

CASE 4115:Application of SOUTHERN
UNION PRODUCTION FOR COMPULSORY
POOLING, SAN JUAN COUNTY, N. M.

R-3763

Case Number.

4/15

Application

Transcripts.

Small Exhibits

ETC.

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 23, 1969

EXAMINER HEARING

IN THE MATTER OF:

Application of Southern Union
Production Company for
compulsory pooling, San Juan
County, New Mexico.

Case No. 4115

BEFORE: Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

MR. UTZ: Case No. 4115.

MR. HATCH: Application of Southern Union Production Company for compulsory pooling, San Juan County, New Mexico.

MR. MORRIS: Mr. Examiner, I am Richard Morris of Montgomery, Federici, Andrews, Hannahs and Morris in Santa Fe, appearing on behalf of the applicant. I have one witness; Mr. Whitlow, and ask that he be sworn.

(Witness sworn)

MR. UTZ: Any other appearances? You may proceed.

D. W. WHITLOW

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

DIRECT EXAMINATION

BY MR. MORRIS:

Q Mr. Whitlow, will you state your name and where you reside, please?

A D. W. Whitlow; Dallas, Texas.

Q By whom are you employed and in what capacity?

A I'm manager of the Land Apartments; Southern

Union Production Company.

Q Have you previously testified before the New Mexico Oil Conservation Commission or one of its examiners and had your qualifications established as a matter of record?

A Yes.

MR. MORRIS: Are the witnesses' qualifications acceptable?

MR. UTZ: Yes, sir.

MR. MORRIS: Mr. Whitlow, please refer to the plat, marked as Exhibit 1 in this case, and point out what that plat shows, please.

THE WITNESS: This plat shows our proposed Dakota location to be located in the Northwest quarter of Section 16, twenty-nine north, nine west. This location will be approximately in the center of the Northwest quarter. It also shows the surrounding completions in the Dakota formations.

Q Does this plat also show the Number 1 Mims in the Southwest corner of Section 16?

A Yes, sir. That is a Mesa Verde well.

Q All right. What is the land status in the west half of this Section 16; first, with respect to

the royalty interests?

A The royalty interests, actually -- the west half of the sixteen, consists of four state leases, so they would have full royalty ownership.

Q Now, concerning overriding royalty interests, would you make a statement concerning the extent and nature of the overriding royalty interests in this half section?

A To the best of our knowledge, there are seven overriding interest owners. In Brookhaven, D. W. Mudge, Jr., Morris, Mims, Henderson, Sally Mims, Harriett Mims, Buchenau -- the estate of Robert Mims, and Texas Pacific -- insofar as the amount of overrides, it varies anywhere from zero up to thirty per cent on any one of the three state leases in this unit, other than the one held by Southern Union.

Q Now, on the Southern Union there is no overriding royalties?

A That's correct.

Q What is the situation with respect to the working interest in this half section?

A At the present time, it appears to be Southern Union Production, D. W. Mudge, Texas Pacific,

John Pace, and the Mims' estate; insofar as the record title is concerned in the State Land Office.

Q What is the extent of Southern Union Production Company working interest in the entire half section?

A It can vary anywhere from twenty-five to forty per cent.

Q And why do you say it varies from twenty-five to forty per cent; why can't you be more definite on that?

A Because of the title problems that exist, that were created under the Mims' estate.

Q Is it a fair statement, Mr. Whitlow, that there are conflicting claims between the estate of Robert Mims and his three ex-wives; being Doris Mims Henderson, Harriet Mims Buchenau, and Sally Mims, that are, at least, by title standpoint, are practically incapable of being resolved at the present time?

A That is correct. I would say incurable at the present time.

Q Has Southern Union Production Company made an attempt to obtain the consent of all interested owners to a communalization agreement for the drilling

of the proposed Dakota well?

A Yes, sir. We have by letter of correspondence of all parties, accepting the Mims.

Q Actually, your communalization interest was presented to the Mims estate, originally?

A Yes, sir.

Q What is the situation with respect to the joinder of the Mims estate in a communalization agreement?

A We presented it to the Mims estate; his third wife refused to sign as executrix, and crossed out everything but her name -- sole owner. Now, the only other problem is the State Land Office, and Robert Mims, who has been deceased for three years.

Q All right. So, although an attempt was made to form a communalization agreement, this has been impossible?

A It has today; yes, sir.

Q Now, with respect to the various working interest owners, I think you have already covered the fact that there has been a refusal of the Mims estate to join in this communalization. Your other interest owners, other than Southern Union Production Company,

that you mentioned; first, Texas Pacific Oil Company --

A Yes, sir.

Q What is the status of their commitment to the drilling of this well?

A They will agree to join.

Q In this regard, would you refer to what has been marked as Exhibit 2 and comment with respect to the conditional nature of their joinder?

A They said that they would join with us in forced pooling. However, they would join in the drilling of the well only if we were granted a 150 per cent penalty provision in the forced pooling.

Q All right. And Southern Union's application in this case, is it applying to the Commission for a fifty per cent penalty factor?

A We are; yes, sir.

MR. UTZ: Does that mean if you got twenty-five per cent, they wouldn't join?

THE WITNESS: According to this letter, they would not.

MR. MORRIS: With respect to other working interest owners; Mr. D. W. Mudge, Jr., as a working interest owner --

A Yes, sir.

Q -- would you refer to Exhibit 3 and comment with respect to his status?

A He wants to join with us and will be a consenting party, but he says he does not want to take part in financing the well either. We are to carry him for a 150 per cent.

Q With respect to Mr. Pace, the other working interest owner, what is the status of his working interest and this unit, and please refer to Exhibit 4.

A His is the same, also; he wants to be carried for the 150 per cent.

Q Now, if Texas Pacific and Southern Union do carry the other -- do drill this well, would your combined interest be -- working interest be in this well?

A Well, it would be a 100 per cent of the thing, insofar as the actual payment of cost.

Q Yes. And what would your interest amount to as far as a percentage of the total interest of the well?

A I would say, offhand, in the neighborhood of seventy or sixty-eight per cent -- sixty-eight or seventy per cent, from the information that I have.

Q Now, from the Texas Pacific letter, that's Exhibit 2, is it correct to say that if the Commission establishes less than a 150 per cent or -- excuse me, a fifty per cent penalty factor, that Southern Union Production Company would find itself in a position to either drill the well and advance all of the cost of the well, or not just drill the well at all?

A That's what we are led to believe by all of our correspondence; yes.

Q Please refer to Exhibit Number 5 and state what that is and the contents thereof?

A This is a well cost estimate, prepared by Southern Union and it was circulated. Our estimate on a producing well would be a \$104,000.00 to drill it and complete it -- for the Dakota well.

Q Now, Mr. Whitlow, has Southern Union had experience with these same working and overriding royalty interest with the Mesa Verde well that is located in this same half section?

A Yes, sir; we have.

Q Southern Union Production Company is the operator of that well?

A Of the Mims Number 1; yes, we are.

Q What has been your experience with the other interest owners in this section with respect to the operation of that well?

A Southern Union, at the request of the State, actually had to do a rework on the Mesa Verde. This work was started March 1, 1965, and completed within a few days. Our total cost for that was \$69,000.00. We had to carry everyone for a 125 per cent penalty cost. Now, this is our working interest, and overriding owners, with the exclusion of Texas Pacific. Today, we have recovered \$43,000.00 gross, and we are now making about \$8,000.00 on that per year. Which means we were basically stuck with a sixty-seven pay-out just on a rework, by having to carry everyone.

Q Now, do you expect the same situation here, with respect to the Dakota well, that you would be facing an extremely marginal situation, with respect to pay-out of the Dakota well?

A Well, it would actually -- actually, more so, than from the Mesa Verde; yes -- from the information we have.

Q Would you refer to Exhibit Number 6 and state what that exhibit is, and what it shows?

A This was prepared by our Farmington office, based on information out of that district; San Juan Basin. And we have taken the accumulative production, through January of 1968 -- also included 1968 production, accumulative, to January 1969. Once produced, estimated time pay-out, and so forth. In other words, we took every surrounding well as to what it has done. And as you may note on there, we have pay-outs staring us in the face for twenty-six years. There is one well that will pay-out in approximately four years, and again, this is based on present production.

Q Now, when you say it's based on present production, will this take into account any decline that may be experienced or any discounts of the proceeds from the well?

A No, sir -- this is non-discounted money.

Q All right then. What conclusion do you draw from this exhibit, from the production in pay-out on the surrounding Dakota wells, as far as the expected pay-out that you might -- that you probably would be looking at with respect to your proposed Dakota well?

A To draw a medium, I would say ten years, at a very minimum pay-out.

Q Is it feasible from an economic standpoint, Mr. Whitlow, for Southern Union Production Company to drill the proposed Dakota well under those circumstances?

A No; not at all. We can't.

Q What would be necessary, as far as the penalty factor, to be established by the Commission before the economics of the situation would be -- make it feasible for you to drill this well?

A The production that we know of with the situation of title; with the people we are going to have to carry, it would have to be a minimum of fifty per cent -- to call what you would even break even for it.

Q If the Commission should not establish a fifty per cent risk factor, where would that leave Southern Union Production Company, with respect to its decision to drill the proposed well?

A We could not drill the Dakota test. I mean, that is our management's view.

Q Has the demand been made upon Southern Union Production Company, by the State Land Office, to drill a Dakota well?

A Yes.

Q In this half section?

A That is correct.

Q As I understand your statement, you could not recover your cost plus a reasonable return on your investment, unless the Commission establishes a fifty per cent penalty factor for this well?

A That is correct.

Q Please refer to Exhibit Number 7 and state what that is?

A Exhibit 7 is based upon the production for the year 1968, by month, for all the off-set wells. To give you an idea of what we are actually contending with in the way of off-set production. I think if you will note, there are only two wells, I believe, that -- out of all the surrounding wells that are making over a hundred million a year.

Q This Exhibit 7 is really a backup exhibit to the information shown on Exhibit Number 6; isn't that correct?

A That's correct. It's only a breakdown to bring it up-to-date for the last year's production. And I think you will notice that the majority of those wells that bid seventy-five per cent, are not

putting over three to four million a month into the Dakota.

Q Based upon this information shown on Exhibit 6 and 7, what would be your comment with respect to the extent of risk that is involved in the drilling of the proposed well, with respect to the risk of obtaining a relatively poor producing Dakota well?

A Well, we are in a producing area, but the risk factor is actually shown by the production that the off-set wells are making. This makes it a risk in itself on recovering the investment.

Q Mr. Whitlow, the Commission in a pooling order, is required to establish the cost of supervision with respect to a producing well. Do you have a figure to recommend?

A For a producing well rate, we use \$100.00 per month for the Dakota.

MR. MORRIS: At this time, Mr. Examiner, we would offer into evidence Southern Union Production Company's Exhibits 1 through 7.

MR. UTZ: Without objection, Exhibits 1 through 7 will be entered into the record in this case.

(Whereupon, Applicant's Exhibits 1 through 7 were offered and admitted in evidence.)

MR. MORRIS: Mr. Examiner, that is all I have on direct at this time. I would like to make a statement at the close of the case.

CROSS EXAMINATION

BY MR UTZ:

Q Mr. Whitlow, let me get my percentages straight here. How much working interest percentage would Southern Union have in the 320?

A Well, again sir, this is one of our problems. We have a definite twenty-five. We have an eighty-acre that we purportedly purchased from one of the -- there are many ex-wives involved in this; and we purportedly, bought another fifteen per cent working interest -- from a Betty Jean Stall, I think that this one was -- Mudge's second wife. So, this is why I say this fluctuates. We are not sure, for this thing has been so tied up in the courts by invalid assignments; so, that's why I say twenty-five to forty. Texas Pacific will definitely have twenty-five, but they are also involved in this Mims thing.

Q They are involved on the Mims thing --

A Yes, sir.

Q -- even on their leases?

A Yes, sir. The Mims ended up under all three leases, with exception of ours.

Q They purchased this from the Mims; undoubtedly?

A The third down the line, I think. Brookhaven is the one who started this, and then I don't know who all came in.

Q How about the royalty interest?

A Well, of course, royalty will be the state.

Q That would be for the entire 320?

A Yes, sir.

Q Your overriding royalties; I presume, you are in the dark on them?

A They have created up to thirty per cent on some of these.

Q Pretty good overriding.

A Yes, sir.

MR. MORRIS: I might add, parenthetically, that the overrides that were created are not in any of the Southern Union leases. The only lease in which Southern Union is involved started out as the lessee

from the State of New Mexico, and is completely clean of overrides.

MR. UTZ: Now, somewhere along the line, I got sixty-eight to seventy per cent; what was that figure?

A This is what, ultimately, Texas Pacific and ourselves would carry in the event we had to drill it.

Q All right. Now, you think that Texas Pacific will have enough money to go ahead and develop it?

A Yes, sir; I hope so.

Q Now, this date, shown on Exhibit 7, which --

A Yes, sir.

Q -- consist of five pages --

A Yes, sir.

Q Who is connected to all of these wells?

A El Paso; some. We take from, of course, our own Mims, in place of Birdwell. And if all the Pan-Am wells were committed to El Paso, I don't know. This is something --

Q This pooling case though, is just for Dakota?

A Yes, sir.

1941

1942

1943

1944

1945

the maximum.

MR. PIERCE: In question of the maximum

MR. HATCH: I have one, sir. Are you asking for pooling, only if a fifty per cent is assigned?

THE WITNESS: This is the only way we can; yes, sir.

MR. HATCH: You do not propose to drill a well any less than that?

A We can't, because if we committed to, from Texas Pacific's letter, they would drop out.

MR. UTZ: Well, aren't they going to furnish the money, though?

THE WITNESS: Well, they would furnish their own money; with the understanding that we would recover fifty per cent of all the pooling interest.

Q On the other?

A Yes, sir.

Q It's not a matter of what they want to pay, it's what they want to collect?

A Correct. Basically; yes, sir.

MR. UTZ: Any other questions? Are there any other interest holders, that you know of, that would attempt to put out money for the well?

A No one; so far. No one that I know of

personally.

MR. UTZ: So, it would be up to you and Texas Pacific to carry the whole --

A To carry the whole --

Q To carry the whole --

A Yes, sir.

MR. UTZ: Any other questions?

MR. E. C. ARNOLD: If you were estimating that the pay-out period would be five years, what would you recommend that the risk factor should be?

THE WITNESS: I don't think there's any way it could be five years. The best well off-sets ---

MR. ARNOLD: Well, yes -- I wasn't arguing --

MR. UTZ: I understand.

THE WITNESS: Under present day economic conditions, I -- I would still say fifty per cent.

MR. ARNOLD: Suppose the pay-out period would be three years?

THE WITNESS: Then we would have to think again, and get back with the engineers; I honestly don't know. When you say three, because that makes an entirely different situation.

MR. ARNOLD: But you think with five years,

you would still require --

A Yes; I believe so. Yes, sir, with the money rates as they are.

MR. UTZ: Any other questions? The witness may be excused. Statements?

(Witness excused)

MR. MORRIS: I think the record is clear, here, that the expressions that we have had from all of the working interests are the best we can expect, and that we will get help in the drilling of this well from Texas Pacific. But only from Texas Pacific, if the Commission sees fit to grant our application for a fifty per cent risk factor. If the fifty per cent risk factor, for any reason, is not assigned, then Texas Pacific is not committing itself to participating in advancing the cost of the well, which would leave only Southern Union Production with only a firm twenty-five per cent working interest in the unit; which is, as Mr. Whitlow explained, could be up to forty per cent after all the title problems are resolved, if they ever can be resolved. But even with forty per cent, a maximum of a forty per cent working interest, in the unit -- that's an extremely heavy burden to bear. And, as far as what Southern Union feels it could do, as a prudent operator -- and when

I refer to the prudent operator, I refer to the so-called prudent operator rule of not drilling, unless you can see recovery of your investment, plus a reasonable return on your investment money. Southern Union, as a prudent operator, could not see its way clear to the drilling of this Dakota well. Now, this is a very peculiar circumstance; I think, that obviously, you have a set of leases that are so heavily encumbered by overriding royalty interest, and non-precipitating working interest, such as we have here -- I don't think that the Commission need worry about establishing a precedent that would be of any problem to it in the future. I think we are dealing with a very peculiar and limited circumstance here that the Commission could well address itself to in that light. This matter has been taken up with the State Land Office; we've discussed it with Mr. Bilbrey, with Mr. Jordan, Mr. Phil Lucero; and our last conversation, with Mr. Lucero, which was just this morning. He stated to me that the State Land Office would like to have a period of, at least, ten days to submit a statement to the Commission, with respect to its position on pooling and particularly with respect to its position on the

fifty per cent risk factor, that we are asking for in connection with this application. So, I would ask the examiner to hold the case open for the submission of that statement of position by the State Land Office. Another comment I would like to make with respect to this risk factor, is that in this situation, we are not merely talking about the risk of a dry hole; we are talking about the risk that is involved in getting a poor well. When you are talking about a poor well, I think it's proper for the Commission to take into consideration the extent to which we could expect the production from this well to pay out the cost of the well, plus a reasonable return on investment to the parties that are advancing the cost of the drilling of the well. So, I think it is proper for the Commission, under the Compulsory Pooling Law, to take this type of risk into consideration in establishing the proper risk factor to assign to this well. And for all of these reasons, we certainly urge the Commission to establish the fifty per cent risk factor that we have requested in the pooling order. Thank you.

MR. UTZ: It's your opinion, then, that circumstances in this pooling case would justify the

Commission, deviating from its usual twenty-five per cent on the rights?

MR. MORRIS: Yes, sir.

MR. UTZ: Any other statements? The case will be taken under advisement. The Hearing will be recessed until one-thirty.

(Whereupon, the Hearing was recessed at 12:05 A.M. and resumed at 1:30 P.M.)

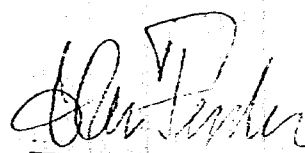
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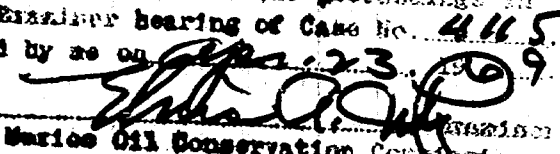
<u>EXHIBIT</u>	<u>MARKED</u>	<u>OFFERED AND ADMITTED</u>
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STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss

I, CA FENLEY, Court Reporter in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me; and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.



CA FENLEY - COURT REPORTER

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 445 heard by me on April 23, 1969

New Mexico Oil Conservation Commission



OIL CONSERVATION COMMISSION

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

GOVERNOR
DAVID F. CARGO
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

May 20, 1969

Mr. Richard S. Morris
Montgomery, Federici, Andrews,
Hannahs & Morris
Attorneys at Law
Post Office Box 2307
Santa Fe, New Mexico

Re: Case No. 4115
Order No. R-3763
Applicant:
Southern Union Production Co.

Dear Sir:

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

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x

Artesia OCC

Aztec OCC x

Other _____

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE No. 4115
Order No. R-3763

APPLICATION OF SOUTHERN UNION PRODUCTION
COMPANY FOR COMPULSORY POOLING, SAN JUAN
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 23, 1969,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 20th day of May, 1969, 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, Southern Union Production Company,
seeks an order pooling all mineral interests in the Basin-Dakota
Gas Pool underlying the W/2 of Section 16, Township 29 North,
Range 9 West, NMPM, San Juan County, New Mexico.

(3) That the applicant has the right to drill and proposes
to drill a well in the W/2 of said Section 16 to the Basin-Dakota
Gas Pool.

(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

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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 40% 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 said 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 \$100 per month should be fixed as a reasonable charge for supervision for the subject well; 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.

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CASE No. 4115

Order No. R-3763

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Basin-Dakota Gas Pool underlying the W/2 of Section 16, Township 29 North, Range 9 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a 320-acre gas proration unit to be dedicated to a well to be drilled at a standard location in the W/2 of said Section 16.

(2) That Southern Union Production Company is hereby designated the operator of the subject well and unit.

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

(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 in the subject unit an itemized schedule of actual well costs within 30 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 60 days following completion of the well, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 60-day period, the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 30 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.

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Order No. R-3763

(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, 40% 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 \$100 per month is hereby fixed as a reasonable charge for supervision for the subject well; 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 the subject 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 San Juan County, New Mexico, to be paid to the true owner

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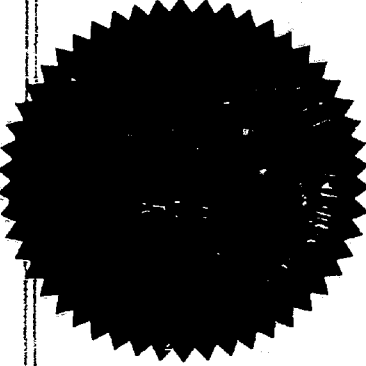
Order No. R-3763

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



David F. Cargo
DAVID F. CARGO, Chairman

Alex J. Armijo
ALEX J. ARMILLO, Member

A. L. Porter, Jr.
A. L. PORTER, Jr., Member & Secretary

esr/

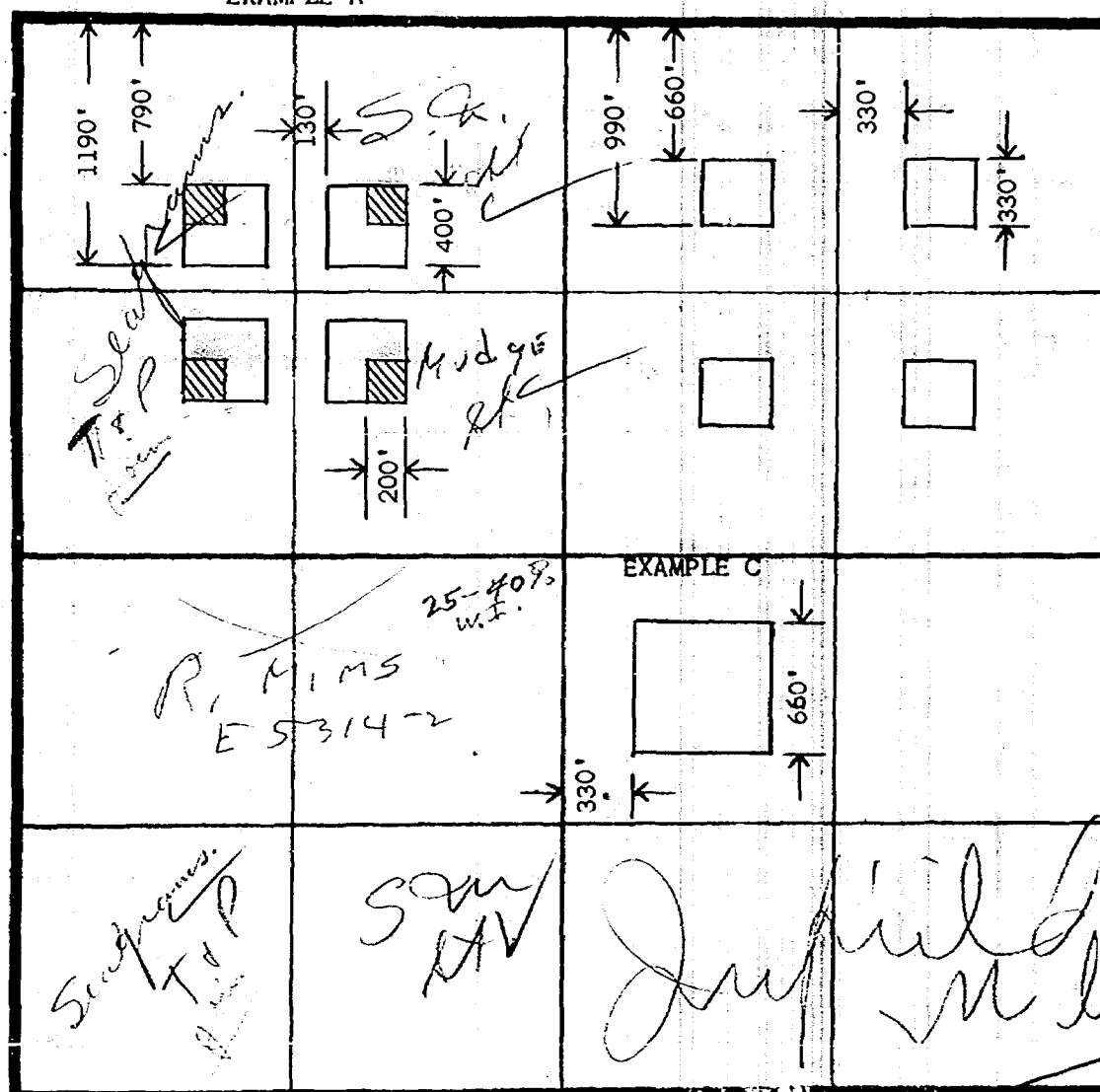
STANDARD OIL AND GAS WELL LOCATIONS IN NEW MEXICO ACCORDING TO RULE 104
OF THE GENERAL RULES AND REGULATIONS

Sec. _____ Township No. _____ of Range No. _____

16 29-9

EXAMPLE A

EXAMPLE B



EXAMPLE A - Shows Standard Gas Well location in San Juan, Rio Arriba and Sandoval Counties. 200' crosshatched square shows portion of 400' square which is a standard location for oil or gas wells. These locations may be used in any quarter section.

EXAMPLE B - Shows standard gas well location for the State, except San Juan, Rio Arriba and Sandoval Counties. These locations may be used in any quarter section.

EXAMPLE C - Shows Standard Oil Well location for the State. This location may be used for a wildcat oil or gas well except in San Juan, Rio Arriba and Sandoval Counties. This location may be used in any quarter quarter section.

11/19/56

Case 4115

Heard 4-33-69

Rec. 4-30-69.

Grant S. D. L. Co.
a forced pooling order
for the ~~W/2 - 16-26-9~~
W/2 - 16-26-9

Grant 150% risk factor
for non-participating
Working Interest. Grant
\$100.00 for operating & Super-
vision

Grant forced pooling, at the same time.
Grant

Docket No. 12-69

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 23, 1969

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

The following cases will be heard Before: Elvis A. Utz, Examiner, or Daniel S. Nutter, Alternate Examiner:

- CASE 4079: (Continued from the March 26, 1969, Examiner Hearing)
Application of Robert B. Holt for the creation of a new pool, assignment of a discovery allowable, and the promulgation of special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Middle Pennsylvanian oil pool for his Aztec State Well No. 2 located in Unit A of Section 26, Township 13 South, Range 32 East, Lea County, New Mexico, and for the assignment of an oil discovery allowable in the amount of approximately 48,715 barrels to said well. Applicant further seeks the promulgation of special pool rules for said pool, including a provision for 160-acre proration units and the assignment of 80-acre allowables.
- CASE 4106: Application of Southland Royalty Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Permo-Pennsylvanian formation in the perforated interval from approximately 9485 feet to 9713 feet in its Guye Well No. 4 located in Unit F of Section 12, Township 11 South, Range 33 East, Inbe Permo-Pennsylvanian Pool, Lea County, New Mexico.
- CASE 4107: Application of Coastal States Gas Producing Company for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the West Sawyer-San Andres Pool, Lea County, New Mexico, including a provision for 80-acre spacing and proration units.
- CASE 4108: Application of Humble Oil & Refining Company for the rededication of acreage, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to recomplete its New Mexico "V" State Well No. 5, a non-commercial Wantz-Abo oil producer, to a Tubb gas producer and to consolidate the 40 acres presently dedicated to said well with the 120 acres presently dedicated to its New Mexico "V" State Well No. 11, a Tubb gas producer, to form a standard 160-acre proration unit comprising the SW/4 of Section 10, Township 21 South, Range 37 East, Tubb Gas Pool, Lea County, New Mexico. Applicant further seeks authority to produce the allowable assigned to said unit from either of said wells in any proportion.
- CASE 4109: Application of Humble Oil & Refining Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the South Lea Unit Area comprising 8,324.16 acres, more or less, of State, Federal, and Fee lands in Township 26 South, Range 36 East, Lea County, New Mexico.

- CASE 4110: Application of Atlantic-Richfield Company for a waterflood project and unorthodox injection well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pilot waterflood project by the injection of water into the Queen formation through one well to be drilled at an unorthodox location 100 feet from the North and West lines of Section 23, Township 18 South, Range 31 East, Shugart Pool, Eddy County, New Mexico.
- CASE 4111: Application of Tenneco Oil Company for a dual completion and salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its Morton Federal Well No. 1, located in Unit A of Section 12, Township 9 South, Range 35 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Vada-Pennsylvanian Pool and the disposal of produced salt water through the intermediate casing-production casing annulus into the San Andres, Abo and possibly other formations in the open-hole interval from approximately 4050 feet to 8120 feet.
- CASE 4112: Application of P-M Drilling Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Delaware formation in the perforated interval from approximately 5062 feet to 5100 feet in its James Federal Well No. 1 located in Unit A of Section 35, Township 23 South, Range 32 East, Triste Draw-Delaware Pool, Lea County, New Mexico.
- CASE 4113: Application of Texas Pacific Oil Company for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to substitute its State "D" A/c-1 Well No. 1 located in Unit A of Section 2, Township 12 South, Range 33 East, in lieu of its State "C" A/c-1 Well No. 1 located in Unit B of said Section 2 as the producing well for the proration unit comprising the N/2 NE/4 of said Section 2, Bagley-Siluro-Devonian Pool, Lea County, New Mexico.
- CASE 4114: Application of Gulf Oil Corporation for two unorthodox oil well locations and amendment to Order No. R-2729, Lea County, New Mexico. Applicant in the above-styled cause, seeks authority to drill two producing oil wells at unorthodox locations in Township 19 South, Range 35 East, as infill wells in the West Pearl Queen Unit Waterflood Project, Pearl Queen Pool, Lea County, New Mexico, said wells to be located as follows:

West Pearl Queen Unit Well No. 164 to be located 1325 feet from the North line and 2635 feet from the West line of Section 32;

West Pearl Queen Unit Waterflood Well No. 165 to be located 1420 feet from the South line and 1325 feet from the West line of Section 29;

(Case 4114 continued)

Applicant also seeks the amendment of Order No. R-2729, which order authorized the aforesaid waterflood project, to establish a procedure whereby additional injection wells and producing wells at unorthodox infill locations, as may be necessary to complete an efficient injection and producing pattern, may be approved administratively.

CASE 4115: Application of Southern Union Production Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the W/2 of Section 16, Township 29 North, Range 9 West, Basin-Dakota Pool, San Juan County, New Mexico. Said acreage to be dedicated to a well to be drilled at a standard location in the W/2 of said Section 16. Also to be considered will be the costs of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

CASE 4116: Application of Tesoro Petroleum Corporation for the amendment of Order No. R-2797 and for the extension of the South Hospah-Upper Sand Pool, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-2797, which order approved the Hospah Unit Agreement, to delete from said unit agreement 233.87 acres in the Southeast portion of Section 1, Township 17 North, Range 9 West, McKinley County, New Mexico. Applicant also seeks the extension of the South Hospah-Upper Sand Pool to include a portion of the Southeast quarter of said Section 1.

CASE 4117: Application of Eastern Petroleum Company for special pool rules, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special rules for the Rattlesnake-Dakota Pool, San Juan County, New Mexico, permitting the drilling of wells on 2½-acre spacing provided that no well be located nearer than 50 feet to the outer boundary of the quarter-quarter section and no nearer than 155 feet to another well producing from the same pool, and provided further, that a 40-acre proration unit would be subject to a 40-acre allowable regardless of the number of wells on the unit.

CASE 4118: Application of Dugan Production Corporation for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle gas production from undesignated Fruitland and Pictured Cliffs gas pools in the well-bore of its Federal "I" Well No. 4, located in the NE/4 NW/4 of Section 1, Township 29 North, Range 14 West, San Juan County, New Mexico.

CASE 4096: (Continued from the April 5, 1969, Examiner Hearing)

Application of Kersey & Company for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority

-4- Examiner Hearing - April 23, 1969

Docket No. 12-69

to institute a waterflood project by the injection of water into the Seven Rivers formation through four wells located in Units C, D, and F of Section 25, Township 17 South, Range 28 East, Aid (Yates-Seven Rivers) Pool, Eddy County, New Mexico.

CASE 4078: (Continued from the April 9, 1969, Examiner Hearing)

Application of J. Gregory Merrion for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the Devils Fork-Callup Pool and an undesignated Mesaverde oil pool in the wellbore of his NCRA State Well No. 3 located in Unit L of Section 16, Township 24 North, Range 6 West, Rio Arriba County, New Mexico.

TEXAS PACIFIC OIL COMPANY

1700 ONE MAIN PLACE
DALLAS, TEXAS 75250

April 21, 1969

L. B. JEFFERS
MANAGER OF PRODUCTION SERVICES

AREA CODE 214
741-5933

Southern Union Production Company
Fidelity Union Tower Building
Dallas, Texas 75221

Attention: Mr. D. W. Whitlow

Re: Mims State Com #2
Basin Dakota Field
San Juan County, New Mexico

Gentlemen:

We have been advised that Southern Union Production Company has requested a hearing before the New Mexico Oil Conservation Commission, requesting force pooling of the W/2 of Section 16, 29-N, 9-W, San Juan County, New Mexico, which will permit development of the Dakota Sand under this drilling unit.

This is to confirm that Texas Pacific Oil Company will participate in the drilling and completion of this development well, contingent upon receiving a favorable ruling by the New Mexico Oil Conservation Commission of the force pooling application with the inclusion of a 150% penalty provision to cover working interest owners who elect not to participate in the well cost. →

Our company is interested in the earliest possible completion of this well to insure a profitable operation and to prevent drainage of gas under this unit by existing offset wells.

Yours truly,

L. B. Jeffers
L. B. Jeffers

LBJ:mc

125% 110

BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
<i>Apple</i>	EXHIBIT NO. <i>2</i>
CASE NO.	<i>4115</i>

E. W. MUDGE, JR.
~~XXXXXXXXXXXXXXXXXXXX~~ 8414 Republic National
DALLAS, TEXAS 75201 Bank Tower

March 31, 1969

Mr. Dee W. Whitlow
Southern Union Gas Company
Fidelity Union Tower Building
Dallas, Texas 75201

Re: Mims State No. 2 - W1/2, Section
16, Range 29N, Township 9W, San
Juan County, New Mexico

Dear Mr. Whitlow:

I agree to be a consenting party in the filing of a forced pooling on the above described acreage. However, I do not care to take part in the financing of this well. I also understand that I will not receive any remuneration from this well until Southern Union Gas Company has recovered 150% of the cost of this well.

Yours very truly,

E. W. Mudge, Jr.
E. W. Mudge, Jr.

EWMjr:imp

BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
<i>APB</i>	EXHIBIT NO. <u>3</u>
CASE NO.	<u>4115</u>

PAYNE, PACE & BENNERS

ATTORNEYS AND COUNSELORS

2520 REPUBLIC NATIONAL BANK BUILDING

DALLAS, TEXAS 75201

214 RIVERSIDE 1-3355

ROBERT G. PAYNE
JOHN A. PACE
FRED H. BENNERS

TAX COUNSEL
WRIGHT MATTHEWS
ROBERT K. SANDS

April 18, 1969

Southern Union Gas Company
Fidelity Union Tower
Dallas, Texas 75201

Attention: Mr. Whitlow

Re: Mims State #2 Dakota Test Well
W $\frac{1}{2}$ Sec. 16, 29 N 9 W
San Juan County, New Mexico

Dear Mr. Whitlow:

This letter is to evidence my agreement to be a consenting party to the unitization of the above tract for a well to be drilled to test the Dakota horizon.

My interest shall be chargeable with 150% of the proportionate cost of this well and its completion.

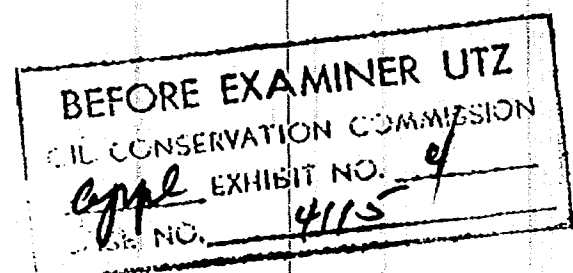
I have purchased the interest of Wroe Owens in this tract and enclose a photostat of the general assignment.

Yours truly,

John A. Pace
John A. Pace

JAP:bjk

Enclosure



WELL COST ESTIMATE

SUG-5012

SOUTHERN UNION PRODUCTION

COMPANY

WELL NAME MIMS STATE COM #2 WELL NO. #2 FIELD Basin DakotaLOCATION NW/4 Sec 16, T-29N, R-9W COUNTY San Juan STATE New MexicoFORMATION Dakota ESTIMATED TOTAL DEPTH 6735'

WELL COST - TANGIBLE

Casing & Tubing

Surface 300' of 10-3/4" @ 4.02/ft
 Intermediate String 2400' 7-5/8" @ 3.21/ft
 Production String Liner 4475' of 4-12" @ 1.39/ft

Tubing 1-1/2" EUE 2.90# JCW @ .58/ft

Well Head Connections

Xmas Tree and Other & fts (2,500) 500 bbl tank
 and 3 phase separator (6,450)

WELL COST - INTANGIBLE

Drilling

Footage 6735' @ 3.50/ft
 Rotary Day Work 2 days @ 1100/day
 Completion Day Work 4 days @ 792/day + MI & MO

Special Services

Logging & Miscellaneous Surveys
 Cement & Cementing
~~Shooting~~ Perforating
~~Shooting~~ Freecing and tank rental

Supplies

Drilling Mud & Chemicals & Rental tools
 Bits
 Guide Shoes & Controlizers
 Water & Fuel gas fuel, Drlg & frac wtr (8,000)
 and drlg gas (3,600)

Miscellaneous

Roads, Location & survey
~~Shooting~~ Trucking (1,500), Co labor & vehicle
(2,500), roustabout labor (1000)

Estimated Total Cost

Working Interest

Our Working Interest Southern Union Production
 Others Mims Estate
Texas & Pacific
E. W. Mudge, Jr.
Wroe C. Owens
John A. Pace

Date April 16, 1969

19

Prepared by Benny Bechtol

Partner's Approval

Date

19

Approved

By

Mgr., Drilling and Production

BEFORE EXAMINER UTZ

CH. CONSERVATION COMMISSION

EXHIBIT NO. 5CASE NO. 4115

WELL NAME, No. LOCATION	GAS PROD CUMUL. 1/1/68 MCF	GAS PROD FOR YEAR 1968 MCF	GAS PROD CUMUL. 1/1/69 MCF	ACTUAL TIME PRODUCED MONTHS	EST. TIME TO PAY OUT MONTHS (BASED ON 1968 PROD)	TOTAL TIME TO PAY OUT MONTHS	EST. PROD TO PAY OUT MCF (BASED ON 1968 PROD)	TOTAL PROD TO PAY OUT MCF (COL. 5 + 9)	TOTAL INCOME MCF AT \$14.00	ROYALTY 12 3/4%	INCOME LESS ROYALTY	COST OF WELL
PAN AMERICAN STATE NO. 1-SF Sec. 16, T-29N, R-9W	153,100	34,845	187,945	45	217	262 (21.8 yrs)	629,951	817,896	\$114,505	\$ 14,313	\$100,192	\$100,000
GENERAL PETROLEUM ROCK ISLAND NO. 1 Sec. 22, T-29N, R-9W	32,331	30,662	62,993	19	298	317 (26.4 yrs)	761,390	824,383	\$115,413	\$ 14,426	\$100,987	\$100,000
PAN AMERICAN SULLY NO. 5 Sec. 10, T-29N, R-9W	124,995	38,748	163,743	42	202	244 (20.3 yrs)	652,258	816,001	\$114,240	\$ 14,280	\$ 99,960	\$100,000
PAN AMERICAN ELLIOTT NO. 6 Sec. 10, T-29N, R-9W	123,061	47,335	170,396	40	164	204 (17.0 yrs)	646,816	817,212	\$114,409	\$ 14,301	\$100,108	\$100,000
PAN AMERICAN HEATH NO. 1 Sec. 9, T-29N, R-9W	232,318	43,685	281,003	46	133	179 (14.9 yrs)	539,581	820,584	\$114,381	\$ 14,360	\$100,521	\$100,000
PAN AMERICAN HEATH NO. 8 Sec. 17, T-29N, R-9W	294,654	49,786	344,440	48	114	162 (13.5 yrs)	472,872	817,312	\$114,423	\$ 14,302	\$100,121	\$100,000
PAN AMERICAN HEATH NO. 9 Sec. 9, T-29N, R-9W	381,485	97,556	479,041	47	42	89 (7.4 yrs)	341,418	820,459	\$114,364	\$ 14,358	\$100,506	\$100,000
PAN AMERICAN HEATH NO. 10 Sec. 17, T-29N, R-9W	260,035	56,346	316,381	47	107	154 (12.8 yrs)	502,365	818,746	\$114,624	\$ 14,328	\$100,296	\$100,000
PAN AMERICAN HEATH NO. 1 Sec. 8, T-29N, R-9W	472,125	123,423	595,548	46	22	68 (5.7 yrs)	226,270	821,818	\$115,054	\$ 14,381	\$100,673	\$100,000
PAN AMERICAN HEATH NO. 1 Sec. 8, T-29N, R-9W	530,916	241,065	771,981	44	3	47 (3.9 yrs)	60,264	832,245	\$116,514	\$ 14,564	\$101,950	\$100,000

Copy 2x 6
4115

Pan American - Heath No. 1-G
 1070/S line & 2000/W line, Sec. 8, T-29N, R-9W
 Completed 12/14/64; I.P. 5600 MCF

Cumulative 1/1/68
 472,125 MCF
 2,195 Bbls.

Cumulative Gas 1/1/68
 Cumulative Oil 1/1/68

1968	Gas Production	Oil Production
January	10,343	110
February	10,577	14
March	11,238	13
April	10,840	-0-
May	8,702	91
June	8,575	67
July	10,890	40
August	10,530	37
September	10,520	40
October	10,385	10
November	10,995	153
December	9,828	-0-
Total	123,423	575

Cumulative 1/1/69
 595,548 MCF
 2,770 Bbls.

Cumulative Gas 1/1/69
 Cumulative Oil 1/1/69

Pan American - Heath No. 1-H
 1487/N line & 1467/W line; Sec. 8, T-29N, R-9W
 Completed 2/15/65; I.P. 3100 MCF

Cumulative 1/1/68
 530,916 MCF
 1,580 Bbls.

Cumulative Gas 1/1/68
 Cumulative Oil 1/1/68

1968	Gas Production	Oil Production
January	32,655	123
February	19,430	71
March	14,472	35
April	18,355	39
May	27,378	33
June	17,952	76
July	16,775	19
August	11,064	41
September	26,011	57
October	23,034	25
November	13,091	65
December	20,848	17
Total	241,065	601

Cumulative 1/1/69
 771,981 MCF
 2,181 Bbls.

Cumulative Gas 1/1/69
 Cumulative Oil 1/1/69

3314 H/MC.

BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
EXHIBIT NO. <u>7</u>	CASE NO. <u>4115</u>

Pan American - Heath No. 1-J
 T490/N line & 2280/E line, Sec. 9, T-29N, R-9W
 Completed 1/3/65; I.P. 3400 MCF

Cumulative Gas 1/1/68
 Cumulative Oil 1/1/68

Cumulative 1/1/68
 232,318 MCF
 831 Bbls.

1968	Gas Production	Oil Production
January	4,731	20
February	3,412	24
March	3,702	4
April	5,542	3
May	5,143	3
June	3,355	113
July	3,994	7
August	3,854	7
September	4,178	16
October	3,903	12
November	2,831	-0-
December	4,040	4
Total	48,685	213

Cumulative Gas 1/1/69
 Cumulative Oil 1/1/69

Cumulative 1/1/69
 281,003 MCF
 1,044 Bbls.

Pan American - Heath No. 9-A
 820/S line & T450/W line, Sec. 9, T-29N, R-9W
 Completed 10/20/64; I.P. 2200

Cumulative Gas 1/1/68
 Cumulative Oil 1/1/68

Cumulative 1/1/68
 381,465 MCF
 1,298 Bbls.

1968	Gas Production	Oil Production
January	9,241	48
February	6,676	8
March	8,114	5
April	9,355	98
May	8,969	10
June	6,781	42
July	8,655	20
August	8,626	20
September	8,798	12
October	8,180	8
November	6,189	77
December	7,972	8
Total	97,556	356

Cumulative Gas 1/1/69
 Cumulative Oil 1/1/69

Cumulative 1/1/69
 479,041 MCF
 1,654 Bbls.

Pan American - Elliott No. 5-B
 790/S line & 1450/W line, Sec. 10, T-29N, R-9W
 Completed 3/14/65; I.P. 1800 MCF

Cumulative Gas 1/1/68
 Cumulative Oil 1/1/68

1968	Gas Production	Oil Production
January	3,585	-0-
February	2,136	3
March	2,510	5
April	3,910	7
May	3,921	5
June	2,972	-0-
July	3,777	9
August	3,838	5
September	3,243	6
October	3,930	9
November	1,771	35
December	3,155	-0-
Total	38,748	84

Cumulative Gas 1/1/69
 Cumulative Oil 1/1/69

Cumulative 1/1/68
 121,995 MCF
 773 Bbls.

Cumulative 1/1/69
 163,743 MCF
 857 Bbls.

Pan American - Elliott No. 6-B
 1835/N line & 1520/E line, Sec. 10, T-29N, R-9W
 Completed 7/6/65; I.P. 2092

Cumulative Gas 1/1/68
 Cumulative Oil 1/1/68

1968	Gas Production	Oil Production
January	4,730	25
February	3,043	10
March	3,314	11
April	3,511	5
May	2,848	10
June	2,556	71
July	4,138	30
August	5,695	18
September	5,145	13
October	4,365	12
November	3,191	18
December	4,799	-0-
Total	47,335	253

Cumulative Gas 1/1/69
 Cumulative Oil 1/1/69

Cumulative 1/1/68
 123,061
 666 Bbls.

Cumulative 1/1/69
 170,398 MCF
 919 Bbls.

Pan American - Heath No. 8-A
 790/N line & 2070/W line, Sec. 17, T-29N, R-9W
 Completed 9/14/64; I.P. 5200 MCF

Cumulative Gas 1/1/68
 Cumulative Oil 1/1/68

Cumulative 1/1/68
 294,654 MCF
 2,171 Bbls.

1968	Gas Production	Oil Production
January	5,059	52
February	3,354	10
March	4,545	-0-
April	5,610	-0-
May	5,916	127
June	3,419	20
July	4,150	20
August	3,967	20
September	3,775	47
October	3,510	13
November	2,838	5
December	3,643	8
Total	49,786	322

Cumulative Gas 1/1/69
 Cumulative Oil 1/1/69

Cumulative 1/1/69
 344,440 MCF
 2,493 Bbls.

Pan American - Heath No. 10-A
 1850/S line & 1850/W line, Sec. 17, T-29N, R-9W
 Completed 11/9/64; I.P. 2700 MCF

Cumulative Gas 1/1/68
 Cumulative Oil 1/1/68

Cumulative 1/1/68
 260,035
 1,746

1968	Gas Production	Oil Production
January	4,937	113
February	4,692	38
March	4,623	43
April	3,518	23
May	4,807	-0-
June	5,826	34
July	5,723	-0-
August	5,125	-0-
September	3,657	-0-
October	4,702	34
November	4,333	7
December	4,403	18
Total	56,346	310

Cumulative Gas 1/1/69
 Cumulative Oil 1/1/69

Cumulative 1/1/69
 316,381 MCF
 2,056 Bbls.

Pan American - State No. 1 - BF
 940/W line & 1190/E line, Sec. 16, T-29N, R-9W
 Completed 1/28/65; I.P. 1800 MCF

Cumulative Gas 1/1/68
 Cumulative Oil 1/1/68

Cumulative 1/1/68
 153,100 MCF
 1,936 Bbls.

1968	Gas Production	Oil Production
January	2,958	45
February	3,709	9
March	3,109	10
April	1,851	6
May	2,220	141
June	3,017	12
July	3,806	10
August	3,322	9
September	2,854	11
October	2,044	17
November	2,494	167
December	3,461	5
Total	34,845	442

Cumulative Gas 1/1/69
 Cumulative Oil 1/1/69

Cumulative 1/1/69
 187,945 MCF
 2,378 Bbls.

General Petroleum - Rock Island #1
 1160/W line & 910/W line, Sec. 22, T-29N, R-9W
 Completed 1/17/67; I.P. 1605 MCF

Cumulative Gas 1/1/68
 Cumulative Oil 1/1/68

Cumulative 1/1/68
 32,331 MCF
 420 Bbls.

1968	Gas Production	Oil Production
January	3,051	-0-
February	3,367	33
March	3,185	27
April	2,469	30
May	2,883	25
June	-0-	-0-
July	3,025	24
August	3,597	53
September	2,097	15
October	2,328	28
November	2,167	-0-
December	2,493	38
Total	30,662	273

Cumulative Gas 1/1/69
 Cumulative Oil 1/1/69

Cumulative 1/1/69
 62,993 MCF
 693 Bbls.

Memo

From

ALEX J. ARMIJO
COMMISSIONER

To

Pete Porter

Seag. 7	S.U. E3973	
B10870-10	Mudge et al E12086	
Mims et al E5314-2		
Seag. B10870-10	S.U. E3773	

J. O. SETH (1883-1963)

A. K. MONTGOMERY
WM. FEDERICI
FRANK ANDREWS
FRED C. HANNAHS
RICHARD S. MORRIS
SUMNER G. BUELL
SETH D. MONTGOMERY
FRANK ANDREWS III

MONTGOMERY, FEDERICI, ANDREWS, HANNAHS & MORRIS

ATTORNEYS AND COUNSELORS AT LAW

350 EAST PALACE AVENUE

SANTA FE, NEW MEXICO 87501

RECEIVED

APR 4 9 28 AM '69

STATE LAND OFFICE
SANTA FE, N.M.

April 3, 1969

POST OFFICE BOX 2307
AREA CODE 505
TELEPHONE 982-3876

Mr. Oscar Jordan
Chief Attorney
New Mexico State Land Office
Santa Fe, New Mexico 87501

Re: Application of Southern Union Production
Company for Compulsory Pooling of the W/2
of Section 16, Township 29 North, Range 9
West, San Juan County, New Mexico

MAIN OFFICE
'69 APR 10 AM 8 55

Dear Oscar:

Enclosed is a copy of the Application that has been filed with the New Mexico Oil Conservation Commission in the above referenced case. This is the matter that Dee Whitlow and I discussed with you and Phil Lucero about two weeks ago.

We will appreciate very much any help you can give us in obtaining approval of our application, particularly with respect to our request that the Commission impose a 50% risk factor in this case. Unless the Commission will impose the 50% factor, it is highly doubtful that Southern Union can economically undertake the drilling of the proposed well for the reason that we know there will be many non-consenting interest owners in this proration unit who will elect to pay their share of well costs out of production.

We will appreciate any help you can give us on this matter.

Very truly yours,

Richard S. Morris

RSM:jh
Enclosure

cc: Mr. D. W. Whitlow

69 Apr 3 1969
BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION OF SOUTHERN)
UNION PRODUCTION COMPANY)
FOR COMPULSORY POOLING,)
SAN JUAN COUNTY, NEW MEXICO.)

Case No. 4115

A P P L I C A T I O N

Comes now Southern Union Production Company by its attorneys and applies to the New Mexico Oil Conservation Commission for an order pooling all mineral interests in the W/2 of Section 16, Township 29 North, Range 9 West, San Juan County, New Mexico, and in support of its application states:

1. Applicant is the record lessee and owner of State of New Mexico Oil and Gas Lease No. E-397-3 covering the NE/4NW/4 and SE/4SW/4 of Section 16, Township 29 North, Range 9 West, San Juan County, New Mexico. Mr. E. W. Mudge, Jr. is the record lessee and owner of State of New Mexico Oil and Gas Lease No. E-1203-6 covering the SE/4NW/4 of said Section 16. Other working interest owners of State of New Mexico Oil and Gas Lease No. E-1203-6 are Wroe Owens, John A. Pace and Southern Union Production Company. Joseph E. Seagram & Sons, Inc. is the record lessee and owner of State of New Mexico Oil and Gas Lease No. B-10870-10 covering the W/2NW/4 and the SW/4SW/4 of said Section 16.

2. Robert Mims is the lessee of record of State of New Mexico Oil and Gas Lease No. E-5314-2 covering the N/2SW/4 of said Section 16. Mr. Robert Mims is deceased and there has been no ancillary probate of his estate in the State of New Mexico. Applicant is informed and believes that Mrs. Sally Mims, individually and as Executrix of the Estate of Robert Mims,

DOCKET MAILED

4-10-69

Deceased, claims some interest in the said State of New Mexico Oil and Gas Lease No. E-5314-2. Applicant also is informed and believes that Harriet Mims Buchenau claims some interest in the said State of New Mexico Oil and Gas Lease No. E-5314-2. Applicant also is informed and believes that Doris Elaine Mims claims some interest in the said State of New Mexico Oil and Gas Lease No. E-5314-2.

3. In addition to the persons named above as owning or claiming ownership of the aforesaid State of New Mexico Oil and Gas Leases, there may be other persons not known to the applicant who claim some mineral interest in the W/2 of said Section 16.

4. Applicant proposes to drill a well to the Dakota Formation at an orthodox location in the W/2 of said Section 16.

5. Applicant has obtained the voluntary agreement of E. W. Mudge, Jr. and Joseph E. Seagram & Sons, Inc. to the communitization of their interests with the interest owned by applicant to the formation of a 320-acre spacing and proration unit to be dedicated to applicant's proposed Dakota well in the W/2 of said Section 16. Although applicant has made diligent effort to determine the ownership of the remaining working interests in the W/2 of said Section 16 and to obtain the voluntary agreement of such owners for the commitment of those working interests to the proposed communitization agreement, applicant has been unable to obtain such an agreement and accordingly there are owners of oil and gas minerals in the W/2 of said Section 16 which have not agreed to pool their interests.

6. In order to avoid the drilling of unnecessary wells and to protect correlative rights and to prevent waste, the Commission should enter its order pooling the W/2 of said Section 16 and all mineral interests therein to form a standard

320-acre proration unit to be dedicated to the well which applicant proposes to drill to the Dakota Formation.

7. The pooling order entered by the Commission should designate applicant as the operator of the proration unit and should provide for reimbursement to the operator and other working interest owners who pay the cost of drilling, completing and operating the proposed well out of the proceeds from production attributable to the share of each non-consenting working interest owner who does not consent to the pooling of his interest, including a reasonable charge for supervision and further including a charge for the risk involved in the drilling of the well in the amount of fifty percent of each non-consenting working interest owner's pre-rata share of the cost of drilling and completing the well.

WHEREFORE, applicant requests that the Commission set this application for hearing before the Commission or one of its Examiners and that the Commission enter its order pooling all interests in the W/2 of said Section 16 as requested by this application.

MONTGOMERY, FEDERICI, ANDREWS
HANNAHS & MORRIS

By Richard S. Morris
350 East Palace Avenue
Santa Fe, New Mexico 87501
Attorneys for Applicant,
Southern Union Production Company.

costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 60-day period, the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 30 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, ⁴⁰ % 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 \$ 100 ⁰⁰ per month is hereby fixed as a reasonable charge for supervision for the subject well; 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 the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

hereby authorized to withhold from production the proportionate share of such cost 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 San Juan 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.

DRAFT

GMH/esr

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. 4115

Order No. R-3763

APPLICATION OF SOUTHERN UNION PRODUCTION COMPANY
FOR COMPULSORY POOLING, SAN JUAN COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 ~~o'clock~~ a.m. on
April 23, 1969, at Santa Fe, New Mexico, before Examiner
Elvis A. Utz.

NOW, on this May day of April, 1969, 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, Southern Union Production Company,
seeks an order pooling all mineral interests in the Dakota formation,

Basin-Dakota Gas Pool underlying the W/2 of
Section 16, Township 29 North, Range 9 West, NMPM,
~~South~~ ~~East~~
San Juan County, New Mexico.

(3) That the applicant has the right to drill and proposes
to drill a well in the W/2 of said Section 16 to the
Basin-Dakota Gas Pool.

(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 40 % 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 said 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 \$ 100 per month should be fixed as a reasonable charge for supervision for the subject well; 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.

R 31327-P

escrow to be paid to the true owner thereof upon demand and proof of ownership.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in ~~the Dakota formation,~~
~~xxx~~ Basin-Dakota Gas Pool ~~xxx~~ underlying the W/2
of Section 16, Township 29 North, Range 9 West, NMPM,
~~South~~ ~~xxxx~~
San Juan County, New Mexico, are hereby pooled to form a 320 -
~~oil-spacing~~
acre gas proration unit to be dedicated to a well to be drilled
at a standard location in the W/2 of said Section 16.

(2) That Southern Union
Production Company is hereby designated
the operator of the subject well and unit.

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

(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 in the subject unit an itemized schedule of actual well costs within 30 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 60 days following completion of the well, the actual well