range 28 East, Eddy County, New Mexico, to produce gas from the North Burton Flat-Wolfcamp Gas Pool and an undesignated Morrow gas pool.
- CASE 5837: Application of TransOcean Oil, Inc., for a unit agreement, Catron County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Omega Unit Area comprising 35,196 acres, more or less, of State, Federal, and fee lands in Townships 2, 3, and 4 North, Range 14 West, Catron County, New Mexico.
- CASE 5838: Application of TransOcean Oil, Inc. for a unit agreement, Catron County, New Mexico. Applicant, in the above-styled cause, seeks approval of the French Unit Area comprising 34,542 acres, more or less, of State, Federal, and fee lands in Townships 1 and 2 North, Ranges 16, 17, and 18 West, Catron County, New Mexico.
- CASE 5839: Application of TransOcean Oil, Inc. for a unit agreement, Catron County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Remuda Unit Area comprising 34,504 acres, more or less, of State, Federal, and fee lands in Townships 2 and 3 North, Ranges 9 and 10 West, Catron County, New Mexico.
- CASE 5840: 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 25,800 barrels of oil discovery allowable to the discovery well, being applicant's Federal 15 Well No. 1 located in Unit F of Section 15, Township 19 North, Range 5 West, McKinley County, New Mexico.
- CASE 5048: (Reopened)
- In the matter of Case 5048 being reopened pursuant to the provisions of Order No. R-4637-A, which order extended the temporary special pool rules for the South Dagger Draw-Upper Pennsylvanian Associated Pool, Eddy County, New Mexico. All interested parties may appear and show cause why said temporary special pool rules should not be rescinded.
- CASE 5599: (Reopened)
- In the matter of Case 5599 being reopened pursuant to the provisions of Order No. R-5142 which order established temporary special pool rules for the Twin Lakes-Devonian Pool, Chaves County, New Mexico. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units and why the limiting gas-oil ratio should not revert to 2,000 to 1.
- CASE 5841: Application of Bettis, Boyle & Stovall for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Devonian formation underlying the E/2 NE/4 of Section 34, Township 12 South, Range 37 East, Southwest Gladiola-Devonian Pool, Lea County, New Mexico, to be dedicated to the Lowe Well No. 1 located in Unit A of said Section 34. Also to be considered will be the cost of recompleting 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 recompletion of said well.
- CASE 5842: Application of Hanagan Petroleum Corporation for an exception to the provisions of Order No. R-1670, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 15(B) of the Southeast Gas Proration Rules contained in Order No. R-1670, as amended, to permit its Catclaw Draw Unit Well No. 9, located in Unit F of Section 35, Township 21 South, Range 25 East, Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico, to make up its overproduction at a rate less than complete shut-in.

TOWNSHIP 12S RANGE 37E COUNTY LEA STATE NEW MEXICO
REMARKS: SOUTHWEST GLADIOLA COMPANY
DEVONIAN POOL BETTIS, BOYLE, & STOUALL



BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
B, B + S EX 100 1
CASE NO. 5841
Submitted L. Hulsey
Hearing Date 1-19-77

LOWE #1 - AFE

TANGIBLE

1	- 120 H.P. Submersible Pump complete	\$ 38,000.
4000'	- 2 7/8" tbg. @ \$2.25/ft new	9,000.
Producing Well Purchase fully equipped with surface equipment excluding tubing and pump		22,000.
Purchase SWD Well not equipped		10,000.
1	- SWD Pump w/100 h.p. Electric Motor w/necessary equipment	17,800.

TOTAL TANGIBLE \$ 96,800.

INTANGIBLE

Pulling Unit 4 days @ \$750/day	\$ 3,000.
Leasing & Engineering	5,000.
Roustabout Labor	2,500.
Electrician	2,000.
Miscellaneous	1,500.

TOTAL INTANGIBLE \$ 14,000.

TOTAL A F E \$110,800.00

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
B, B + S	2
CASE NO.	5841
Submitted	L. Hulsey
Hearing Date	1-19-77

MALLARD EXPLORATION, INC.

200 WILCO BUILDING

MIDLAND, TEXAS 79701

July 16, 1974

Area Code 915
PHONE 682-8217

DIVISION ORDER

TO: Mallard Exploration, Inc.
200 Wilco Building
Midland, Texas 79701

Effective: Date of Initial Delivery

Each of the undersigned hereby guarantees and warrants that he is the owner of the interest set out below opposite his name in the proceeds of gas sold from or used off the MALLARD EXPLORATION, INC. - Lowe LEASE, located in Lea County, New Mexico and described as follows, to wit:

NE/4 Section 34-12S-37E
Lea County, New Mexico

Subject to the covenants and conditions set forth herein, the proceeds of the gas sold from or used off said lease are to be credited as follows:

CREDIT TO:	OWNERSHIP:	ADDRESS:
<i>Pay</i> George C & Zesser Nae Koch 426-36-1830	.0078125 ORI	5506 Falls Road Dallas, Texas 75220 ✓
<i>Pay</i> Walter W. Krug 478-16-4106	.0285937 ORI	308 North Colorado St., Suite #4 Midland, Texas 79701 ✓
<i>Pay</i> Fadrique Trust Beverly J Fadrique Lloyd P Fadrique Raymond B. Geating Trustees 74-517-7871	.0364062 ORI	
<i>Pay</i> Verta Foster 421-18-0154	.0012204 RI	1530 Bank of Commerce Bldg. Houston, Texas 77002 ✓
<i>Pay</i> Colorado Oil & Gas Corp. 84-0427877	.0003865 RI	1215 North Washington Magnolia, Arkansas 71753 ✓
<i>Pay</i> Home Stake Oil & Gas Co. 918-583-0178 MR. Simpson Pres & Treas Agreed 173-0285033	.0036268 RI	Box 61787 Houston, Texas 77061 ✓
<i>Pay</i> Home Stake Royalty Corp. 173-0285033	.0117187 RI	507 Philtower Tulsa, Oklahoma 74103 ✓
<i>Pay</i> McAlester Fuel Company 75-042-674	.0273	507 Philtower Tulsa, Oklahoma 74103 ✓
<i>Pay</i> U V Industries, Inc. Earl G. Hoff 801-355-5301 Oil Operations 04-2320235	.0088297 RI	Box 10 Magnolia, Arkansas 71753 ✓
<i>Pay</i> Lowe Land Company 75-11-12-02 806-763-7333 Copy on file 7/16/93	.0234375 RI	19th Floor Univ. Club Bldg. 136 E. S. Temple St. Salt Lake City, Utah 84111 ✓
	.0338542 RI	1500 Broadway Suite 1230 Lubbock, Texas 79401 ✓

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 584/ Exhibit No. 3
Submitted by McHarris, Doyle & Stone
Hearing Date 1-19-77

	CREDIT TO:	OWNERSHIP:	ADDRESS
Pay	Madeline O. Bartell 431-74-0269	.0012614 RI	711 Partee Drive Magnolia, Arkansas 71753 ✓
Pay	Merritt H. Brown Estate 915-663-3317 Florence G. Brown, Executrix 442-25-1661	.0019531 RI	2240 East 32nd Place Tulsa, Oklahoma 74105 ✓ Pay an \$1000
Pay	Annie Mae Collum 46-5-56-1284 William F.	.0009766 RI	Route 1 Desdemona, Texas 76445 ✓
10/1	Marine P. Darby & Iowa College, A Corp., Tr. Jointly 10-583-8307 42-0680389 Hendrick	.0136719 RI	410 Philtower Bldg. Tulsa, Oklahoma 74103 ✓ Agreed (10-25-76)
Pay	Suzanne B. Davis 461-78-1078	.0008461 RI	516 Petroleum Bldg. Abilene, Texas 79601 ✓
Pay	Roger Hugh Davis 525-20-1417	.0007812 RI	1150 Mercantile Continental Bldg. Dallas, Texas 75201 ✓
Pay	Cordelia Louise Floyd 525-22-4107	.0009766 RI	P.O. Box 686 Deming, New Mexico 88030 ✓
Pay	REDACTED Joseph C. Goldston, Trs. 42-068-6158	.0017361 RI	1411 1410 First City Natl. Bank Bldg. Houston, Texas 77002 ✓
	REDACTED	.0068359 RI	4140 Southwest Freeway Houston, Texas 77027 ✓
Pay	REDACTED J.C. Goldston & First City Natl. Bank of Houston Co Succ Tstes Tr No 10254300 74-6134350	.0017361 RI	P.O. Box 809 Houston, Texas 77001 ✓
Pay	Vora L. Hartley 525-26-3371	.0026042 RI	1500 Broadway, Suite 1230 Lubbock, Texas 79401 ✓
Pay	Winnie Belle Hight 521-54-4404	.0009766 RI	Box 81 Del Norte, Colorado 81132 ✓
Pay	R.B. Keating 394-01-5235	.0009765 RI	1530 Bank of Commerce Bldg. Houston, Texas 77002 ✓
Pay	REDACTED 457-54-3743	.0017361 RI	900 First City Natl Bank Bldg. Houston, Texas 77002 ✓
Pay	Frank B. Koch Refer to MR. TURNER'S G.C. Koch Trustee 426-36-1830	.0046875 RI	5506 Failas Road Dallas, Texas 75220 ✓
Pay	Brady M. Lowe 75-024-7167	.0026042 RI	Box 2554 Lubbock, Texas 79408 ✓
Pay	Gloria Laura Masterson 457-65-7000	.0003258 RI	P.O. Box 488 Houston, Texas 77001 ✓
Pay	Leigh Henry Masterson 461-58-0210	.0003250 RI	P.O. Box 488 Houston, Texas 77001 ✓
Pay	Willene Boyd Masterson 454-01-2415	.0003258 RI	4100 Greenbriar, Apt. 201 Houston, Texas 77006 ✓
Pay	REDACTED 1957 Tst. Iris Goldston & Houston Bank & Tst. Co Tstes 74-621-7770	.0034179 RI	4140 Southwest Freeway Houston, Texas 77027 ✓

C.1474534

	CREDIT TO:	OWNERSHIP:	ADDRESS:
Pay	Susie Irene Murph 525-82-4747	.0009766 RI	1101 West Madison 1206 West Tyler Lovington, New Mexico 88260
Pay	Ozark Mahoning Company 915-885-2661 525-82-4747	.0292969 RI	1870 So. Boulder Tulsa, Oklahoma 74119
Pay	W.C. Partee 429-62-4747	.0019531 RI	P.O. Box 667 Magnolia, Ark. 71753
Pay	Junior Simpson 525-82-3477	.0009766 RI	B. 123 Bixley Route Salem, Missouri 65560
Pay	John Robert Simpson 525-16-0142	.0009766 RI	430 17th S W Paris, Texas 75460
Pay	Buster Simpson 525-16-0142	.0009766 RI	Box 195-235 Terrebonne, Oregon 97760
Pay	James E. Simpson 525-60-1574	.0009766 RI	Route 2 Ozark, Missouri 65721
Pay	Campbell Smith 412-03-4510	.0004711 RI	1630 Bank of Commerce Bldg. Houston, Texas 77002
Pay	Virginia B. Smith 566-72-7937	.0002344 RI	1630 Bank of Commerce Bldg. Houston, Texas 77002
Pay	Virginia H. Smith 393-61-1928	.0002344 RI	1630 Bank of Commerce Bldg. Houston, Texas 77002
Pay	W. R. Stephens 71-0211820	.0007731 RI	115 North 12th St. Fort Smith, Ark. 72901
Pay	B. F. Turner 461-05-7047 He can help with KCH Family	.0156250 RI	4854 No. Lindhurst St. Dallas, Texas 75229
Pay	William N. Smith, Jr. 393-02-1024	.0004711 RI	1630 Bank of Commerce Bldg. Houston, Texas 77002
Pay	Elizabeth H. Davis 050-18-1176	.0008469 RI	1150 Mercantile Continental Bldg. Dallas, Texas 75201
Pay	William Warren Davis 042-14-2582	.0007812 RI	516 Petroleum Bldg. Abilene, Texas 79601
Pay	Elizabeth W. Clark, Trust Bankers Trust Co., Trustee 13-6307282	.0078125 RI	P.O. Box 3561 Church Street Station New York, New York 10008
Pay	J.C. Under Trust DTD 12-20-1938 74-6045302	.0019531 RI	1410 1st City Natl Bank Bldg. Houston, Texas 77002
Pay	N. 466-78-2267	.0034180 RI	4140 Southwest Freeway Houston, Texas 77027
	Robert K. Smith	.0002367 RI	1630 Bank of Commerce Bldg. Houston, Texas 77002
Pay	Robert E. Smith A/W E.H. Fortenberry & K & H Gun Club 461-28-5650	.0031250 RI	544 Dinkins St. Canton, Mississippi 39046

0.2195289

	<u>CREDIT TO:</u>	<u>OWNERSHIP:</u>	<u>ADDRESS</u>
<i>Pay</i>	Raymond J. St. Germain, Jr. 453-28-3380	.0012203 RI	Box 1167 ✓ Natchez, Mississippi 39120 4100 Ave. Shiel Square Suite 2828 International Trade Mart 70134 ✓ New Orleans, Louisiana 70130 1530 1630 Bank of Commerce Bldg. ✓ Houston, Texas 77002 ✓
<i>Pay</i>	Evanil Oil Company 71-6050638	.0013984 RI	
	Laverne P. Smith	<u>.0004687 RI</u> <u>.2226563 RI</u>	

2221876

0.1432292

BETTIS, BOYLE AND STOVALL

OIL PRODUCERS

P. O. Box 1163

GRAHAM, TEXAS 76046

817-549-0780

November 8, 1976

RE: Lowe #1 Lease
N/2 Sec 34-12S-37E
Lea County, New Mexico

As per our conversation last week, we are proposing to spend in the neighborhood of \$70,000.00 to put the abandoned well back on production. Currently, Mallard Exploration has notified their working interest owners that they are planning to plug and abandon the subject well. Since the well has ceased to produce since April 1976, the original lease expired in September 1976.

We are planning to purchase this abandoned well and run a Reda or submersible pump, and also purchase a disposal well in the same quarter section. However, in order to put the lease back on a commercial basis, we need a valid oil and gas lease from you on the Devonian producing zone (approx. 12,000' to 12,232') and the Pennsylvania disposal zone (approx. 9700' to 9800'). These are the only zones we are interested in having a lease.

Please sign and have notarized the enclosed lease and return it to us in the enclosed self-addressed, stamped envelope. It is very important that you return the lease to us as soon as possible, since the well is going to be plugged unless something can be worked out. We will forward you a copy of the

BEFORE THE	
OIL CONSERVATION COMMISSION	
Santa Fe, New Mexico	
Case No. <u>5841</u>	Exhibit No. <u>4</u>
Submitted by <u>Bettis Boyle & Stoval</u>	
Hearing Date <u>1-19-77</u>	

lease after receiving it back from you.

Will look forward to hearing from you at your
earliest convenience.

Thank you,

BETTIS, BOYLE & STOVALL

Larry O. Hulsey
Petroleum Engineer

LOH:bd

Encls

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION OF BETTIS, BOYLE &
STOVALL FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

Case No. 5841

A P P L I C A T I O N

Comes now the applicant, Bettis, Boyle & Stovall, by and through its attorneys, Montgomery, Federici, Andrews & Hannahs, and respectfully states:

1. The applicant has received assignments from more than 50% of the interest owners of the North 1/2 of Section 34, Township 12 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

2. The applicant proposes to recomplete the Lowe No. 1 Well located in the NE 1/4 of the NE 1/4, Section 34, Township 12 South, Range 37 East, N.M.P.M., Lea County, New Mexico, to test all formations down to and including the Devonian Sand and to dedicate the NE 1/4 of Section 34 to the proposed recompletion of the well.

3. Several interest owners of acreage located within the proposed spacing unit have not agreed to pool their interests with the applicant.

4. The applicant submits that it should be designated operator of the proposed recompletion well and spacing unit.

5. The applicant is prepared to advance the cost of development and operation and requests the Commission to make provision for any owner or owners who elect not to pay their proportionate share in advance, including a reasonable charge for supervision and the risk involved in drilling the well.

6. The granting of the application is in the interest of the prevention of waste and the protection of correlative rights.

WHEREFORE, the applicant respectfully requests the Commission to:

1. Enter a compulsory pooling order pooling the ~~NE~~ 1/4 of the NE 1/4, Section 34, Township 12 South, Range 37 East, N.M.P.M., Lea County, New Mexico, into a drilling and spacing unit for all formations down to and including the Devonian Sand.

2. Authorize the applicant to recomplete a well in the NE 1/4 of the NE 1/4, Section 34, Township 12 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

3. Designate the applicant as the operator of said well and make provision for any owner or owners who elect not to pay their proportionate share in advance, including a reasonable charge for supervision and the risk involved in recompleting the well.

Respectfully submitted,

MONTGOMERY, FEDERICI, ANDREWS
& HANNAHS

By *Andrew M. Lopez*
P.O. Box 2307
Santa Fe, New Mexico 87501
Attorneys for Applicant

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION OF BETTIS, BOYLE &
STOVALL FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

Case No. 5841

A P P L I C A T I O N

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1. The applicant has received assignments from more than 50% of the interest owners of the North 1/2 of Section 34, Township 12 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

2. The applicant proposes to recomplete the Lowe No. 1 Well located in the NE 1/4 of the NE 1/4, Section 34, Township 12 South, Range 37 East, N.M.P.M., Lea County, New Mexico, to test all formations down to and including the Devonian Sand and to dedicate the NE 1/4 of Section 34 to the proposed recompletion of the well.

3. Several interest owners of acreage located within the proposed spacing unit have not agreed to pool their interests with the applicant.

4. The applicant submits that it should be designated operator of the proposed recompletion well and spacing unit.

5. The applicant is prepared to advance the cost of development and operation and requests the Commission to make provision for any owner or owners who elect not to pay their proportionate share in advance, including a reasonable charge for supervision and the risk involved in drilling the well.

6. The granting of the application is in the interest of the prevention of waste and the protection of correlative rights.

WHEREFORE, the applicant respectfully requests the Commission to:

1. Enter a compulsory pooling order pooling the ~~NE 1/4~~ of the NE 1/4, Section 34, Township 12 South, Range 37 East, N.M.P.M., Lea County, New Mexico, into a drilling and spacing unit for all formations down to and including the Devonian Sand.

2. Authorize the applicant to recomplete a well in the NE 1/4 of the NE 1/4, Section 34, Township 12 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

3. Designate the applicant as the operator of said well and make provision for any owner or owners who elect not to pay their proportionate share in advance, including a reasonable charge for supervision and the risk involved in recompleting the well.

Respectfully submitted,

MONTGOMERY, FEDERICI, ANDREWS
& HANNAHS

By Andrew H. Hoffman
P.O. Box 2307
Santa Fe, New Mexico 87501
Attorneys for Applicant

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION OF BETTIS, BOYLE &
STOVALL FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

Case No. 5841

A P P L I C A T I O N

Comes now the applicant, Bettis, Boyle & Stovall, by and through its attorneys, Montgomery, Federici, Andrews & Hannahs, and respectfully states:

1. The applicant has received assignments from more than 50% of the interest owners of the North 1/2 of Section 34, Township 12 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

2. The applicant proposes to recomplete the Lowe No. 1 Well located in the NE 1/4 of the NE 1/4, Section 34, Township 12 South, Range 37 East, N.M.P.M., Lea County, New Mexico, to test all formations down to and including the Devonian Sand and to dedicate the NE 1/4 of Section 34 to the proposed recompletion of the well.

3. Several interest owners of acreage located within the proposed spacing unit have not agreed to pool their interests with the applicant.

4. The applicant submits that it should be designated operator of the proposed recompletion well and spacing unit.

5. The applicant is prepared to advance the cost of development and operation and requests the Commission to make provision for any owner or owners who elect not to pay their proportionate share in advance, including a reasonable charge for supervision and the risk involved in drilling the well.

6. The granting of the application is in the interest of the prevention of waste and the protection of correlative rights.

WHEREFORE, the applicant respectfully requests the Commission to:

1. Enter a compulsory pooling order pooling the ~~NE~~ 1/2 of the NE 1/4, Section 34, Township 12 South, Range 37 East, N.M.P.M., Lea County, New Mexico, into a drilling and spacing unit for all formations down to and including the Devonian Sand.

2. Authorize the applicant to recomplete a well in the NE 1/4 of the NE 1/4, Section 34, Township 12 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

3. Designate the applicant as the operator of said well and make provision for any owner or owners who elect not to pay their proportionate share in advance, including a reasonable charge for supervision and the risk involved in recompleting the well.

Respectfully submitted,

MONTGOMERY, FEDERICI, ANDREWS
& HANNAHS

By Andrew H. Lopez
P.O. Box 2307
Santa Fe, New Mexico 87501
Attorneys for Applicant

DRAFT

dr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5841

Order No. R-5372

APPLICATION OF BETTIS, BOYLE & STOVALL 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 January 19, 1977
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this day of , 19 , 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, Bettis, Boyle & Stovall,
seeks an order pooling all mineral interests in the Devonian
formation underlying the E/2 NE/4
of Section 34, Township 12 South, Range 37 East,
NMPM, Southwest Gladiola-Devonian Pool, Lea County, New
Mexico.

(3) That the applicant has the right to drill, ^{has acquired} and ~~proposes~~ ^{and proposes to return to production its} ~~to drill~~ ~~well~~ ~~their~~ Lowe Well No. 1 in Unit A of said Section 34.

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

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

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the ^{recompletion} ~~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.

Case No.
Order No. R-

(11) That \$250⁰⁰ per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence ^{recompletion} ~~drilling~~ of the well to which said unit is dedicated on or before April 30, 1927, 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 Devonian formation underlying the E/2 NE/4 of Section 34, Township 12 South, Range 37 East, NMPM, Southwest Gladiola-Devonian Pool, Lea County, New Mexico, are hereby pooled to form a standard 80 - acre ^{oil} ~~gas~~ spacing and proration unit to be dedicated to ~~xxxxxxx to be drilled~~ applicant's Lowe Well No. 1 located in Unit A of said Section 34.

PROVIDED HOWEVER, that the operator of said unit shall commence the ^{recompletion} ~~drilling~~ of said well on or before the 30th day of April, 1922, ~~and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the~~ formation;

PROVIDED FURTHER, that in the event said operator does not commence the ^{recompletion} ~~drilling~~ of said well on or before the 30th day of April, 1922, 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.

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PROVIDED FURTHER, that should said well not be ^{recompleted} ~~drilled to~~ completion, or abandonment^{ed}, 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 Bettis, Boyle & Stovall are ~~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^{recompletion of} 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^{re} 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 \$250.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

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

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in 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.