

CASE 5867: TEXAS OIL & GAS CORPORATION  
FOR COMPULSORY POOLING, EDDY COUNTY, NEW  
MEXICO

Case Number

5867

Application

Transcripts

Small Exhibits

ETC.

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
March 9, 1977

EXAMINER HEARING

IN THE MATTER OF:

Application of Texas Oil & Gas Corpora-  
tion for compulsory pooling, Eddy  
County, New Mexico.

CASE  
5867  
(Cont'd.)

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil  
Conservation Commission:

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

For the Applicant:

Joel M. Carson, Esq.  
LOSEE & CARSON P.A.  
Attorneys at Law  
300 American Home Building  
Artesia, New Mexico

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1 MR. NUTTER: We will call next Case Number 5867.

2 MS. TESCHENDORF: Case 5867, application of Texas  
3 Oil & Gas Corporation for compulsory pooling, Eddy County,  
4 New Mexico.

5 MR. CARSON: Mr. Examiner, my name is Joel Carson,  
6 Losee & Carson P.A., Artesia, New Mexico, appearing here on  
7 behalf of the applicant and I have one witness.

8 (THEREUPON, the witness was duly sworn.)

9  
10 ROYCE GRIFFIN

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

13  
14 DIRECT EXAMINATION

15 BY MR. CARSON:

16 Q Would you state your name, please?

17 A Royce Griffin.

18 Q And what's your position, Mr. Griffin?

19 A Geologist with Texas Oil & Gas Corporation, Midland,  
20 Texas.

21 Q Mr. Griffin, you have previously testified before  
22 this Commission, have you not?

23 A Yes, sir, I have.

24 Q And your qualifications have been accepted?

25 A Yes.

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1 MR. CARSON: Are his qualifications acceptable now,  
2 Mr. Nutter?

3 MR. NUTTER: Yes, they are, please proceed.

4 Q (Mr. Carson continuing.) Would you state generally  
5 the purpose of this application?

6 A Texas Oil & Gas proposes to drill a Morrow well at an  
7 orthodox location in the South Half Unit of Section 19,  
8 Township 21 South, Range 27 East.

9 At this time several interest owners have not agreed  
10 to join in this unit at this time.

11 Q Mr. Griffin, you changed the name of this well since  
12 the filing of this application from the Forrest No. 1 to the  
13 Rayroux, R-a-y-r-o-u-x, No. 1, have you not?

14 A Yes, that's right.

15 Q Let me refer you to Applicant's Exhibit Number One  
16 and ask you if that exhibit was prepared by you?

17 A It was prepared under my direction, yes, sir.

18 Q What is that, Mr. Griffin?

19 A This is a land map showing the location of said  
20 well in the south half of Section 19.

21 Q Okay, I hand you what has been marked as Applicant's  
22 Exhibit Number Two and ask you to please describe what that is?

23 A Exhibit Number Two is a structure map of the Morrow.  
24 On this map are shown several things. Circled in red are those  
25 wells which penetrated the Morrow section. Underneath each well

1 is the subsurface depth of the Morrow marker on which we are  
2 mapping.

3 Shown in Section 19 outlined in yellow is the  
4 South Half Unit which we have proposed. We have the well to  
5 be drilled at an orthodox location nineteen, eighty out of  
6 the south and west.

7 Q Would you explain the data insofar as it applies,  
8 that you have on your exhibit insofar as it applies to each  
9 one of those wells that you have circled in red?

10 A Yes, within this area there are what I would consider  
11 to be three profitable wells based upon cumulative production  
12 and current daily rate and those numbers are listed to the  
13 side of each of the wells, those wells being the Monsanto No. 1  
14 Avalon Hills in Section 7; the Mobil No. 2 Federal Double O in  
15 Section 18; and the Cities Service No. 1 Ives in Section 30.  
16 Also there is one completion in the southeast quarter of  
17 Section 18, the Yates No. 2 Avalon Hills which is completed in  
18 the Morrow but based on its current flow rates would be  
19 considered marginal in my opinion, as far as profitability is  
20 concerned.

21 There are also two wells, the Yates No. 1 Arco DI  
22 Federal in Section 13 and the Cities Service No. 1 in Section  
23 29 which have been potentialized but we do not have any production  
24 history at this date. We assume they are not on stream.

25 There are also four dry holes in the area, the

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1 Monsanto No. 2 Arco in Section 13; Hanagan No. 1 Lowinbach in  
2 24; Cities Service No. 1 CS State in 17; and Cities Service  
3 No. 1 Simpson in Section 29, which are dry holes in the  
4 Morrow section.

5 Q Mr. Griffin, was this Exhibit Number Two prepared by  
6 you or under your supervision?

7 A Yes, sir, it was.

8 Q I refer you to Applicant's Exhibit Number Three,  
9 which is an isopach of the Upper Morrow sands.

10 A It might be a little clearer if I presented the cross  
11 section first showing those units.

12 Q Let me back up then and refer you to what has been  
13 marked as Exhibit Number Five which is the cross section A to  
14 A prime and ask if that was prepared by you or under your  
15 supervision?

16 A Yes, it was.

17 Q Would you like to explain that to the Examiner, please?

18 A This exhibit is a cross section on line AA prime,  
19 referring back to the structure map, running through the  
20 location of Texas Oil & Gas' proposed well in 19. The two  
21 exhibits to follow, the Upper and Lower Morrow isopachs are  
22 of those sands occurring in what is indicated here as Upper  
23 sand interval and Lower sand interval.

24 Now, on the isopach values I have taken anything  
25 greater than or less than fifty api gamma ray units as



1 indicating clean sand and I have isopached those values, so  
2 we will be referring to the Upper Morrow clean sand isopach  
3 and the Lower as indicated on this cross section.

4 MR. NUTTER: Mr. Griffin, I want to just interrupt  
5 you a second. At the end of your cross section is this Cities  
6 Service Tracy 1 "E". You don't have any potential or anything  
7 on that but you do have a log on the well. Has that well been  
8 completed?

9 A No, sir, it has not, they are just completing that  
10 now.

11 MR. NUTTER: I see. So you have no potential at  
12 all there?

13 A No, sir.

14 MR. NUTTER: Do they have a gas well, do you know?

15 A They have set pipe and are going to complete this  
16 well or are attempting to complete it. They were drilling out  
17 cement at the last report that I had.

18 MR. NUTTER: But you really have no knowledge of  
19 it yet?

20 A No, sir.

21 MR. NUTTER: Okay.

22 Q (Mr. Carson continuing.) I'll now refer you to  
23 Applicant's Exhibit Number Three and ask if that was prepared  
24 by you or under your supervision?

25 A Yes, sir, it was.

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1 Q Would you explain to the Hearing Examiner what that  
2 Exhibit shows?

3 A This is an isopach of the clean sands in what I  
4 was referring to as Upper Morrow Sand Unit. Again, all Morrow  
5 penetrations are circled in red with the value of those sands,  
6 isopach units, right underneath the well.

7 We do have logs on the Cities Service Tracy Well in  
8 section 30 and according to that log I have estimated eighteen  
9 feet of clean sand.

10 Now, as can be observed on this isopach in Section  
11 24, 21, 26, there is a well with six feet of all salt in  
12 Section 13 north of there, nineteen feet. So it appears as  
13 though there is a thick developing to the south with a thinner  
14 sand section both to the east and to the west in this area.  
15 Now, we anticipate that we can get twenty to forty feet of  
16 sand, however, there is risk involved in the fact that the sand  
17 is very thin off to the west here.

18 Q I refer you to Applicant's Exhibit Number Four and  
19 ask if that exhibit was prepared by you or under your super-  
20 vision?

21 A Yes, it was.

22 Q Would you explain it to the Hearing Examiner, please?

23 A This is an isopach of the clean sand in the Lower  
24 Morrow interval, again with the Morrow wells circled in red and  
25 the value of the sand underneath each well.

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1 This isopach shows a thin or an absence of sand  
2 running down through the middle of the map here. As you  
3 might observe up in Section 18, the Mobil Oil Federal Double O  
4 Well No. 2, twenty-one feet of sand and the Cities Service  
5 Tracy No. 1 "E" in Section 30, the south was twenty-four feet,  
6 so it appears that there is going to be a thin area or an  
7 absence of sand through this area right across our location.

8 We feel that there is considerable risk in the Lower  
9 Morrow in this case.

10 Q Mr. Griffin, I hand you what has been marked as  
11 Applicant's Exhibit Number Six, which is an AFE for this  
12 location. Are you acquainted with that AFE?

13 A Yes, I am.

14 Q Does that accurately reflect the projected cost of  
15 the drilling of this well?

16 A Yes, it does.

17 Q I'll hand you what has been marked as Applicant's  
18 Exhibit Number Seven and ask if that is not an operating  
19 agreement which you propose to use?

20 A Yes, it is.

21 Q And that operating agreement and this AFE have both  
22 been submitted to all of those interest owners that you can  
23 find?

24 A That's right.

25 Q And, Mr. Griffin, are you asking for an operating

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1 charge of two hundred and seventy-five dollars a month?

2 A. Yes.

3 Q. And a two hundred percent risk factor?

4 A. Yes, that's right.

5 Q. And do you believe that the granting of this applica-  
6 tion would avoid the drilling of unnecessary wells, protect  
7 correlative rights and would otherwise afford the owner of  
8 each interest the opportunity to recover his just and fair  
9 share of gas in the pool?

10 A. Yes, I do.

11 Q. And you ask that these non-consenting interest  
12 owners be force pooled?

13 A. Yes, sir.

14 MR. CARSON: Mr. Examiner, I would like to move the  
15 introduction of these Exhibits One through Seven.

16 MR. NUTTER: Exhibits One through Seven will be  
17 admitted.

18 (THEREUPON, Applicant's Exhibits One through  
19 Seven were admitted into evidence.)

20

21

CROSS EXAMINATION

22 BY MR. NUTTER:

23 Q. Mr. Griffin, in this operating agreement is there  
24 any provision in here, I haven't been able to find it yet, as  
25 to operating expenses and overhead and such things?

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1 MR. CARSON: Go ahead and look, I think it's in the  
 2 back here.

3 A. Yes, it is in here. Here it is.

4 Q. (Mr. Nutter continuing.) Okay, I found it. It is  
 5 on Page Three. Sixteen hundred and thirty dollars a month  
 6 for a drilling well and two hundred and seventy-five for a  
 7 producing well, is your overhead?

8 A. Yes, sir.

9 Q. And what did you suggest in your testimony a moment  
 10 ago?

11 A. Two hundred percent.

12 Q. No, for operating costs?

13 A. Oh, two hundred and seventy-five.

14 Q. The same figures that you have given here?

15 A. Yes, sir, right.

16 Q. And you are seeking a two hundred percent risk  
 17 factor?

18 A. Yes, sir.

19 Q. Okay, now, who are the poolers here and what progress  
 20 has been made in obtaining consent?

21 MR. CARSON: We have three sets of that correspondence.

22 A. Would you like the percentage, sir?

23 Q. (Mr. Nutter continuing.) I would like to know what  
 24 percentage of the working interest has agreed, what percent  
 25 your pool is, who they are, where they are and what they

1 own and also the royalty interests, how much of that is  
2 committed to the unit.

3 A At this point the outstanding mineral interests in  
4 the area are: Flag-Redfern Oil Company, point, oh, three, oh,  
5 five, seven, oh, one percent. Three, point, oh, five, oh,  
6 one percent, excuse me. John J. Redfern and wife and Rosalind  
7 Redfern, two, point, nine, seven, three, two, one percent.  
8 Michael P. Grace, three, point, nine, five, three, one, four  
9 percent and unleased, point, zero, eight, one, eight, eight  
10 percent.

11 Q Oh, you have made a correction then. This copy  
12 has point, five, four, oh, one.

13 A Yes, sir.

14 MR. CARSON: I might say this, since that copy was  
15 sent out to all of the participants, they have acquired an  
16 unleased area, is my understanding.

17 A That's right.

18 Q (Mr. Nutter continuing.) Would you repeat that  
19 number so I can enter it here then?

20 A Okay. Point, zero, eight, one, eight, eight.

21 Q Well, now, read it in terms as listed on this  
22 exhibit?

23 A On this exhibit it's five, point, four as unleased  
24 is what you are referring to.

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

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1 A. Let me give it in the same manner, sir.

2 Q. (Mr. Nutter continuing.) Okay.

3 A. Point, zero, zero, zero, eight, one, eight, eight.

4 Q. So it is eight hundredths of one percent, I presume?

5 A. That's right.

6 Q. Okay, now, this Flag-Redfern and John J. Redfern  
7 with their three percent and their two, point, nine percent,  
8 where is their property, they must have an undivided interest  
9 in some lease, is that it?

10 A. Their interest is located in the southeast quarter  
11 of Section 19.

12 Q. And which lease would that be in?

13 A. That would be in the northeast quarter of the south-  
14 east quarter as you notice up at the top of the section,  
15 Pioneer Production and Flag-Redfern.

16 Q. Okay. And then Michael P. Grace has three, point,  
17 nine, five percent interest?

18 A. Yes, sir.

19 Q. He has an interest in the northwest quarter of the  
20 southeast quarter, is that right?

21 A. Yes, sir.

22 Q. And then what about the unleased interests, where  
23 would they be?

24 A. And Michael P. Grace also has interest in the  
25 southwest of the southeast.

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1 Q Right.

2 MR. CARSON: I think the Examiner wanted to know  
3 the description of the unleased area.

4 A This is located in Lot 34, LaHuerta Circle Drive  
5 Addition located in the southwest quarter of the southeast  
6 quarter of Section 19.

7 Q (Mr. Nutter continuing.) Is that shown on one of  
8 our exhibits?

9 A In detail?

10 Q Yes.

11 A No, I don't believe it is.

12 Q Do you have a list of all of the unleased interests  
13 there?

14 A We do have a list of those, yes, it's in this  
15 exhibit. Yes, we do.

16 Q Maybe you can make a copy of that and enter that as  
17 an exhibit also?

18 A Yes, sir.

19 Q Now, those unleased interests, I presume they will  
20 be working interest owners as well as royalty owners, is that  
21 correct?

22 A That's correct as far as I know.

23 Q There are land owners in here who also own the  
24 minerals and haven't leased?

25 A Well, the one individual who -- the unleased portion

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1 we have not been able to contact, we have sent out letters, we  
2 have sent out individuals to find this man and he is --

3 Q This is the only tract then that is unleased?

4 A That is the only one.

5 Q Okay, let me get a complete description of that and  
6 maybe you don't need the exhibit. Is it Lot 34?

7 A It's Lot 34 of LaHuerta Circle Drive Addition. It's  
8 located in the southwest-southeast of 19, 21, 27.

9 Q And who is the owner?

10 A It is reputed to be owned by Jackie L. Harrell,  
11 H-a-r-r-e-l-l and Loreena S. Harrell.

12 Q Now, what was Jackie's middle initial?

13 A L.

14 Q Okay.

15 MR. CARSON: Mr. Examiner, I have had prepared in  
16 triplicate the correspondence with these various people, does  
17 that unnecessarily fill up your file or would you like to have  
18 it in there?

19 MR. NUTTER: I don't think it's necessary. An  
20 attempt has been made to lease this Harrell property, has it  
21 not?

22 MR. CARSON: Yes, attempts have been made.

23 MR. NUTTER: You have been unable to lease it or to  
24 obtain their joining the unit. Efforts have been made, I  
25 presume, with respect to Flag-Redfern, John Redfern and Michael

1 P. Grace?

2 A. Yes, that's true.

3 Q (Mr. Nutter continuing.) And you have been unable  
4 to obtain consent?

5 A. Yes.

6 Q And you have amended the name of the well? Originally  
7 the well was proposed to be drilled, I think in Unit N of  
8 Section 19, being the southeast of the southwest and it was  
9 going to be called the Forrest Well No. 1?

10 A. Yes, that's right.

11 Q Now, you have moved the well to the northeast of  
12 the southwest and it's going to be called the Rayroux No. 1,  
13 is that it?

14 A. Yes, based on the result of the Cities Service Tracy  
15 Well, we felt that we should move that further north.

16 Q These are both standard locations for the south  
17 half of Section 19, are they not?

18 A. Yes, sir.

19 Q I will consider the application amended here so  
20 there is no need for readvertisements, they are both standard  
21 locations.

22 A. Yes.

23 MR. NUTTER: Does anyone else have any questions of  
24 Mr. Griffin? He may be excused.

25 (THEREUPON, the witness was excused.)

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1 MR. NUTTER: Do you have anything further, Mr. Carson?

2 MR. CARSON: No, nothing further.

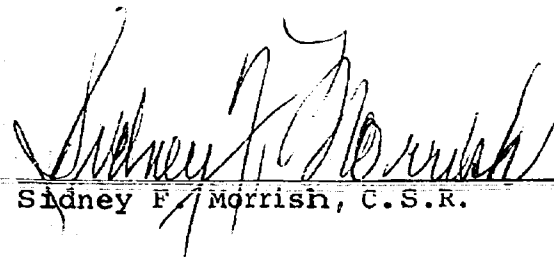
3 MR. NUTTER: Does anyone have anything they wish to  
4 offer in Case Number 5867? We will take the case under advise-  
5 ment.

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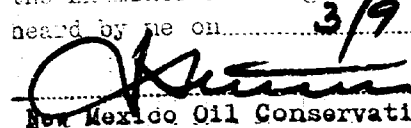
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REPORTER'S CERTIFICATE

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. 5867  
heard by me on 3/9, 19 77.  
, Examiner  
New Mexico Oil Conservation Commission

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
February 16, 1977

EXAMINER HEARING

IN THE MATTER OF:

Application of Texas Oil & Gas Corpora- ) CASE  
tion for compulsory pooling, Eddy County) 5867  
New Mexico. )

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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

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1 MR. STAMETS: We will call at this time Case 5867.

2 MS. TESCHENDORF: Case 5867, application of Texas  
3 Oil & Gas Corporation for compulsory pooling, Eddy County,  
4 New Mexico.

5 The applicant has requested that we continue this  
6 case to the March 9th hearing.


7 MR. STAMETS: Case 5867 will be continued to the  
8 March 9th Examiner Hearing.

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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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Phone (505) 982-9212

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 5867  
heard by me on July 16, 1972  
  
Richard H. Shaw, Examiner  
New Mexico Oil Conservation Commission



# OIL CONSERVATION COMMISSION

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

DIRECTOR  
JOE D. RAMEY

LAND COMMISSIONER  
PHIL R. LUCERO  
March 16, 1977



STATE GEOLOGIST  
EMERY C. ARNOLD

Mr. Joel Carson  
Losee & Carson  
Attorneys at Law  
Post Office Box 239  
Artesia, New Mexico 88210

Re: CASE NO. 5867  
ORDER NO. K-5400

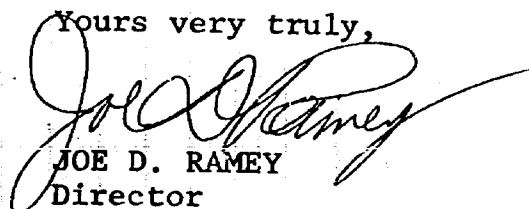
Applicant:

Texas Oil & Gas Corporation

Dear Sir:

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

Yours very truly,

  
JOE D. RAMEY  
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC ☒  
Artesia OCC ☒  
Aztec OCC ☐

Other \_\_\_\_\_



BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE NO. 5867  
Order No. R-5400

APPLICATION OF TEXAS OIL & GAS  
CORPORATION FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 9, 1977,  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 15th day of March, 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, Texas Oil & Gas Corporation, seeks  
an order pooling all mineral interests in the Wolfcamp and  
Pennsylvanian formations underlying the S/2 of Section 19, Town-  
ship 21 South, Range 27 East, NMPM, Burton Flat Field, Eddy  
County, New Mexico.

(3) That the applicant has the right to drill and proposes  
to drill at a standard location for said unit.

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

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

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

-2-

Case No. 5867  
Order No. R-5400

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

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

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

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

(11) That \$1630.00 per month while drilling and \$275.00 per month while producing should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before May 15, 1977, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Wolfcamp and Pennsylvanian formations underlying the S/2 of Section 19, Township 21 South, Range 27 East, NMPM, Burton Flat Field, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location for said unit.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of May, 1977, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of May, 1977, Order (1) of this order shall be null and void and of no effect whatsoever; unless said operator obtains a time extension from the Commission for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Commission and show cause why Order (1) of this order should not be rescinded.

(2) That Texas Oil & Gas Corporation is hereby designated the operator of the subject well and unit.

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

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Commission and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$1630.00 per month while drilling and \$275.00 per month while producing is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

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

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

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

-5-

Case No. 5867  
Order No. R-5400

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman



*Emery C. Arnold*  
EMERY C. ARNOLD, Member

*Joe D. Hamey*  
JOE D. HAMEY, Member & Secretary

S E A L

jr/

Dockets Nos. 9-77 and 10-77 are tentatively set for hearing on March 23 and April 6, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 9, 1977

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

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

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

CASE 5863: (Continued & Readvertised)

Application of Amerada Hess Corporation for an unorthodox oil well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Jicarilla Apache "B" Well No. 16, completed as an oil well in the Dakota formation at a point 1850 feet from the South line and 1500 feet from the West line of Section 29, Township 24 North, Range 5 West, Rio Arriba County, New Mexico, said well having been projected as a Basin-Dakota gas well at a standard gas well location for said pool.

CASE 5857: (Continued & Readvertised)

Application of Union Oil Company of California for directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to re-enter its Pipeline Deep Unit Federal Well No. 3, the surface location of which is 1980 feet from the North and East lines of Section 7, Township 19 South, Range 34 East, Lea County, New Mexico, and to directionally drill said well in a southerly or easterly direction and complete it in the Morrow formation at a point no closer than 330 feet to the outer boundary of the proration unit, the E/2 of said Section 7.

CASE 5873: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the amendment of Rule 1115 of the Commission Rules and Regulations to provide for the filing of information required on Form C-115, Operator's Monthly Report, in the manner and sequence prescribed by the Commission:

CASE 5874: Application of Texaco Inc. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Lower San Andres formation through the perforated interval from 5926 to 5946 feet of its New Mexico "R" State Well No. 5, located in Unit B of Section 2, Township 18 South, Range 34 East, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico.

CASE 5866: (Continued from February 16, 1977, Examiner Hearing)

Application of Union Texas Petroleum for an exception to casing and cementing requirements of Order No. R-111-A, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the casing and cementing requirements of Order No. R-111-A to eliminate the salt protection string in a well it proposes to drill in Unit D of Section 33, Township 20 South, Range 34 East, Lynch Yates-Seven Rivers Pool, Lea County, New Mexico.

CASE 5048: (Reopened) (Continued from January 19, 1977, Examiner Hearing)

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 5117: (Reopened) (Continued from February 2, 1977, Examiner Hearing)

In the matter of Case 5117 being reopened pursuant to the provisions of Order No. R-4691-A, which order extended the temporary special pool rules for the North Dagger Draw-Upper Pennsylvanian Pool, Eddy County, New Mexico. All interested parties may appear and show cause why said North Dagger Draw-Upper Pennsylvanian Pool should not be developed on less than 160-acre proration units and why the special depth bracket allowable should be retained.

CASE 5881: Application of Western Oil Producers, Inc. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Amoco State Well No. 1, completed in the Atoka formation at a point 660 feet from the South and West lines of Section 28, Township 16 South, Range 33 East, Lea County, New Mexico, the W/2 of said Section 28 to be dedicated to the well.

CASE 5859: (Continued & Readvertised)

Application of Caulkins Oil Company for a dual completion and downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Blanco Mesaverde and Basin-Dakota production in the wellbore of its Breech D Well No. 307, located in Unit M of Section 13, Township 26 North, Range 7 West, Rio Arriba County, New Mexico, and to dually complete the commingled formations and the Chacra formation in said well.

Docket No. 7-77

Dockets Nos. 8-77 and 9-77 are tentatively set for hearing on March 9 and March 23, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - FRIDAY - FEBRUARY 11, 1977

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

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

CASE 5872: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the suspension of Rules 15(A) and 15(B) of the General Rules for Prorated Gas Pools as promulgated by Order No. R-1670, as amended, to permit overproduced wells to continue to produce gas during the present severe weather conditions without danger of being shut in for overproduction.

Docket No. 6-77

DOCKET: EXAMINER HEARING - WEDNESDAY - FEBRUARY 16, 1977

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

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

- ALLOWABLE:
- (1) Consideration of the allowable production of gas for March, 1977, from seventeen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.
  - (2) Consideration of the allowable production of gas for March, 1977, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.
  - (3) Consideration of purchaser's nominations for the one-year period beginning April 1, 1977, for both of the above areas.

CASE 5856: Application of Amoco Production Company for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Elliott Gas Com "F" 1-R Well No. 1A to be drilled 1244 feet from the South line and 820 feet from the East line of Section 33, Township 30 North, Range 9 West, Blanco Mesaverde Pool, San Juan County, New Mexico.

CASE 5857: Application of Union Oil Company of California for directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to re-enter its Pipeline Deep Unit Federal Well No. 3, the surface location of which is 1980 feet from the North and East lines of Section 7, Township 19 South, Range 34 East, Lea County, New Mexico, and to directionally drill said well in a southerly or easterly direction and complete it in the Morrow formation at a point no closer than 330 feet to the outer boundary of the proration unit, the E/2 of said Section 7.

CASE 5858: Application of Union Oil Company of California for 320-acre spacing, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the adoption of 320-acre spacing and proration units for the North Quail Ridge-Morrow Gas Pool, Lea County, New Mexico. In the absence of objection, the Commission will adopt such 320-acre spacing.

CASE 5859: (This case will be continued and readvertised.)

Application of Caulkins Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Basin-Dakota and Blanco-Mesaverde production in the wellbore of its Breech D Well No. 307 located in Unit M of Section 13, Township 26 North, Range 7 West, Rio Arriba County, New Mexico.

CASE 5860: Application of Rice Engineering & Operating, Inc. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the San Andres formation through the open hole interval from 4176 feet to 5500 feet of its Hobbs SWD Well No. P-16, located in Unit P of Section 16, Township 19 South, Range 38 East, Hobbs Field, Lea County, New Mexico.



- CASE 5861: Application of Hanson Oil Corporation for a salt water disposal well, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Delaware formation in the open hole interval from 1926 to 1978 feet in its Sulphate Sister Well No. 1, located in Unit E of Section 13, Township 25 South, Range 26 East, Eddy County, New Mexico.
- CASE 5862: Application of Palmer Oil and Gas Company for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Federal 1 Well No. 1 located 1525 feet from the South line and 820 feet from the East line of Section 1, Township 31 North, Range 13 West, Blanco Mesaverde and Basin-Dakota Pools, San Juan County, New Mexico.
- CASE 5863: Application of Amerada Hess Corporation for an unorthodox oil well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Jicarilla Apache "B" Well No. 16, completed as an oil well in the Dakota formation at a point 1850 feet from the South line and 1500 feet from the West line of Section 29, Township 25 North, Range 5 West, Rio Arriba County, New Mexico, said well having been projected as a Basin-Dakota gas well at a standard gas well location for said pool.
- CASE 5864: Application of Agua, Inc. for the amendment of Order No. R-5137, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the further amendment of Order No. R-5137, which authorized the disposal of produced salt water into the San Andres formation through the open-hole interval from approximately 4000 feet to 5000 feet in applicant's Blinebry-Drinkard SWD System Well No. A-22, located in Unit A of Section 22, Township 22 South, Range 37 East, Blinebry-Drinkard-Langlie Mattix Area, Lea County, New Mexico. Said order, as amended, limited surface injection pressures to 300 psi, and applicant seeks its amendment to permit surface injection pressures up to 1500 psi.
- CASE 5865: Application of Inexco Oil Co. for 320-acre spacing, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the adoption of 320-acre spacing and proration units for the West Tonto-Pennsylvanian Gas Pool, Lea County, New Mexico. In the absence of objection, the Commission will adopt such 320-acre spacing.
- CASE 5866: Application of Union Texas Petroleum for an exception to casing and cementing requirements of Order No. R-111-A, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the casing and cementing requirements of Order No. R-111-A to eliminate the salt protection string in a well it proposes to drill in Unit D of Section 33, Township 20 South, Range 34 East, Lynch Yates-Seven Rivers Pool, Lea County, New Mexico.
- CASE 5867: Application of Texas Oil & Gas Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the S/2 of Section 19, Township 21 South, Range 27 East, Burton Flat Field, Eddy County, New Mexico, to be dedicated to its Forrest Well No. 1 to be located in Unit N of said Section 19. Also to be considered will be the cost of completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in completion of said well.
- CASE 5820: (Continued from the February 2, 1977, Examiner Hearing.)
- Application of Texas Oil & Gas Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the W/2 of Section 4, Township 22 South, Range 26 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5868: Application of Harvey E. Yates Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Travis Deep Unit Well No. 1 to be drilled 1980 feet from the South line and 1684 feet from the West line of Section 18, Township 15 South, Range 29 East, Eddy County, New Mexico, the S/2 of said Section 18 to be dedicated to the well.
- CASE 5846: (Continued and Readvertised)
- Application of Harvey E. Yates Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Empire South Deep Unit Well No. 13 to be drilled 660 feet from the South line and 1432 feet from the West line of Section 30, Township 17 South, Range 29 East, South Empire Field, Eddy County, New Mexico, the S/2 of said Section 30 to be dedicated to the well.

CASE 5869: Application of Harvey E. Yates Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Big Boggy Well No. 1 to be drilled 990 feet from the South line and 2080 feet from the East line of Section 36, Township 17 South, Range 26 East, Atoka Pennsylvanian Gas Pool, Eddy County, New Mexico, the S/2 of said Section 36 to be dedicated to the well.

CASE 5870: Application of Harvey E. Yates Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its South Maljamar Deep Unit Well No. 2 to be drilled 990 feet from the South line and 1980 feet from the West line of Section 30, Township 17 South, Range 32 East, Lea County, New Mexico, the S/2 of said Section 30 to be dedicated to the well.

CASE 5871: Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Friendly Frenchman Well No. 1 to be drilled 1005 feet from the South line and 660 feet from the East line of Section 32, Township 16 South, Range 26 East, Eddy County, New Mexico, the S/2 of said Section 32 to be dedicated to the well.

CASE 5810: (Continued from the February 2, 1977, 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 5847: (Continued from the February 2, 1977, 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 Gossett "EU" Well No. 1, located in Unit K of Section 26, Township 17 South, Range 25 East, Eddy County, New Mexico, in such a manner as to produce gas from the Lower Wolfcamp or Upper Pennsylvanian and the Lower Pennsylvanian formations through the casing-tubing annulus and tubing, respectively.

CASE 5848: (Continued from the February 2, 1977, Examiner Hearing)

Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Pipkin HE Well No. 1 to be drilled 660 feet from the South and West lines of Section 4, Township 18 South, Range 25 East, Eddy County, New Mexico, the S/2 of said Section 4 to be dedicated to the well.

A.J. LOSEE  
JOEL M. CARSON  
CHAD DICKERSON

FEB 16 1977

NEW MEXICO  
OIL CONSERVATION COMM.  
Santa Fe

LAW OFFICES  
LOSEE & CARSON, P.A.  
300 AMERICAN HOME BUILDING  
P. O. DRAWER 239  
ARTESIA, NEW MEXICO 88210

AREA CODE 505  
746-3508

February 15, 1977

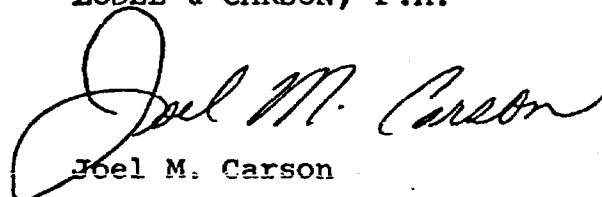
Miss Lynn Teschendorf  
New Mexico Oil Conservation Commission  
Legal Division  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Dear Miss Teschendorf:

We would like to request a continuation for the application of Texas Oil & Gas Corporation for compulsory pooling, Eddy County, New Mexico, Case No. 5820, and for the application of Texas Oil & Gas Corporation for compulsory pooling, Eddy County, New Mexico, Case No. 5867. We ask if you could please set these two cases up for hearing on the March docket, and that we be furnished with the docket of said hearing. Thank you for your assistance in this matter.

Yours truly,

LOSEE & CARSON, P.A.

  
Joel M. Carson

JMC:bjm

cc: Mr. Darrell Smith

A.J. LOSEE  
JOEL M. CARSON  
CHAD DICKERSON

LAW OFFICES  
**LOSEE & CARSON, P.A.**  
300 AMERICAN HOME BUILDING  
P. O. DRAWER 239  
ARTESIA, NEW MEXICO 88210

AREA CODE 505  
746-3508

17 January 1977

*case 5867*

Mr. Joe Ramey, Director  
New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Dear Mr. Ramey:

Enclosed for filing, please find three copies of application of Texas Oil & Gas Corp. for compulsory pooling in Eddy County, New Mexico.

We ask that this case be set for hearing before an examiner and that you furnish us with a docket of the hearing.

Very truly yours,

LOSEE & CARSON, P.A.

  
A. J. Losee

AJL:jw  
Enclosures

cc w/enclosure: Mr. Darrell F. Smith

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :  
TEXAS OIL & GAS CORP. FOR COMPULSORY : CASE NO. 5867  
POOLING, EDDY COUNTY, NEW MEXICO :

APPLICATION

COMES NOW TEXAS OIL & GAS CORP., by its attorneys,  
and in support hereof, respectfully states:

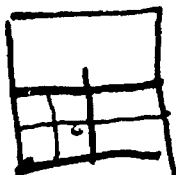
1. That applicant has the right to drill a well at  
a point 2,235 feet from the West line and 860 feet from the  
South line of Section 19, Township 21 South, Range 27 East,  
N.M.P.M., Eddy County, New Mexico.

2. That applicant proposes to dedicate the S/2 of  
said Section 19 to its said Forrest No. 1 Well, and there are  
interest owners in the proposed proration unit who have not  
agreed to pool their interests.

3. That applicant should be designated the operator  
of the subject well and the proration unit.

4. 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, its just and fair share  
of the gas in said pool, all mineral interests, whatever they  
may be, in the Wolfcamp and Pennsylvanian formations underlying  
the S/2 of said Section 19 should be pooled.

5. That any nonconsenting working interest owner  
that does not pay its share of estimated well costs should  
have withheld from production its share of the reasonable



2640  
2235  
405

well costs plus an additional 200% thereof as a reasonable charge for the risk involved in the drilling of the well.

6. That applicant should be authorized to withhold from production the proportionate share of a reasonable supervision charge attributable to each nonconsenting working interest owner.

WHEREFORE, applicant prays:

A. That this application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. That upon hearing the Commission enter its order pooling all mineral interests, whatever they may be, in the Wolfcamp and Pennsylvanian formations underlying the S/2 of Section 19, Township 21 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, to form a 320-acre spacing unit to be dedicated to applicant's Forrest No. 1 Well at a location 2,235 feet from the West line and 860 feet from the South line of said Section 19.

C. And for such other relief as may be just in the premises.

TEXAS OIL & GAS CORP.

By: 

A. J. Losee, for

LOSEE & CARSON, P.A.  
P. O. Drawer 239  
Artesia, New Mexico 88210

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. 5867

Order No. R-5400

APPLICATION OF TEXAS OIL & GAS  
CORPORATION FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

*[Handwritten signatures: J. H. Smith, J. D. Smith, J. R. Smith]*

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 9, 1977  
at Santa Fe, New Mexico, before Examiner Richard L. Stamets DSN.

NOW, on this March 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, Texas Oil & Gas Corporation,  
seeks an order pooling all mineral interests in the Wolfcamp and  
Pennsylvanian formations underlying the S/2  
of Section 19, Township 21 South, Range 27 East,  
NMPM, Burton Flat Field, Eddy County, New  
Mexico.

*has the right to drill and proposes*  
(3) That the applicant ~~has the right to drill and proposes~~  
~~to dedicate its Forrest Well No. 1 to be located in Unit N of~~  
~~said Section 19 to the above described acreage.~~  
*to drill at a standard location for said unit.*

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

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

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

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

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

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

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



(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.

IT IS THEREFORE ORDERED:

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of May, 1977, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15<sup>th</sup> day of May, 1977, Order (1) of this order shall be null and void and of no effect whatsoever; unless said operator obtains a time extension from the Commission for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Commission and show cause why Order (1) of this order should not be rescinded.

(2) That Texas Oil & Gas Corporation is hereby designated the operator of the subject well and unit.

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

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Commission and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided

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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, while drilling and \$275.00 per month while producing

1630 (9) That \$150.00 per month <sup>^</sup> 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 Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

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

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