

CASE 5880: MORRIS R. ANTWEIL FOR
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO

Case Number

5880

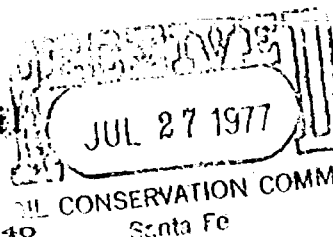
Application

Transcripts

Small Exhibits

ETC.

Morris R. Antweil
OIL OPERATOR
P. O. Box 2010
HOBBS, NEW MEXICO 88240



July 26, 1977

New Mexico Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

ATTENTION: Richard L. Stamets

REFERENCE: Case No. 5880
Order No. R-5398

Gentlemen:

Enclosed is an itemized schedule of the actual well costs incurred in the drilling and completion of the Antweil No. 1 Penasco as required by provision (5) of the captioned order. Yates Petroleum Corp., the non-consenting working interest owner compulsory pooled under the captioned order, is being furnished a copy of the itemized schedule of actual well costs by copy of this letter.

It should be noted that the itemized costs do not include the purchase and installation of the gas production unit and surface producing facilities. This expenditure is estimated to be \$25,000. The actual cost will be added to the total cost for payout purposes when the installation is complete, and the itemized schedule of cost filed with the commission can be amended if necessary.

Please notify us if anything further is required in this regard.

Respectfully,

MORRIS R. ANTWEIL

R M Williams
R. M. Williams

RMW:crm
Enclosure

cc: Yates Petroleum Corp.
207 South 4th
Artesia, New Mexico 88210

ACTUAL WELL COSTS
NO. 1 PENASCO
S/2 Sec. 20-T18S-R25E

ITEM	ESTIMATED COST	ACTUAL COST
<u>Cost to Drill 9000-foot Test</u>		
Roads, location & damages	\$ 10,000.	\$ 25,644.72
Footage Drilling	114,750.	114,750.00
Daywork Operations	11,600.	7,503.04
Mud & Water	25,000.	32,734.72
Surface Casing 13-3/8"	4,350.	4,938.70
Cement & Service 13-3/8"	2,300.	2,143.04
Intermediate Casing 8-5/8"	8,400.	9,618.63
Cement & Service 8-5/8"	7,500.	7,093.13
Drill Stem Test Service	2,000.	1,604.72
Logging Service	15,000.	15,577.50
Rental Tools & Equipment	4,000.	1,968.98
Wellhead & Connections	2,000.	3,830.11
Supervision & Expenses	2,500.	5,120.41
Transportation & Misc. Labor	5,000.	984.06
Contingencies	20,600.	1,800.75
Cost to Casing Point	\$ 235,000.	\$ 235,312.51
<u>Completion Cost</u>		
Production Casing 5-1/2"	\$ 45,000.	\$ 46,469.02
Cement & Service 5-1/2"	6,500.	5,160.38
Daywork	2,800.	-
Well Service Unit	7,000.	4,775.22
Perforating Service	4,000.	7,289.18
Tubing 2-3/8"	15,840.	16,428.67
Rental Tools & Equipment	5,000.	17,900.01
Acid Treatment	8,000.	8,364.24
Wellhead & Connections	6,000.	5,987.96
Separator - Treator Unit	20,000.	*
Supervision & Expenses	3,500.	2,257.04
Transportation & Misc. Labor	5,000.	4,165.54
Contingencies	11,360.	60.99
Completion Cost	\$ 140,000.	\$ 118,858.25
TOTAL COST	\$ 375,000.	\$ 354,170.76
* Purchase & installation of production unit & surface equipment will cost an estimated \$25,000.		
Total Cost		\$ 379,170.76

March 15, 1977

File
Case 5880
Certified Mail

Yates Petroleum Corp.
207 South 4th
Artesia, New Mexico 88210

ATTENTION: Jack McCaw

REFERENCE: Morrow Drilling Proposal
S/2 Section 20-T18S-R25E
Eddy County, New Mexico

Gentlemen:

New Mexico Oil Conservation Commission Order No. R-5398, issued 15 March 1977, has pooled the S/2 of Section 20-T18S-R25E, Eddy County, New Mexico, to form a standard 320-acre gas spacing and proration unit to be dedicated to the Antweil No. 1 Penasco, to be drilled 660 feet FSL and 1980 feet FEL of said section.

Enclosed are two copies of our AFE Cost Estimate for the proposed well, as required by Order No. R-5398. If you are interested in joining in the drilling of the proposed well for your 1/4 proportional share, please sign and return one copy of the AFE.

Yours very truly,

MORRIS R. ANTWEIL

R M Williams
R. M. Williams

RMW/crm
Enclosures

cc: New Mexico OCC
Box 2068
Santa Fe, New Mexico 87501

ATTN: Mr. Joe D. Ramey
w/enclosure

AFE COST ESTIMATE
NO. 1 PENASCO
S/2 Sec. 20-T18S-R25E

Item	Tangible	Intangible	Total
<u>COST TO DRILL 9000-FOOT TEST</u>			
Roads, Location & Damages	\$	\$ 10,000.	\$ 10,000.
Footage Drilling 9000' @ \$12.75/ft.		114,750.	114,750.
Daywork Operations-4 days @ \$2900./day		11,600.	11,600.
Mud & Water		25,000.	25,000.
Surface Casing-300' 13-3/8" @ \$14.50/ft.	4,350.		4,350.
Cement & Service - 13-3/8" Casing		2,300.	2,300.
Intermediate Casing - 1200' 8-5/8" @ \$7.00/ft.	8,400.		8,400.
Cement & Service - 8-5/8" Casing		7,500.	7,500.
Drill Stem Test Service - 2 DST's		2,000.	2,000.
Logging Service		15,000.	15,000.
Rental Tools & Equipment		4,000.	4,000.
Wellhead & Connections	2,000.		2,000.
Supervision & Expenses		2,500.	2,500.
Transportation & Misc. Labor		5,000.	5,000.
Contingencies		20,600.	20,600.
 COST TO CASING POINT	 \$ 14,750.	 \$220,250	 \$235,000.
<u>COMPLETION COST</u>			
Production Casing - 9000' 5-1/2" @ \$5.00/ft.	\$ 45,000.	\$	\$ 45,000.
Cement & Service - 5-1/2" Casing		6,500.	6,500.
Daywork - 1 day @ \$2800./day		2,800.	2,800.
Well Service Unit - 10 days		7,000.	7,000.
Perforating Service		4,000.	4,000.
Tubing - 8800' 2-3/8" @ \$1.80/ft.	15,840.		15,840.
Rental Tools & Equipment		5,000.	5,000.
Acid Treatment		8,000.	8,000.
Wellhead & Connections	6,000.		6,000.
Separator - Treator Unit	20,000.		20,000.
Supervision & Expenses		3,500.	3,500.
Transportation & Misc. Labor		5,000.	5,000.
Contingencies		11,360.	11,360.
 COMPLETION COST	 \$ 86,840.	 \$ 53,160.	 \$140,000.
 TOTAL AFE COST	 \$101,590.	 \$273,410.	 \$375,000.

APPROVAL:

By _____

Date _____

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

EXAMINER HEARING

IN THE MATTER OF:

Application of Morris R. Antweil for) CASE
compulsory pooling, Eddy County,) 5880
New Mexico.)

BEFORE: Daniel S. Nutter, 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

For the Applicant: Donald G. Stevens, Esq.
Attorney at Law
214 Old Santa Fe Trail
Santa Fe, New Mexico

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (305) 982-9212

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I N D E X

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<u>R. M. WILLIAMS</u>	
Direct Examination by Mr. Stevens	3
Cross Examination by Mr. Nutter	7

EXHIBIT INDEX

	<u>Offered</u>	<u>Admitted</u>
Antweil Exhibit One, Forms C-101 & 102	3	7
Antweil Exhibit Two, Work. Int. Owners	4	7
Antweil Exhibit Three, AFE	4	7
Antweil Exhibit Four, Map	5	7
Antweil Exhibit Five, Analysis	5	7

1 MR. NUTTER: The hearing will come to order, please.
2 The first case this afternoon will be Case Number 5880.

3 MS. TESCHENDORF: Case 5880, application of Morris
4 R. Antweil for compulsory pooling, Eddy County, New Mexico.

5 MR. STEVENS: Mr. Examiner, I'm Don Stevens from
6 Santa Fe representing the applicant in this case. I would like
7 to have the record show that the previous witness of the last
8 case is the same witness in this case and has previously been
9 sworn and qualified, with your approval.

10 MR. NUTTER: Mr. Williams is qualified and under oath.

11

12

R. M. WILLIAMS

13 called as a witness, having been previously sworn, was examined
14 and testified as follows:

15

16

DIRECT EXAMINATION

17 BY MR. STEVENS:

18 Q Mr. Williams, would you state briefly what the
19 applicant seeks in this case?

20 A He seeks compulsory pooling of the south half of
21 Section 20, Township 18 South, Range 25 East, Eddy County,
22 New Mexico for the drilling of a Morrow test.

23 Q Referring to what has been marked as Exhibit Number
24 One would you explain it, please?

25 A Exhibit Number One is the C-101 and the C-102,

1 Intention to Drill and plat for the proposed well, our No. 1
2 Penasco.

3 Q And this application is subject to this hearing,
4 is that correct?

5 A Yes.

6 Q Referring to what has been marked as Exhibit Number
7 Two would you explain it, please?

8 A Exhibit Number Two is the working interest ownership
9 in the three hundred and twenty acres, being the south half
10 of Section 20, 18 South, 25 East.

11 It shows that Antweil, et al, holds working interest
12 leases to two hundred and forty acres or seventy-five percent
13 of the proposed proration unit. Yates Petroleum Company has
14 a working interest on the remaining eighty acres or twenty-five
15 percent of the proposed proration unit.

16 Q And Yates Petroleum Corporation is the company that
17 is being force pooled, is that correct, since they have not
18 agreed?

19 A Yes, Yates has declined to join us in the drilling
20 of both wells.

21 Q Referring to what has been marked as Exhibit Number
22 Three, would you explain it, please?

23 A Exhibit Number Three is our AFE cost estimate on a
24 proposed nine thousand foot Morrow test in the total amount of
25 three hundred and seventy-five thousand dollars.

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Phone (505) 982-9212

1 Q Have you drilled other wells in the area to justify
2 this estimate that you have made?

3 A Yes, last year we drilled a well approximately a
4 mile southeast of this location.

5 Q Referring to what has been marked as Exhibit Number
6 Four would you explain that, please?

7 A Exhibit Number Four is a map of the area, the proposed
8 proration unit is outlined in red, being the south half of
9 Section 20, 18, 25. The proposed well, the No. 1 Penasco, is
10 marked with a red dot in the southwest quarter of the southeast
11 quarter of Section 20.

12 The successful Morrow completions in the area are
13 marked with orange dots and the dry or non-economic Morrow
14 wells' tests in the area are marked with blue dots. These are
15 wells that have penetrated the Morrow and found it to be non-
16 productive or are considered to be marginal Morrow producers.

17 There is one well currently drilling that is marked
18 with an uncolored circle, located in Section 16, of 18, 25,
19 currently being drilled by Yates Petroleum.

20 Q Referring then to Exhibit Number Four and your
21 Exhibit Number Five, would you briefly analyze your opinion as
22 to the risk factor which might be employed in the drilling
23 of this well?

24 A Yes, Exhibit Number Five is an analysis of the risk
25 experienced in the area, in the area reviewed, that's shown on

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1 the map as a sixty section area. There have been twenty-nine
2 wells that have tested or penetrated the Morrow. There are
3 six successful Morrow completions or twenty, point, seven
4 percent of the total wells drilled, four of those being in
5 the Boyd Field south of the proposed location and there have
6 been twenty-three dry or non-economic Morrow tests of seventy-
7 nine, point, three percent of the wells. The success ratio is
8 one to five.

9 Q On the basis of your experience in this area and
10 of your evidence submitted today, do you have a recommendation
11 to the Commission as to the risk factor you think the Commission
12 should grant in the event they approve this forced pooling?

13 A Yes, we would request a risk factor of two hundred
14 percent to be assigned. The operator that this would be
15 applying to, Yates Petroleum Company, has drilled many wells
16 in the area and is familiar with the risk and by their choice
17 not to join us in the drilling undoubtedly considers this to
18 be a high risk well.

19 Q Do you have a recommendation as to the administrative
20 overhead for drilling and production in the event this well
21 is completed as a producer?

22 A Yes, fifteen hundred dollars per month during drilling
23 operations and two hundred and twenty-five dollars per month for
24 a producing well.

25 Q And in your opinion is this reasonable for the area

1 and the wells herein contemplated?

2 A. Yes, this is in keeping with other operating agree-
3 ments that we have entered into both as operators or as a
4 participant.

5 Q Does Morris R. Antweil desire to be made operator of
6 this well should this application be approved?

7 A. Yes.

8 Q Were Exhibits One through Five prepared by you or
9 under your direction?

10 A. They were.

11 MR. STEVENS: I would like to offer these exhibits
12 into evidence at this time, Mr. Examiner.

13 MR. NUTTER: Antweil Exhibits One through Five will
14 be admitted into evidence.

15 (THEREUPON, Antweil Exhibits One through
16 Five were admitted into evidence.)

17 MR. STEVENS: We have no other questions on direct.

18

19

CROSS EXAMINATION

20 BY MR. NUTTER:

21 Q Mr. Williams, with respect to Exhibit Number Five
22 and Exhibit Number Four, you show that there have been six
23 wells completed successfully in the Morrow formation, however,
24 looking at Exhibit Number Four, I see some wells that were
25 completed in other formations so all of these have not been

1 total losses insofar as the Pennsylvanian formation is
2 concerned, it's the Morrow you were talking about there?

3 A Yes. The map is prepared on the basis of the
4 Morrow. We considered the well to be justified on the basis
5 of the potential Morrow production similar to the Boyd Field
6 Morrow production. There have been completions which we would
7 consider to be salvage-type completions in the Atoka, in the
8 Strawn and in the Cisco formations.

9 Q And there have been Wolfcamp wells completed in the
10 general area too, have there not?

11 A Yes, I believe to the east, to my knowledge, the
12 Wolfcamp is -- we would consider normally less than salvage
13 operations.

14 MR. NUTTER: Are there any further questions of
15 Mr. Williams? He may be excused.

16 (THEREUPON, the witness was excused.)

17 MR. NUTTER: Do you have anything further, Mr. Stevens?

18 MR. STEVENS: Only, Mr. Examiner, I understand Yates
19 Petroleum will have a letter read into evidence and I would
20 have a comment on that.

21 MR. NUTTER: Okay, we will call on you again in a
22 minute then.

23 MR. NUTTER: Does anyone else have anything they wish
24 to offer in this case?

25 MS. TESCHENDORF: Mr. Examiner, I have Mr. Losee's

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Phone (505) 982-9212

1 letter on behalf of his client, Yates Petroleum.

2 MR. NUTTER: Would you please read the pertinent
3 part of that into the record or all of it if it is all pertinent?

4 MS. TESCHENDORF: I think it's all pertinent.

5 (Reading.) We do not intend to appear on behalf of
6 our client, Yates Petroleum Corporation, the owner of the
7 west half of the southeast quarter of Section 20 to protest the
8 above application but we do desire to present certain representa-
9 tions which verify any risk factor awarded to applicant.

10 The applicant made a proposal to Yates to either join
11 in the drilling of the well or farmout its interest with a
12 one-sixteenth total override reservation, one and a quarter
13 percent net to Yates and with the option to convert the overriding
14 royalty to a one-eighth working interest after pay out. Yates
15 responded by agreeing to farmout with the reservation of a
16 one-sixteenth overriding royalty over and above the present
17 five percent burden and with the option to convert such an
18 overriding royalty at payout to a one-half working interest.

19 It is within the knowledge of the writer and customary
20 in Southeast New Mexico to farm out or farm in acreage for a
21 Morrow test with a one-eighth overriding royalty and with the
22 option at pay out to convert the overriding royalty into a
23 fifty percent working interest.

24 These terms are substantially identical to those
25 proposed by Yates. We trust that you will take this information

1 into consideration in hearing this application and in awarding
2 a risk factor to applicant. Respectfully submitted by
3 A. J. Losee. (End of Reading.)

4 MR. NUTTER: Thank you, Ms. Teschendorf.

5 Is there anything else in Case Number 5880?

6 MR. STEVENS: My only comment, Mr. Examiner, is
7 this: The letter in our opinion has absolutely nothing to do
8 with the case at hand. The Statute 65-3-14 requires the
9 Commission upon application to pool where, and I read, "however,
10 such owner or owners have not agreed to pool." There has been
11 no agreement to pool. There is nothing in the Statute to
12 suggest that the agreement need be reasonable, any offers
13 need be reasonable whether there is any agreement or not or
14 whether the offers should have been higher or lower or not
15 before the Commission in this case and on that basis we feel
16 that the fact that we, Mr. Antweil, offered less and Yates
17 wanted more has no bearing whatsoever on the risk factor which
18 the Commission might apply if it did approve this application.

19 MR. NUTTER: Thank you. Is there anything further
20 in Case 5880? We will take the case under advisement.
21
22
23
24
25

REPORTER'S CERTIFICATE

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

Sidney F. Morrish

Sidney F. Morrish, C.S.R.

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

I do hereby certify that the foregoing is
a complete and correct transcript of the
the E. ...
heard ...
3/9 ... 1977 ...
No. 5880

[Signature]

New Mexico Oil Conservation Commission
Examiner



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. Donald G. Stevens
Attorney at Law
Post Office Box 1797
Santa Fe, New Mexico 87501

Re: CASE NO. 5880
ORDER NO. R-5398

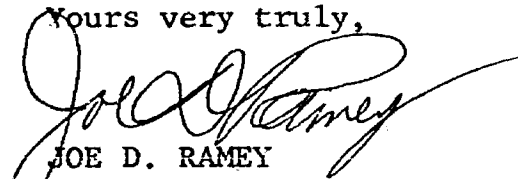
Applicant:

Morris R. Antweil

Dear Sir:

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

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC x
Artesia OCC x
Aztec OCC

Other Jerry Losee

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. 5880
Order No. R-5398

APPLICATION OF MORRIS R. ANTWEIL 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, Morris R. Antweil, seeks an order
pooling all mineral interests in the Pennsylvanian formation
underlying the S/2 of Section 20, Township 18 South, Range 25
East, NMPM, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes
to drill a well 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

-2-

Case No. 5880
Order No. R-5398

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 per cent 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 \$1500.00 per month while drilling and \$225.00 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 Pennsylvanian formation underlying the S/2 of Section 20, Township 18 South, Range 25 East, NMPM, 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 Morris R. Antweil 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 per cent 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 \$1500.00 per month while drilling and \$225.00 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.

-5-

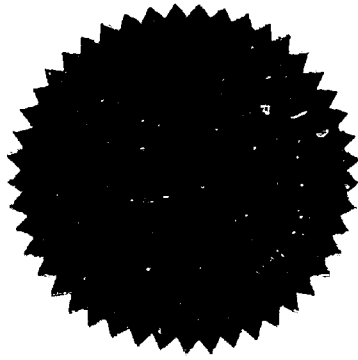
Case No. 5880

Order No. R-5398

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



PHIL R. LUCERO, Chairman

Emery C. Arnold
EMERY C. ARNOLD, Member

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

S E A L

jr/

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OPERATOR	

NEW MEXICO OIL CONSERVATION COMMISSION

Form C-101
Revised 1-1-65

5A. Indicate Type of Lease
STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
5. State Oil & Gas Lease No.

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work		7. Unit Agreement Name	
b. Type of Well DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input type="checkbox"/>		8. From or Lease Name	
c. Type of Well OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>		Penasco	
2. Name of Operator		9. Well No.	
Morris R. Antweil		1	
3. Address of Operator		10. Field and Pool, or Wildcat	
Box 2010, Hobbs, New Mexico 88240		Undesignated	
4. Location of Well		12. County	
UNIT LETTER <u>O</u> LOCATED <u>660</u> FEET FROM THE <u>South</u> LINE		Eddy	
AND <u>1980</u> FEET FROM THE <u>East</u> LINE OF SEC. <u>20</u> TWP. <u>18-S</u> RGE. <u>25-E</u> NMPM			
19. Proposed Depth		19A. Formation	
9,000'		Morrow	
20. Rotary or C.T.		Rotary	
21. Elevations (Show whether DF, RT, etc.)		22. Approx. Date Work will start	
3573'		20 March, 1977	

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
17-1/2"	13-3/8"	48#	300'	325 sx.	Circ.=
12-1/4" & 11"	8-5/8"	32#	1200' *	500 sx.	Circ.
7-7/8"	5-1/2"	17#	900'	450 sx.	6700' **

* 8-5/8" to be set 100' below last water sand.

** 5-1/2" cementing program will be designed to cover any interval having oil or gas show.

BOP Program:

1-12" x 900 series double-ram BOP
1-12" x 900 series Hydril

BEFORE EXAMINER NUTTER

OIL CONSERVATION COMMISSION

Appl. EXHIBIT NO. 1

CASE NO. 5880

Acreage dedicated to well is not committed to a gas sales contract.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

Signed R. M. Williams Title Agent Date 3 March, 1977
(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____
CONDITIONS OF APPROVAL, IF ANY:

Case Number 5880-Exhibit 1

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form 1-1
Superseded Edition
Effective 1-1-77

All distances must be from the outer boundaries of the Section

Operator Morris R. Antweil		Lease Penasco		Well No. 1
Unit Letter O	Section 20	Township 18 South	Range 25 East	County Eddy
Actual Well Location of Well:				
660	feet from the South	line and	1980	feet from the East
Ground Level Elev. 3573.1	Producing Formation Morrow	Pool Undesignated	Dedicated Acreage 320	
<p>1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.</p> <p>2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty). See Reverse Side</p> <p>3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If answer is "yes," type of consolidation _____</p> <p>If answer is "no," list the owners and tract descriptions which have actually been consolidated (Use reverse side of this form if necessary.) Compulsory Pooling- Case 5880</p> <p>No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.</p>				
			CERTIFICATION	
			<p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>R. M. Williams</i> Name R. M. Williams Position Agent Company Morris R. Antweil Date 4 March, 1977</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.</p> <p>Date Surveyed March 2, 1977 Registered Professional Engineer and/or Land Surveyor <i>John W. Wat</i> Certificate No. 676</p>	

Acreage Ownership:

Tract 1: W/2 SW/4 - 80 acres

Working Interest - Antweil et al.
Royalty Interest - State Lease

Tract 2: E/2 SW/4 & W/2 SE/4 - 160 acres.

Working Interest - Antweil, et al.
Royalty Interest - Fee Lease.

Tract 3: E/2 SE/4 - 80 acres

Working Interest - Yates Petroleum Corporation
Royalty Interest - Federal Lease.

CASE NO. 5880 - EXHIBIT 2

Proposed Gas Spacing and Proration Unit:

320 acres, being S/2 Section 20-T18S-R25E
Eddy County, New Mexico

WORKING INTEREST OWNERSHIP

Antweil, et al	240 acres	75%
Yates Petroleum Corp.	<u>80</u> acres	<u>25%</u>
	320 acres	100%

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
Appl EXHIBIT NO. 2
CASE NO. 5880

AFE COST ESTIMATE
NO. 1 PENASCO
S/2 Sec. 20-T18S-R25E

Item	Tangible	Intangible	Total
<u>COST TO DRILL 9000-FOOT TEST</u>			
Roads, Location & Damages	\$	\$ 10,000.	\$ 10,000.
Footage Drilling 9000' @ \$12.75/ft.		114,750.	114,750.
Daywork Operations-4 days @ \$2900./day		11,600.	11,600.
Mud & Water		25,000.	25,000.
Surface Casing-300' 13-3/8" @ \$14.50/ft.	4,350.		4,350.
Cement & Service - 13-3/8" Casing		2,300.	2,300.
Intermediate Casing - 1200' 8-5/8" @ \$7.00/ft.	8,400.		8,400.
Cement & Service - 8-5/8" Casing		7,500.	7,500.
Drill Stem Test Service - 2 DST's		2,000.	2,000.
Logging Service		15,000.	15,000.
Rental Tools & Equipment		4,000.	4,000.
Wellhead & Connections	2,000.		2,000.
Supervision & Expenses		2,500.	2,500.
Transportation & Misc. Labor		5,000.	5,000.
Contingencies		20,600.	20,600.
	\$ 14,750.	\$220,250	\$235,000.
<u>COST TO CASING POINT</u>			

COMPLETION COST

Production Casing - 9000' 5-1/2" @ \$5.00/ft.	\$ 45,000.	\$	\$ 45,000.
Cement & Service - 5-1/2" Casing		6,500.	6,500.
Daywork - 1 day @ \$2800./day		2,800.	2,800.
Well Service Unit - 10 days		7,000.	7,000.
Perforating Service		4,000.	4,000.
Tubing - 8800' 2-3/8" @ \$1.80/ft.	15,840.		15,840.
Rental Tools & Equipment		5,000.	5,000.
Acid Treatment		8,000.	8,000.
Wellhead & Connections	6,000.		6,000.
Separator - Treator Unit	20,000.		20,000.
Supervision & Expenses		3,500.	3,500.
Transportation & Misc. Labor		5,000.	5,000.
Contingencies		11,360.	11,360.
	\$ 86,840.	\$ 53,160.	\$140,000.

COMPLETION COST

TOTAL AFE COST

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
EXHIBIT NO. 3
CASE NO. 5880

CASE NO. 5880

EXHIBIT 3

*seek
overhead & super
only: 1500/mo
prod: 225/mo*

CASE NO. 5880

EXHIBIT 5

Analysis of Risk in Drilling Morrow Test

Area Reviewed: 60-section area

Total Morrow Tests Drilled: 29

Successful Morrow Completions: 6 - 20.7%

Dry or Non-economical Morrow Tests: 23 - 79.3%

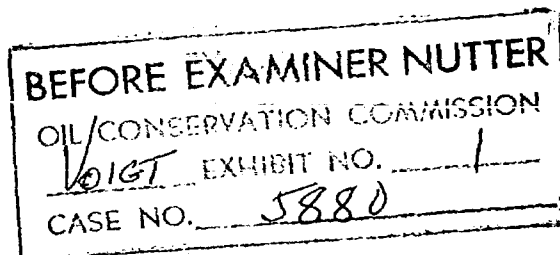
Success Ratio 1:5

See Exhibit 4 - MAP

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
<u>App</u>	EXHIBIT NO. <u>5</u>
CASE NO. <u>5880</u>	

This is to certify that according to the maps on file in the office of the County Surveyor of Eddy County, N. M. Lee Voight is the owner of 35.66 acres in the north half of section 12, and 7.2 acres in the NW 1/4 of the same section 12 Twp. 22 S., Rge. 26 E. N. M. P. M.

John W. Lewis, Jr.
County Surveyor



Affidavit and Certificate

STATE OF NEW MEXICO }
COUNTY OF EDDY } ss.

I, John W. Lewis, Jr., being duly sworn, upon my oath state that I am a licensed surveyor of New Mexico; that I have surveyed Lot....., Block....., to the City of Carlsbad, N. M., and to my knowledge there is located within the boundaries thereof a....., as shown hereon belonging to..... and....., husband and wife, and there is no encroachment on this property from adjacent properties. Date.....

Licensed Land Surveyor

March 8, 1977

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

Re: Case #5880, Morris R. Antweil, application for compulsory
pooling, S/2 Section 20, TWP185, R-25-E, Eddy Co., New Mexico

Dear Mr. Nutter:

We do not intend to appear on behalf of our client Yates Petroleum Corp., the owner of the W/2 SE/4 Section 20, to protest the above application, but we do desire to present certain representations which bare upon any risk factor awarded to applicant.

Applicant made a proposal to Yates to either join in the drilling of the well or farmout its interest with a 1/16 total override reservation (1.25% net to Yates) and with the option to convert the overriding royalty to a 1/8 working interest after payout. Yates responded by agreeing to farmout with the reservation of a 1/16 overriding royalty over and above the present 5% burden and with the option to convert such overriding royalty at payout and to a 1/2 working interest.

It is within the knowledge of the writer and customary in Southeast New Mexico to farmout or farmin acreage for a Morrow Test with a 1/8 total overriding royalty and with the option at payout to convert the overriding royalty into a 50% working interest. These terms are substantially identical to those proposed by Yates. We trust you will take this information into consideration in hearing this application and in awarding a risk factor to applicant.

Respectfully submitted,

A. J. Losee by Joel M. Carson
Losee and Carson, P.A.

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. Nutter, 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 5875: Application of Atlantic Richfield Company for an unorthodox location and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to simultaneously dedicate a previously approved 320-acre non-standard Jalmat gas proration unit comprising the W/2 of Section 29, Township 24 South, Range 37 East, Lea County, New Mexico, to its William H. Harrison "A" WN Well No. 2 located in Unit D and William H. Harrison "D" Wells Nos. 1 and 6 in Units I and N, respectively, of said Section 29. Applicant further seeks approval of an unorthodox location for its William H. Harrison "D" WN Well No. 6 at a location 660 feet from the South line and 1980 feet from the West line of said Section.
- CASE 5876: Application of Jerome P. McHugh for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Cavilan-Pictured Cliffs and Blanco-Mesaverde production in the wellbore of his June Well No. 1 located in Unit B of Section 28, Township 28 North, Range 3 West, Rio Arriba County, New Mexico.
- CASE 5820: (Continued from February 16, 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 5867: (Continued from February 16, 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 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 5877: Application of Great Lakes Chemical Corporation for two non-standard gas proration units, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of two 160-acre non-standard Blanco Mesaverde gas proration units comprising the SE/4 of Section 3, and the NW/4 of Section 35, respectively, Township 27 North, Range 8 West, San Juan County, New Mexico.
- CASE 5878: Application of Michael T. Gottlieb for two non-standard gas proration units, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of two 160-acre non-standard Blanco Mesaverde gas proration units comprising the NE/4 of Section 3, and the SW/4 of Section 35, respectively, Township 27 North, Range 8 West, San Juan County, New Mexico.
- CASE 5879: Application of Morris R. Antweil for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the N/2 of Section 12, Township 22 South, Range 26 East, South Carlsbad Field, 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 5880: Application of Morris R. Antweil for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the S/2 of Section 20, Township 18 South, Range 25 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 5331: 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 5359: (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.

Morris R. Antweil
OIL OPERATOR
P. O. Box 2010
HOBBS, NEW MEXICO 88240

February 10, 1977

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

Case 5880

ATTENTION: Mr. Joe D. Ramey

REFERENCE: Request for Force Pooling Hearing
S/2 Section 20-T18S-R25E
Eddy County, New Mexico

Gentlemen:

Morris R. Antweil, respectively requests a hearing to consider the force pooling of the 320 acres, being the S/2 of Section 20-T18S-R25E, N.M.P.M., Eddy County, New Mexico, as to all hydrocarbon production from the Pennsylvanian formation.

The working interest in the acreage within the proposed gas spacing and proration unit requested to be pooled is held as follows:

	<u>Acres</u>	<u>Percent</u>
Morris R. Antweil, et al	240	75
Yates Petroleum Corp.	<u>80</u>	<u>25</u>
	320	100

Morris R. Antweil proposes to drill a 9000-foot Morrow test at a standard location in the W/2 SE/4 of Section 20 to meet a lease expiration date and has requested Yates Petroleum Corporation to join us in the proposed test. Yates has declined to join in the proposed well and a mutually agreeable farmout agreement has not been obtained.

New Mexico Oil Conservation
Commission
ATTN: Mr. Joe D. Ramey

-2

Morris R. Antweil respectfully requests a hearing be set to consider the compulsory pooling of the S/2 of Section 20-T18S-R25E in accordance with Section 65-3-14, New Mexico Statutes, as amended, as to all hydrocarbon production from the Pennsylvanian formation, the designation of the applicant as operator of the pooled unit, provision for applicant to recover his costs out of production, including a charge for risk involved in drilling the proposed well and provision for administrative overhead expenses.

Respectfully,

MORRIS R. ANTWEIL



R. M. Williams

RMW/crm

cc: Yates Petroleum Corp.
207 South Fourth Street
Artesia, New Mexico 88210

ATTN: Jack McCaw

FEB 10 1977

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. 5880

Order No. R- 5398

APPLICATION OF MORRIS R. ANTWEIL
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 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, Morris R. Antweil,
seeks an order pooling all mineral interests in the Pennsylvanian
formation underlying the S/2
of Section 20, Township 18 South, Range 25 East,
NMPM, , Eddy County, New
Mexico.

(3) That the applicant has the right to drill and proposes to drill a well 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.

(11) That \$1500.00 per month¹ 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.

(i2) 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 Pennsylvanian formation underlying the S/2
of Section 20, Township 18 South, Range 25 East,
NMPM, , 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 thereon. *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 Morris R. Antweil 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. while drilling and \$225.00 per month while

(9) That \$1500.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

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

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