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CASE NO.

6390

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APPLICATION,  
TRANSCRIPTS,  
SMALL EXHIBITS,  
ETC.

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STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
State Land Office Building  
Santa Fe, New Mexico  
17 January 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of C & E Operators for  
compulsory pooling, San Juan County,  
New Mexico.

CASE  
6390

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

Lynn Teschendorf, Esq.  
Legal Counsel for the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

W. Thomas Kellahin, Esq.  
KELLAHIN & KELLAHIN  
50 Don Gaspar  
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1 MR. NUTTER: Call Case Number 6390.

2 MS. TESCHENDORF: Case 6390. Application of  
3 C & E Operators for compulsory pooling, San Juan County,  
4 New Mexico.

5 MR. KELLAHIN: Tom Kellahin appearing on  
6 behalf of the Applicant and we desire to dismiss that  
7 application.

8 MR. NUTTER: Case 6390 will be dismissed.

9 (Hearing concluded.)  
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## REPORTER'S CERTIFICATE

I, SALLY W. BOYD, a Court Reporter, DO HEREBY  
CERTIFY that the foregoing and attached Transcript of  
Hearing before the Oil Conservation Division was reported  
by me; that said transcript is a full, true, and correct  
record of the hearing, prepared by me to the best of my  
ability, knowledge, and skill, from my notes taken at the  
time of the hearing.

Sally W. Boyd CSR  
Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner's hearing of Case No. 6392  
heard by me on 1/17 1979.

[Signature], Examiner  
Oil Conservation Division

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ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
State Land Office Building  
Santa Fe, New Mexico  
3 January 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of C & E Operators for  
compulsory pooling, San Juan County,  
New Mexico.

CASE  
6390

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

Lynn Teschendorf, Esq.  
Legal Counsel for the Division  
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For the Applicant:

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1 MR. STAMETS: We'll call Case Number 6390.

2 MS. TESCHENDORF: Case 6390. Application of  
3 C & E Operators for compulsory pooling, San Juan County,  
4 New Mexico.

5 The applicant has requested that the case be  
6 continued to the Examiner Hearing to be held January 17,  
7 1979.

8 MR. STAMETS: The case will be so continued.

9 (Hearing concluded.)  
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REPORTER'S CERTIFICATE

I, SALLY W. BOYD, a Court Reporter, DO HEREBY  
 CERTIFY that the foregoing and attached Transcript of  
 Hearing before the Oil Conservation Division was reported  
 by me; that said transcript is a full, true, and correct  
 record of the hearing, prepared by me to the best of my  
 ability, knowledge, and skill, from my notes taken at the  
 time of the hearing.

Sally W. Boyd C.S.R.  
 Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is  
 a complete record of the proceedings in  
 the Examiner hearing of Case No. 6390.  
 heard by me on 1-3 1977.  
Richard H. Stambaugh, Examiner  
 Oil Conservation Division

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STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
State Land Office Building  
Santa Fe, New Mexico  
20 December 1978

IN THE MATTER OF:

Application of C & E Operators for  
compulsory pooling, San Juan County,  
New Mexico.

CASE  
6390

BEFORE:

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

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Legal Counsel for the Division  
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1 MR. NUTTER: The hearing will come to order,  
2 please. The next case we'll call will be Case 6390.

3 MS. TESCHENDORF: Case 6390: Application of  
4 C & E Operators for compulsory pooling, San Juan County,  
5 New Mexico.

6 MR. KELLAHIN: If the Examiner please, I am  
7 Tom Kellahin of Santa Fe, New Mexico, appearing on behalf  
8 of the Applicant. I would appreciate that this case be con-  
9 tinued to the January 3rd hearing.

10 MR. NUTTER: Case No. 6390 will be continued  
11 to the Examiner hearing scheduled to be held at this same  
12 place at 9:00 A.M., January 3, 1979.

13 (Hearing concluded.)  
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REPORTER'S CERTIFICATE

I, STEFANIE XANTHULL, a court reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, knowledge, and skill, from my notes taken at the time of the hearing.

*Stefanie Xanthull*  
Stefanie Xanthull, C.S.R.

I do hereby certify that the foregoing is a correct and true transcript of the proceedings in the hearing held on 12/20 1978 heard by me on 6390

*Ch...*, Examiner  
Oil Conservation Division

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STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
State Land Office Building  
Santa Fe, New Mexico  
21 November 1978

EXAMINER HEARING

IN THE MATTER OF:

Application of C & E Operators  
for compulsory pooling,  
San Juan County, New Mexico.

CASE  
6390

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division:	Lynn Teschendorf, Esq. Legal Counsel for the Division State Land Office Bldg. Santa Fe, New Mexico 87501
For the Applicant:	W. Thomas Kellahin, Esq. KELLAHIN & FOX 500 Don Gaspar Santa Fe, New Mexico 87501

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# I N D E X

WILLIAM PLATT CARR

Direct Examination by Mr. Kellahin 4

Cross Examination by Mr. Nutter 11

# E X H I B I T S

Applicant Exhibit One, Plat 11

Applicant Exhibit Two, Plat 11

Applicant Exhibit Three, AFE 11

Applicant Exhibit Four, Accounting procedure 11

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1 MR. NUTTER: We'll call Case 6390.

2 MS. TESCHENDORF: Case 6390. Application of  
3 C&E Operators for compulsory pooling, San Juan County, New  
4 Mexico.

5 MR. KELLAHIN: Tom Kellahin of Kellahin and  
6 Fox, Santa Fe, New Mexico, appearing on behalf of the  
7 applicant, and I have one witness to be sworn.

8 (Witness sworn.)

9 MR. NUTTER: Before we get further into this  
10 case, I would point out that the Farmington newspaper made  
11 an error in the legal notice for this case. They advertised  
12 it as being a case involving the southwest half of Section  
13 10. We will hear the case today but it will have to be  
14 corrected in the advertisement, and we will hear it and  
15 continue it to the Examiner hearing scheduled to be held  
16 at this same place on December the 21st, 1978. It will be  
17 advertised in the Farmington newspaper only.

18 MR. KELLAHIN: If the Examiner please, we  
19 have a rough sketch of the 160-acre tract which includes --  
20 which is within the city limits of the City of Aztec and  
21 which includes a number of town lots and city streets, Mr.  
22 Nutter, and we would like at the rehearing of this case to  
23 present additional testimony on the ownership of this tract.  
24 At this point we're prepared to go ahead with the testimony  
25 as to what negotiations we've had with certain interest

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1 owners and to present our expert testimony on well costs  
2 and that sort of thing, and then to supplement our evidence  
3 on December 21st with additional testimony on ownership.

4 MR. NUTTER: Okay.

5  
6 WILLIAM PLATT CARR  
7 being called as a witness and having been duly sworn upon  
8 his oath, testified as follows, to-wit:

9  
10 DIRECT EXAMINATION

11 BY MR. KELLAHIN:

12 Q Would you please state your name and occu-  
13 pation?

14 A William Platt Carr. I'm a petroleum engineer.

15 Q Mr. Carr, have you previously testified  
16 before the Oil Conservation Division and had your qualifi-  
17 cations as an expert witness accepted and made a matter of  
18 record?

19 A Yes, sir, I have.

20 Q What is your relationship with C & E Operators?

21 A I'm the Chief Executive Officer.

22 Q And have you made a study of and are you  
23 familiar with the facts surrounding this particular appli-  
24 cation?

25 A Yes, sir.

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1 MR. KELLAHIN: We tender Mr. Carr as an expert  
2 witness.

3 MR. NUTTER: Mr. Carr is qualified.

4 By the way, that hearing is December 20th  
5 instead of the 21st. It will be continued to the Examiner  
6 hearing on December 20th, 1978.

7 Q (Mr. Kellahin continuing.) Would you please  
8 refer to what I have marked as Applicant Exhibit Number One  
9 and identify it and explain what you're seeking to do?

10 A We have had certain parts of this acreage  
11 under leases that have been held by production for, oh,  
12 more than twenty years, and we just started in this year to  
13 look to see if we couldn't put together a Pictured Cliffs  
14 unit in there. And if I'm not mistaken, all of this quarter  
15 section lies within the corporate limits of the City of  
16 Aztec, New Mexico.

17 Our old leases cover the Cemetery Association  
18 and the Shepherd tract in the northeast 40-acres. We have  
19 taken a new lease on the southeast 40 acres from the heirs  
20 of Chester Thompson, and that's the tract on which there  
21 was an old well drilled at one time and I just learned this  
22 morning was abandoned in 1966. I didn't know when it had  
23 been abandoned. But I don't -- I never have seen it on  
24 any map and I had heard that it was a Pictured Cliffs well,  
25 and I assume that that's correct.

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1 The other tracts are the only tracts of any  
2 size that we could spy looking at a plat in the tax assessor's  
3 office. Now, we had some people try to lease some of these  
4 things and they have -- they have leased all of the land  
5 that I have shown in the northwest of the southwest. The  
6 tracts in the southwest of the southwest, we have all of  
7 the streets, the alleys, the parks, and so forth, of the  
8 City of Aztec under lease, and we don't know at this point  
9 where they are. We don't know what acreage they cover, but  
10 we do know that there are many small town lots and tracts  
11 in there and we found out real quick that we were not going  
12 to be successful in obtaining leases covering even all the  
13 tracts that we had showed here because there were people  
14 who just wouldn't talk to you about a lease under any cir-  
15 cumstances.

16 The leases we took in the -- in the biggest  
17 part prohibit any surface operations whatsoever and that's --

18 Q This specifically applies to the Thompson  
19 lease, does it not, Mr. Carr?

20 A Well, I think it applies to all the little  
21 ones, too, because see, they've got such small tracts that  
22 they just don't want that rig being anywhere close to them.

23 Q Where is your proposed location for the  
24 well?

25 A It would be in the northeast of the south-



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Page 7

1 west.

2 Q At a standard location --

3 A Yes, sir, that's -- that's our plan.

4 Q And you desire that C & E Operators be de-  
5 signated as the operators of the well.

6 A Yes, sir.

7 Q Let me show you what I've marked as Exhibit  
8 Number Two and have you identify that.

9 A All right, this is a plat showing the Pic-  
10 tured Cliffs development in the area that -- where we had  
11 enough production information to project some reserve  
12 figures as to what would still be remaining in the Pictured  
13 Cliffs.

14 Q Those production and reserve figures are  
15 indicated in what volumes?

16 A They're indicated in volumes of million Mcf's.  
17 In other words, the point five one is a half a billion.

18 Q Okay. Please refer to what I've marked as  
19 Exhibit Number Three and identify it.

20 A This is an AFE that covers the cost of  
21 drilling a Pictured Cliffs well at the location in this  
22 quarter.

23 Q The AFE is projected to the bottom of the  
24 Pictured Cliffs formation?

25 A Yes, sir, and about 100 feet deeper.

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1 Q In your opinion, Mr. Carr, is this AFE con-  
2 sistent with other estimated well costs for Pictured Cliffs  
3 wells in the area?

4 A Yes, sir, it is.

5 Q I'll show you what I've marked as Exhibit  
6 Number Four and ask you identify that.

7 A This is the exhibit, the accounting exhibit  
8 on the -- the accounting procedure that we're using on all  
9 of the contracts that we're operating for new wells that  
10 we're drilling now in the San Juan Basin.

11 Q Would you turn to the page of that exhibit  
12 which indicates the overhead charges?

13 A Yes, sir.

14 Q And what are those overhead charges?

15 A Our drilling well rate is \$941 per well per  
16 month and a producing well rate, \$180 per well per month.

17 MR. NUTTER: My exhibit says \$150.

18 A It does? Well, it ought to be \$180.

19 MS. TESCHENDORF: And \$800 on the drilling.

20 A That's the last year's one. I can tell you  
21 what that is just from the numbers.

22 Those were the charges we were making in  
23 1977.

24 MR. KELLAHIN: Those costs, Mr. Nutter, were  
25 what for drilling?

1 MR. NUTTER: \$941 and \$180.

2 MR. KELLAHIN: All right.

3 Q (Mr. Kellahin continuing.) All right, Mr.  
4 Carr, the overhead costs while drilling of \$941 and after  
5 drilling of \$180 per month, are consistent with those charges  
6 assessed by other operators in the area for Pictured Cliffs  
7 wells?

8 A Yes, sir, they are.

9 Q In your opinion is that a fair and reasonable  
10 charge to assess against the nonconsenting parties in this  
11 case?

12 A Yes, sir, it is.

13 Q Let me ask you, Mr Carr, if you have a re-  
14 commendation to the Examiner with regards to a risk factor  
15 to be assessed against the nonconsenting parties?

16 A Yes, sir, we feel like the risk factor ought  
17 to be 200 percent.

18 Q On what do you base that recommendation?

19 A Upon two things. One, that there is some  
20 Fruitland gas in that area that has blown out in one well  
21 that I know of just south of the city, which is going to  
22 necessitate considerably greater mud costs than you would  
23 encounter in some areas, and another imponderable is the  
24 fact that the well we drilled just north of this had a bunch  
25 of surface boulders and while the last Pictured Cliffs well

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1 we drilled, which was 8 miles from here and we hoped we  
2 never saw another one like it, but it nearly doubled the  
3 drilling cost of the well to set the surface pipe.

4 Q In your opinion are there any increased  
5 risks of drilling within the City of Aztec that you would  
6 not encounter if you drilled a Pictured Cliffs well outside  
7 the City of Aztec?

8 A You'd have to ask me where outside the City  
9 of Aztec. There is any -- there is always a risk in a city.  
10 I mean if you are unfortunate enough to have a blowout and  
11 have a fire, you're just more concerned about something like  
12 that occurring in the city, and that's one of the reasons  
13 we're considering that well is because the Shepherd tract  
14 has no development on it. It's a pretty empty tract, and  
15 we feel like by getting toward the center of it, we're far  
16 enough to where we're not going to bother people too much  
17 from the drilling rig noise and where we wouldn't really  
18 have any problems if we did have some unforeseen circum-  
19 stances.

20 Q How does the offset production to your 160-  
21 acre unit compare to Pictured Cliffs production in general?

22 A I'd say it's about average.

23 Q Are there any other potential formations  
24 that would be productive other than the Pictured Cliffs in  
25 this area?

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1 A Possibly the Fruitland.

2 Q Do any of these offsetting wells produce  
3 from the Fruitland, to your knowledge?

4 A None to my knowledge, no.

5 Q Were Exhibits One, Two, and Three prepared  
6 under your direction or compiled by you directly?

7 A Yes, sir, they were.

8 Q In your opinion, Mr. Carr, will approval  
9 of this application be in the best interests of conserva-  
10 tion, prevention of waste, and the protection of correlative  
11 rights?

12 A Yes, sir, I think it will.

13 MR. KELLAHIN: We move the introduction of  
14 Exhibits One, Two and Three.

15 MR. NUTTER: Applicant's Exhibits One through  
16 Three will be admitted in evidence. And Four?

17 MR. KELLAHIN: I'm sorry, and Four, yes, sir.

18 MR. NUTTER: They will be admitted.

19  
20 CROSS EXAMINATION

21 BY MR. NUTTER:

22 Q Mr. Carr, what is the producing capability  
23 of these offsetting wells here on your Exhibit Number Two?

24 A At the present time?

25 Q Uh-huh.

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1 A You know, I don't think I can answer that.  
2 It's -- the wells are small and, of course, one well there  
3 I don't operate, but the rest of them, we operate all of  
4 them, and I think that they will average from five to eight  
5 million feet a year.

6 Now, that's my recollection on the last time  
7 I looked at those figures, which was some months back now.

8 Q And the cumulative production on all of these  
9 wells averages about 485,000?

10 A Yes, sir, that was the -- those are actual  
11 production figures through 1977.

12 Q So they've made about a half a billion  
13 apiece?

14 A That's right. And the reserve estimates are  
15 based on the things that may or may not take place. I  
16 used abandonment pressure of 100 pounds and this is con-  
17 siderably higher than El Paso's present line pressure in  
18 the area, but we feel like that it's a reasonable estimate  
19 because there may be enough gas left that El Paso can draw  
20 those line pressures down in the future, or we've got  
21 enough wells close together that we might be able to hook  
22 them up and use some little compressors to help the things  
23 when they get to where they won't put into the pipeline.

24 Q Now, do you have any idea as of now -- I  
25 realize we're going to have some further detail on this

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1 ownership later, but do you have any idea now as to the  
2 number of acres in this southwest quarter of this section  
3 that you presently have a lease on?

4 A Yeah. We've got 80, two, three, we've got  
5 about 80 -- 84 acres plus the acreage that is owned by the  
6 city. Now, we don't what that is, I don't know how many  
7 streets there are; don't know the width of the streets --

8 Q Don't know the acreage?

9 A Don't know about the alleys or the parks, and  
10 if we drill the well, I mean, we've got to determine it  
11 because of they'll, you know, be having royalties under the  
12 well.

13 We have had two people that have four or  
14 five acres that just flat refused to lease. We have two  
15 people that own nearly ten acres that have said they will  
16 lease but have not done so at this time, and the party we  
17 had trying to lease in there, we got a local real estate  
18 person that was one that an attorney out there thought  
19 would have some time to devote to a project like this; it  
20 was a lady, an older lady, and we just told her you just  
21 take off and any lease you can get in this area, we'll pay  
22 you \$25 and we'll pay them \$25, or else pay them \$25 an  
23 acre, and she did what we got in there and she just threw  
24 up her hands and quit.

25 Now I'm sure she didn't try to lease all the

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1 tracts and, frankly, I don't think economically we could  
2 really make a concerted effort to lease those tracts. The  
3 economics of acquiring acreage would get to the point that  
4 you'd be spending more gathering up the acreage than it  
5 would be worth to you.

6 Q Well now, I presume just by looking at it  
7 that the west half of this quarter section is closer to the  
8 development in the town.

9 A That's right. The main part --

10 Q And the east half is out in the country, so  
11 to speak.

12 A That's right. Now, there's I think been a  
13 Pictured Cliffs well drilled in all these quarter sections  
14 around there to the east, north, south, and west, except  
15 this next quarter section immediately west, and I think  
16 that is the central core of the City of Aztec, and I know  
17 that in the west part of this unit there are lots of little,  
18 old bitty tracts and lots, just a bunch of them, but we can  
19 get -- I know we can get that plat from the tax office.

20 Q And there's plenty of room to drill down here  
21 in the southeast of the southwest but the lease that you  
22 got with Thompson and Fowler (sic) prohibits the location  
23 of a rig there, is that it?

24 A That's right. They wouldn't even talk to me,  
25 if -- if I wanted to drill on it.



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1 Q But you can drill up here on this Shepherd?

2 A That's right. That's the only place we've  
3 got in there that I know we can locate.

4 Q Well, now, you said that locating it up  
5 here would be more conducive to not disturbing anybody.  
6 I notice here you've got the Aztec Cemetery Association.

7 A I don't believe we will disturb those folks,  
8 no, sir. Don't think they'll mind.

9 Q Now have you made an attempt to lease from  
10 everyone in here that owns a tract of land?

11 A No, sir, I have not.

12 Now, I don't know what this lady done. In  
13 fact, I found out today that she'd leased a tract I don't  
14 have on here. I don't even know where it is. But it would  
15 require a lot of time and I'm sure that she has not con-  
16 tacted everybody in there, but I can find that out.

17 Q So if this order should go through as you've  
18 requested, you have a lot of working interest partners in  
19 this well, then.

20 A No question about that.

21 Q Now what about this old well that's located  
22 here on this southeast quarter, Mr. Carr?

23 A I don't know where it's located. I know I've  
24 seen it on the ground and I've heard that it was -- that  
25 it was a Pictured Cliffs well, but it wasn't -- it wasn't

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1 on any map we had and I had -- knew nothing of production  
2 or anything from it, so I just didn't even show it on the  
3 plat.

4 Q Well, in 1955 Mr. Al Greer, Senior, asked  
5 for a non-standard Aztec-Pictured Cliffs proration unit  
6 comprising the southeast of the southwest of Section 10 and  
7 he stated that the well was 220 feet from the south line  
8 and 1520 feet from the west line of the section.

9 A Uh-huh.

10 Q Which would put it on the Thompson lease,  
11 of course, but you have seen the well?

12 A Yes, sir. It's right along the road going  
13 out to the city dump. It doesn't look like, you know,  
14 everything is rusted and there are no signs of any activi-  
15 ties being there in a long time.

16 Q And you don't plan to utilize that well in  
17 any way?

18 A No, sir, no, sir.

19 Q Do you know whether the well produced very  
20 much gas, if any?

21 A I don't have any idea. I don't know one  
22 thing about that well.

23 Q Now, awhile back, Mr. Carr, we had a compul-  
24 sory pooling case where you were involved by Amoco.

25 A Yes, sir.

SALLY WALTON BOYD  
CERTIFIED SHORTHAND REPORTER  
3028 Plaza Blanca (995) 471-2462  
Santa Fe, New Mexico 87501

1 Q Would this Exhibit Number Four being for  
2 this Martinez Unit in Section 32 of 32, 10, be that same  
3 well?

4 A Yes, sir.

5 Q And this is the one that carries the \$941  
6 drilling well overhead fixed rate and \$180 producing well  
7 overhead fixed rate?

8 A I think that's right.

9 Q Are those the amounts that were entered in  
10 that order that the Commission put out?

11 A Yes, sir.

12 Q They are? And you're seeking that same --  
13 those same numbers for this well?

14 A Yes, sir.

15 Q How does this \$134,000 on your AFE compare  
16 to the AFE on that previous well?

17 A It is probably at least \$30,000 higher than  
18 that AFE was.

19 Q I was thinking it was.

20 A Because that AFE was for less than \$100,000,  
21 and that is the particular well that it took us six days  
22 and an extra string of surface pipe to get through the  
23 boulders. The actual drilling cost of that hole was just  
24 about twice what the AFE was on it.

25 Q I see.

SALLY WALTON BOYD  
CERTIFIED SHORTHAND REPORTER  
3050 Plaza, Alhambra (911) 411-2442  
Santa Fe, New Mexico 87501

1 A Yeah, here's the AFE on that well was for  
2 less than \$96,000.

3 Q Uh-huh.

4 A And I think the actual cost was about \$139,  
5 and nearly all of it was the -- was in those boulders.

6 Q So you've got a higher drilling cost calcu-  
7 lation on this, then, in the event you run into the same  
8 type of problem.

9 A Potentially, yes, sir. We hope it's not  
10 that high.

11 Q And you could complete this well for consid-  
12 erably less than the \$134,000.

13 A And hope that we're going to complete it  
14 for considerably less.

15 Q I see, okay.

16 A Yes, sir.

17 MR. NUTTER: Are there any further questions  
18 of Mr. Carr? He may be excused.

19 Do you have any further -- anything further  
20 in this case at this time, Mr. Kellahin?

21 MR. KELLAHIN: Not this case.

22 MR. NUTTER: Does anyone have anything they  
23 wish to offer in Case 6390?

24 We will continue the case to the hearing  
25 scheduled to be held at this same place at 9:00 o'clock

a.m. December 20, 1978.

(Hearing continued.)

SALLY WALTON BOYD  
CERTIFIED SHORTHAND REPORTER  
9098 Plaza Blanca (666) 471-4408  
Santa Fe, New Mexico 87501

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REPORTER'S CERTIFICATE

I, SALLY WALTON BOYD, a Court Reporter, DO HEREBY  
 CERTIFY that the foregoing and attached Transcript of  
 Hearing before the Oil Conservation Division was reported  
 by me; that said transcript is a full, true, and correct  
 record of the hearing, prepared by me to the best of my  
 ability, knowledge, and skill, from my notes taken at the  
 time of the hearing.

Sally W. Boyd CSR  
 Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is  
 a complete and correct transcript of the  
 hearing held on 11/21 1978 at 6390  
1978  
[Signature], Examiner  
 Oil Conservation Division

SALLY WALTON BOYD  
 CERTIFIED SHORTHAND REPORTER  
 3030 Plaza Blanca (996) 411-2402  
 Santa Fe, New Mexico 87501



JERRY APODACA  
GOVERNOR

NICK FRANKLIN  
SECRETARY

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

January 24, 1979

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
(505) 827-2434

Mr. Tom Kellahin  
Kellahin & Fox  
Attorneys at Law  
Post Office Box 1769  
Santa Fe, New Mexico

Re: CASE NO. 6390  
ORDER NO. R-5886

Applicant:

C & E Operators

Dear Sir:

Enclosed herewith are two copies of the above-referenced  
Division 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 x

Other \_\_\_\_\_  
\_\_\_\_\_

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 6390  
Order No. R-5886

APPLICATION OF C & E OPERATORS  
FOR COMPULSORY POOLING, SAN JUAN  
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on January 17,  
1979, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 23rd day of January, 1979, the Division  
Director, having considered the record and the recommendations  
of the Examiner, and being fully advised in the premises,

FINDS:

That the applicant's request for dismissal should be granted.

IT IS THEREFORE ORDERED:

That Case No. 6390 is hereby dismissed.

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

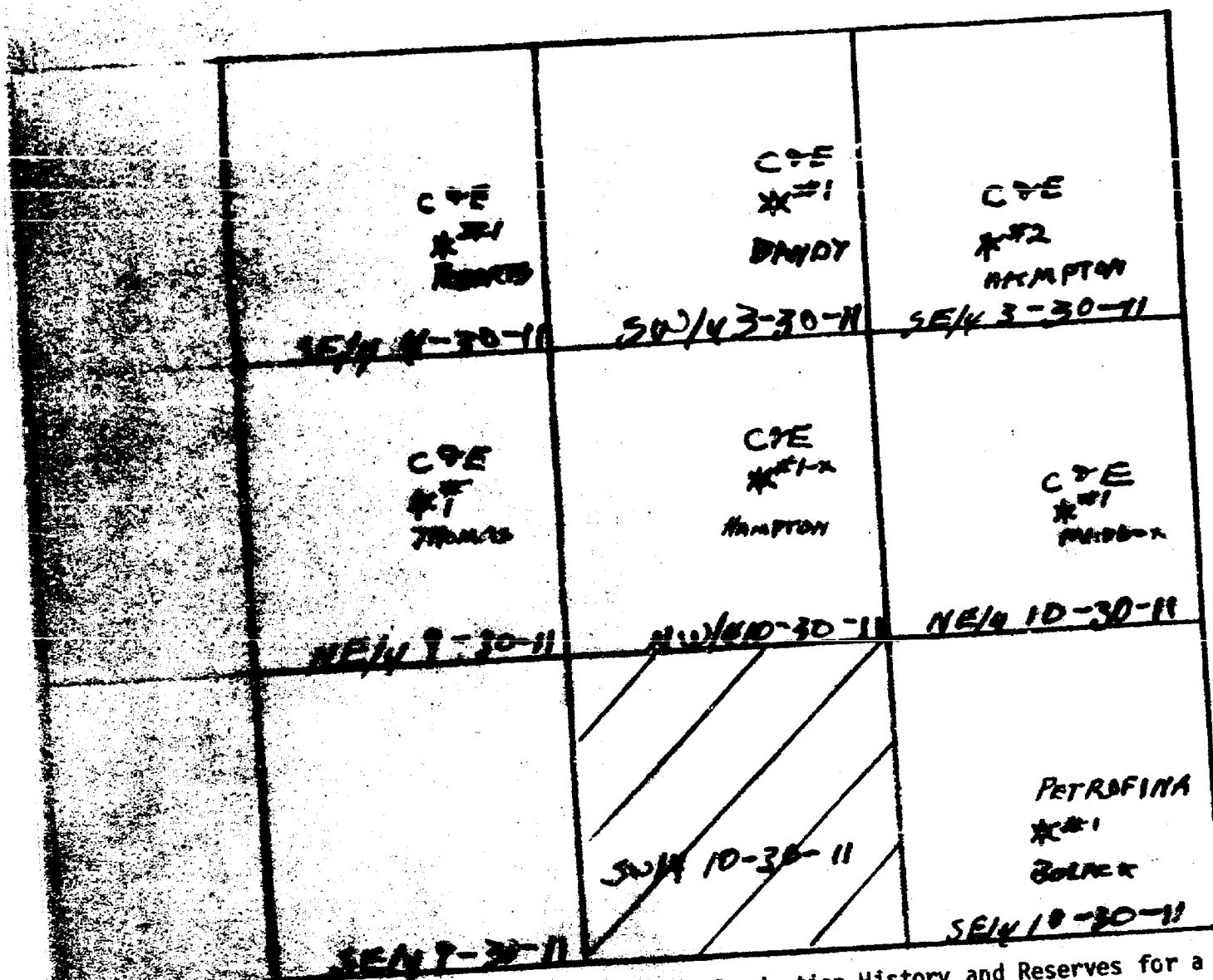
STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
JOE D. RAMEY  
Director

  
S E  
fd/







Plot showing Pictured Cliffs Development, Production History and Reserves for a portion of Township 30 North, Range 11 West, San Juan County, New Mexico

# Well

Dandy #1  
Hampton #1-X  
Hampton #2  
Maddox #1  
Roberts #1  
Thomas #1  
Petrofina #1 Bolack

## Production thru 1977

billions  
of cu ft.

.511	1/78
.408	1/78
.799	1/78
.356	1/78
.393	1/78
.567	1/78
.365	1/78
.485	

## Reserves 10/78

.220
.130
.290
.050
.120
.210
.100
.160

billions  
of cu ft.

Total Average

prod averages  
5-8 million cu ft / yr.

BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION

C & E EXHIBIT NO. 2

CASE NO. 6390

**C & E OPERATORS, INC. - MARY SHEPHERD**

### AUTHORIZATION FOR EXPENDITURES

10 - 130N - RTW, San Juan County, Nex Mexico

TANGIBLE		ESTIMATED COST	
		PRODUCING	DRY HOLE
10.50/ K55 ST & C		2,030	
10.50/ K55 ST & C		10,022	
2.72 4.77 395 EUE grd		5,788	
		2,200	
		2,000	
TOTAL TANGIBLE 100%		22,040	
INTANGIBLE			
2,000 ft. @ 9.25 /ft.		24,050	
2 days @ 3,500 /day		7,000	
Costs		1,500	
3 Days @ 2,640 /day		7,920	
Miscellaneous Labor		5,000	
Shipping, Barge, Tug		4,000	
Tools, Location, Damages, cleanup		4,500	
Water, Chemicals		4,000	
Tests			
Core Logs & Bond Logs		4,500	
Neutralizer, Scratchers, Service		5,500	
Equipment		3,000	
Core & Analyses			
Drill Tests & Sidewall Cores			
Perforator		2,000	
Acid & Frack		7,500	
Geological & Engineering		2,500	
Well Logger			
Cost of Control Insurance (SRC Only)		2,600	
Miscellaneous & Unforeseen		10,000	
District & Overhead Expense		947	
Supervision & Legal		500	
Contingency for Boulders		15,000	
TOTAL INTANGIBLE 100%		112,017	
GRAND TOTAL COSTS		134,057	

**DECLASSIFICATION REQUESTED**

**AUTHORIZATION APPROVED**

BY:

DATE :

EXHIBIT " "

Attached to and made a part of Martinez Pictured Cliffs located  
SE/4 Sec. 32, T32N, R10W, San Juan County, New Mexico between  
C & E Operators, Inc. (Operator) and Amoco Production Co. and  
W. P. Carr et al (Non-operators)

ACCOUNTING PROCEDURE EXAMINER NUTTER  
JOINT OPERATIONS OIL CONSERVATION DIVISION

I. GENERAL PROVISIONS

C & E EXHIBIT NO. 4  
CASE NO. 6390

1. Definitions

- "Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.
- "Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.
- "Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.
- "Operator" shall mean the party designated to conduct the Joint Operations.
- "Non-Operators" shall mean the parties to this agreement other than the Operator.
- "Parties" shall mean Operator and Non-Operators.
- "First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.
- "Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.
- "Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.
- "Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.
- "Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of twelve percent (12%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

5. Audits

A. Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

## II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

### 1. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

### 2. Labor

A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.

(2) Salaries of First Level Supervisors in the field.

(3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.

D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

### 3. Employee Benefits

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%).

### 4. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

### 5. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.

B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.

C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of \$200 or less excluding accessorial charges.

### 6. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

### 7. Equipment and Facilities Furnished by Operator

A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

### 8. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

### 9. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

#### 10. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

#### 11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

#### 12. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

### III. OVERHEAD

#### 1. Overhead - Drilling and Producing Operations

A. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

- ( I ) Fixed Rate Basis, Paragraph 1A, or
- ( ) Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

B. The salaries, wages and Personal Expenses of Technical Employees and or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall ( ) shall not ( ) be covered by the Overhead rates.

#### A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$	941.00
Producing Well Rate \$	180.00

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

##### (a) Drilling Well Rate

- [1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

##### (b) Producing Well Rates

- [1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
- [2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
- [3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
- [4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
- [5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

(3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.



### B. Overhead - Percentage Basis

(1) Operator shall charge the Joint Account at the following rates:

#### (a) Development

\_\_\_\_\_ Percent ( %) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

#### (b) Operating

\_\_\_\_\_ Percent ( %) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

Calculation of Overhead - Percentage Basis shall be as follows:

For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, re-drilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating.

#### Overhead - Major Construction \*

The Operator shall charge for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property. Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of \_\_\_\_\_:

- \_\_\_\_\_ % of total costs if such costs are more than \$ \_\_\_\_\_ but less than \$ \_\_\_\_\_; plus
- \_\_\_\_\_ % of total costs in excess of \$ \_\_\_\_\_ but less than \$1,000,000; plus
- \_\_\_\_\_ % of total costs in excess of \$1,000,000.

\* \_\_\_\_\_ shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a project shall not be treated separately and the cost of drilling and workover wells shall be excluded.

to be negotiated

#### Amendment of Rates

The overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

### IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material purchased for the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of surplus Controllable Material, such disposal being made either through sale to Operator or Non-Operator, division in kind or otherwise. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operator in surplus Controllable Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

#### Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

#### 2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

##### A. New Material (Condition A)

- (1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.
- (2) Line Pipe
  - (a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.
  - (b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.
- (3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

##### B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

- (1) Material moved to the Joint Property
  - (a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.
- (2) Material moved from the Joint Property
  - (a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or

at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

**Other Used Material (Condition C and D)**

**(1) Condition C**

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

**(2) Condition D**

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

**Obsolete Material**

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

**Freight Conditions**

(1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.

(2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

**Emergency Status**

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charges prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

**Warranty of Material Furnished by Operator**

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

**V. INVENTORIES**

Operator shall maintain detailed records of Controllable Material.

**1. Periodic Inventories, Notice and Representation**

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

**2. Reconciliation and Adjustment of Inventories**

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable only for shortages due to lack of reasonable diligence.

**3. Special Inventories**

Special Inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

**4. Expense of Conducting Periodic Inventories**

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.



Dockets Nos. 2-79 and 3-79 are tentatively set for hearing on January 17 and 31, 1979. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JANUARY 3, 1979

9 A.M. - OIL CONSERVATION DIVISION 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:

- CASE 6413: Application of Atlantic Richfield Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Langley Getty Com Well No. 1 located in Unit N of Section 21, Township 22 South, Range 36 East, Langley Field, Lea County, New Mexico, to produce gas from the Devonian and Ellenburger formations, through parallel strings of tubing.
- CASE 6414: Application of Atlantic Richfield Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Devonian formation through the perforated interval from 13,590 feet to 13,685 feet in its Lea 396 State Well No. 1 located in Unit K of Section 35, Township 15 South, Range 36 East, Dean-Devonian Pool, Lea County, New Mexico.
- CASE 6415: Application of Yates Petroleum Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp thru Devonian formations underlying the W/2 of Section 20, Township 14 South, Range 36 East, Lea 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 6416: Application of Anadarko Production Company for special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Cedar Lake-Morrow Gas Pool, Eddy County, New Mexico, to provide for 320-acre spacing rather than 160 acres. In the absence of objection, this pool will be placed on the standard 320-acre spacing for Wolfcamp and Pennsylvanian gas pools rather than the present 160-acre spacing.
- CASE 6417: Application of Morris R. Antwell for compulsory pooling and an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the W/2 of Section 9, Township 12 South, Range 32 East, Lea County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the North and West lines of said section. 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 6390: (Continued and readvertised)
- Application of C & E Operators for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down thru the Pictured Cliffs formation underlying the SW/4 of Section 10, Township 30 North, Range 11 West, San Juan 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.

Dockets Nos. 39-78 and 40-78 are tentatively set for hearing on December 7 and 20, 1978. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - TUESDAY - NOVEMBER 14, 1978

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases are continued from the November 7, 1978, Commission Hearing.

CASE 6146: (DE NOVO) (Continued and Readvertised)

Application of Jerome P. McHugh for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Tapacito-Gallup and Basin-Dakota production within the wellbore of his Jicarilla Well No. 5 located in Unit D of Section 29, Township 26 North, Range 4 West, Rio Arriba County, New Mexico.

Upon application of Jerome P. McHugh this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6266: (DE NOVO)

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 an Upper Pennsylvanian test well to be located 660 feet from the North and East lines or, in the alternative, 990 feet from the North and East lines of Section 23, Township 22 South, Range 23 East, Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico, all of said Section 23 to be dedicated to the well.

Upon application of Harvey E. Yates Company this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6377: Application of Durham, Inc., for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying Section 8, Township 21 South, Range 24 East, Indian Basin-Morrow Gas Pool, Eddy County, New Mexico, to be dedicated to a well to be drilled 1650 feet from the North and East lines of said Section 8. 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 6378: In the matter of the hearing called by the Oil Conservation Division on the motion of Shell Oil Company to permit Corinne Grace and all other interested parties to appear and show cause why Division Order No. R-3713, which pooled all of Section 8, Township 21 South, Range 24 East, Eddy County, New Mexico, should not be declared null and void, if said pooling order has not already automatically expired due to non-production.

CASE 6379: Application of Shell Oil Company for pool contraction and pool extension, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the Indian Basin-Morrow Gas Pool by the deletion therefrom of the N/2 of Section 8, Township 21 South, Range 24 East, Eddy County, New Mexico, or in the alternative, all of said Section 8, and the extension of the Cemetery-Morrow Gas Pool to include the aforesaid N/2 or all of said Section 8.

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DOCKET: EXAMINER HEARING - TUESDAY - NOVEMBER 21, 1978

9 A.M. - OIL CONSERVATION DIVISION 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 December, 1978, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
  - (2) Consideration of the allowable production of gas for December, 1978, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

- CASE 6380:** Application of Harvey E. Yates Company, Inc., for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Travis Deep Well No. 3 located in Unit B of Section 13, Township 18 South, Range 28 East, to produce oil from the Travis-Upper Pennsylvanian Pool and gas from the Morrow formation, Eddy County, New Mexico, through parallel strings of tubing.
- CASE 6381:** Application of Yates Petroleum Corporation for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of East Cottonwood Creek-Wolfcamp and Atoka production within the wellbore of its Lizzie Howard "HK" Well No. 1 located in Unit K of Section 13, Township 16 South, Range 25 East, Eddy County, New Mexico.
- CASE 6382:** Application of Yates Petroleum Corporation for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Permo-Penn and Little Box Canyon-Atoka production within the wellbore of its Federal "HQ" Well No. 1 located in Unit K of Section 5, Township 21 South, Range 22 East, Eddy County, New Mexico.
- CASE 6383:** Application of Yates Petroleum Corporation for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Eagle Creek Permo-Penn and the West Atoka-Morrow production within the wellbore of its Fowell "DG" Com. Well No. 1 located in Unit O of Section 35, Township 17 South, Range 25 East, Eddy County, New Mexico.
- CASE 6384:** Application of Yates Petroleum Corporation for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Permo-Penn and Atoka production within the wellbore of its Federal "AB" Com. Well No. 5 located in Unit L of Section 21, Township 18 South, Range 25 East, Eddy County, New Mexico.
- CASE 6385:** Application of Yates Petroleum Corporation for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Box Canyon Permo-Penn and Box Canyon-Strawn production within the wellbore of its Huber I-A Federal Well No. 2 located in Unit P of Section 15, Township 21 South, Range 21 East, Eddy County, New Mexico.
- CASE 6386:** Application of Atlantic Richfield Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Ellenburger, Devonian, and McKee formations underlying the N/2 of Section 21, Township 22 South, Range 36 East, Lea County, New Mexico, to be dedicated to its Langley Greer Com Well No. 1 located 1650 feet from the North line and 1980 feet from the West line of said Section 21. 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 6387:** Application of R B Petroleum Company for pool reclassification, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the reclassification of the North Tocito Dome-Pennsylvanian Pool as an associated pool and the promulgation of special pool rules therefor. In the alternative, applicant seeks the abolishment of the North Tocito Dome-Pennsylvanian Pool and the inclusion of the abolished lands in the Tocito Dome Pennsylvanian "D" Associated Pool.
- CASE 6388:** Application of Amoco Production Company 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 E/2 of Section 20, Township 23 South, Range 29 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 6389:** Application of Durham, Inc., for pool contraction and extension, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the Indian Basin-Morrow Gas Pool by the deletion therefrom of the N/2 of Section 8, Township 21 South, Range 24 East, Eddy County, New Mexico, or in the alternative, all of said Section 8, and the extension of the Cemetery-Morrow Gas Pool to include the aforesaid N/2 or all of said Section 8.
- CASE 6390:** Application of C & E Operators for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down thru the Pictured Cliffs formation underlying the SW/4 of Section 10, Township 30 North, Range 11 West, San Juan 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 6391:** Application of Acoma Oil Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blinbry, Wants-Abo, and Brinkard production within the wellbore of its Sarkeys Well No. 1 located in Unit A of Section 26, Township 21 South, Range 37 East, Lea County, New Mexico.

**CASE 6364:** (Continued from October 25, 1978, Examiner Hearing)

Application of Adobe Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Ellenburger formation underlying the NW/4 SE/4 of Section 23, Township 20 South, Range 38 East, Lea County, New Mexico, to be dedicated to a proposed oil well to be drilled at a standard location thereon. Applicant seeks the pooling of the SE/4 of said Section 23 in the event said drilling results in a gas well. 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 5390: (Continued from January 3, 1979, Examiner Hearing)

Application of C & E Operators for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down thru the Pictured Cliffs formation underlying the SW/4 of Section 10, Township 30 North, Range 11 West, San Juan 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 6421: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating and extending vertical and horizontal limits of certain pools in Chaves, Eddy, Lea, and Roosevelt Counties, New Mexico:

(a) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the Avalon-Wolfcamp Pool. The discovery well is Maralo, Inc. Hanson Federal Well No. 2 located in Unit O of Section 28, Township 20 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM  
Section 28: SE/4

(b) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Black River-Atoka Gas Pool. The discovery well is HNG Oil Company Bowden 25 Federal Com. Well No. 1 located in Unit I of Section 25, Township 24 South, Range 26 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM  
Section 25: E/2

(c) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the Box Canyon-Strawn Gas Pool. The discovery well is Yates Petroleum Corporation Huber 1A Federal Well No. 2 located in Unit P of Section 15, Township 21 South, Range 21 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 21 EAST, NMPM  
Section 15: S/2

(d) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the Cotton Draw-Delaware Pool. The discovery well is Coquina Oil Corporation El Paso Federal Well No. 1 located in Unit K of Section 12, Township 24 South, Range 31 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 31 EAST, NMPM  
Section 12: SW/4

(e) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the East Cottonwood Creek-Atoka Gas Pool. The discovery well is Yates Petroleum Corporation Lizzie Howard HK Well No. 1 located in Unit K of Section 13, Township 16 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 25 EAST, NMPM  
Section 13: W/2

(f) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Yates-Seven Rivers production and designated as the North Custer Yates-Seven Rivers Pool. The discovery well is Gifford, Mitchell & Wisenbaker Amoco State Well No. 1 located in Unit B of Section 36, Township 24 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 35 EAST, NMPM  
Section 36: NE/4

(g) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Diamond Mound-Atoka Gas Pool. The discovery well is Northern Natural Gas Company Vandagriff Federal Well No. 1 located in Unit K of Section 1, Township 16 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 27 EAST, NMPM  
Section 1: All  
Section 2: Lots 1, 2, 7, 8, 9, 10, 15 and 16

Docket No. 2-79

Dockets Nos. 3-79 and 4-79 are tentatively set for hearing on January 24 and 31, 1979. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JANUARY 17, 1979

9 A.M. - OIL CONSERVATION DIVISION 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 February, 1979, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas for February, 1979, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.
- CASE 6418: Application of Gulf Oil Corporation for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Eddy "GR" State Well No. 1 located in Unit E of Section 16, Township 23 South, Range 28 East, Eddy County, New Mexico, to produce gas from the Atoka and Morrow formations through parallel strings of tubing.
- CASE 6413: (Continued from January 3, 1979, Examiner Hearing)
- Application of Atlantic Richfield Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Langley Getty Com Well No. 1 located in Unit N of Section 21, Township 22 South, Range 36 East, Langley Field, Lea County, New Mexico, to produce gas from the Devonian and Ellenburger formations, through parallel strings of tubing.
- CASE 6414: (Continued from January 3, 1979, Examiner Hearing)
- Application of Atlantic Richfield Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Devonian formation through the perforated interval from 13,590 feet to 13,685 feet in its Lea 396 State Well No. 1 located in Unit K of Section 35, Township 15 South, Range 36 East, Dean-Devonian Pool, Lea County, New Mexico.
- CASE 6415: (Continued from January 3, 1979, Examiner Hearing)
- Application of Yates Petroleum Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp thru Devonian formations underlying the W/2 of Section 20, Township 14 South, Range 36 East, Lea 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 6419: 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 Lanning JC Well No. 1 located in Unit B of Section 7, Township 18 South, Range 26 East, Eagle Creek Field, Eddy County, New Mexico, to produce gas from the Strawn formation through the casing-tubing annulus and from the Morrow formation through tubing.
- CASE 6420: Application of LaRue and Muncy for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Abo formation underlying the NW/4 SE/4 of Section 34, Township 18 South, Range 26 East, Dayton-Abo Pool, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6416: (Continued from January 3, 1979, Examiner Hearing)
- Application of Anadarko Production Company for special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Cedar Lake-Morrow Gas Pool, Eddy County, New Mexico, to provide for 320-acre spacing rather than 160 acres. In the absence of objection, this pool will be placed on the standard 320-acre spacing for Wolfcamp and Pennsylvanian gas pools rather than the present 160-acre spacing.

(h) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Fenton Draw-Morrow Gas Pool, the discovery well is Perry R. Bass Big Eddy Unit Well No. 53 located in Unit G of Section 8, Township 21 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 28 EAST, NMPM  
Section 8: E/2

(i) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Cherry Canyon production and designated as the Herradura Bend-Cherry Canyon Pool. The discovery well is Eastland Oil Company City of Carlsbad Well No. 1 located in Unit K of Section 29, Township 22 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM  
Section 29: SW/4

(j) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the East High Hope-Atoka Gas Pool. The discovery well is Beard Oil Company Hagstrom Well No. 1 located in Unit K of Section 8, Township 17 South, Range 24 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 24 EAST, NMPM  
Section 8: W/2  
Section 17: W/2  
Section 18: All

(k) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Atoka production and designated as the Hume-Atoka Gas Pool. The discovery well is Mewbourne Oil Company State E Com Well No. 1 located in Unit V of Section 6, Township 16 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM  
Section 6: S/2

(l) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the Loafer Draw-Strawn Gas Pool. The discovery well is Inexco Oil Company Arroyo Federal Well No. 1 located in Unit K of Section 26, Township 21 South, Range 22 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 22 EAST, NMPM  
Section 26: S/2

(m) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Cisco-Canyon production and designated as the Logan Draw Cisco-Canyon Gas Pool. The discovery well is Mesa Petroleum Company Potter Federal Com Well No. 1 located in Unit B of Section 29, Township 17 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM  
Section 29: N/2

(n) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the North Loving-Morrow Gas Pool. The discovery well is Cities Service Company Polk A Com Well No. 1 located in Unit B of Section 17, Township 23 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM  
Section 16: W/2  
Section 17: N/2

(o) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the North Loving-Strawn Gas Pool. The discovery well is Cities Service Company Polk A Com Well No. 1 located in Unit B of Section 17, Township 23 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM  
Section 17: N/2

(p) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Drinkard production and designated as the Lovington-Drinkard Pool. The discovery well is Getty Oil Company State O Well No. 12 located in Unit J of Section 31, Township 16 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM  
Section 31: SE/4

(q) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the South Millman-Atoka Gas Pool. The discovery well is Hondo Oil and Gas Company Hondo 22 State Well No. 1 located in Unit H of Section 22, Township 19 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM  
Section 22: E/2

(r) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Premier production and designated as the Pavo Mesa-Premier Gas Pool. The discovery well is Carl A. Schellinger Exxon Federal Well No. 1 located in Unit M of Section 29, Township 16 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 29 EAST, NMPM  
Section 29: SW/4

(s) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Penasco Draw-Morrow Gas Pool. The discovery well is Morris R. Antwell Dinkus Com Well No. 1 located in Unit O of Section 20, Township 18 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 24 EAST, NMPM  
Section 24: E/2

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM  
Section 19: All  
Section 20: S/2  
Section 29: All  
Section 30: N/2  
Section 32: N/2

(t) EXTEND the vertical limits of the Monument-Tubb Pool in Lea County, New Mexico, to include the Drinkard formation and redesignate said Monument-Tubb Pool as the Monument Tubb-Drinkard Pool.

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

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM  
Section 6: S/2

(v) EXTEND the Southeast Chaves Queen Gas Area in Chaves County, New Mexico, to include therein:

TOWNSHIP 13 SOUTH, RANGE 31 EAST, NMPM  
Section 3: S/2

(w) EXTEND the South Empire-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM  
Section 36: E/2

(x) EXTEND the Jenkins-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 35 EAST, NMPM  
Section 27: SW/4

(y) EXTEND the Langley-Ellenburger Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 36 EAST, NMPM  
Section 21: S/2

(z) EXTEND the Lovington-Queen Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 36 EAST, NMPM  
Section 1: S/2  
Section 12: W/2

(aa) EXTEND the South Millman-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM  
Section 19: S/2



(bb) EXTEND the Penasco Draw-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM  
Section 27: W/2  
Section 28: All

(cc) EXTEND the South Peterson-Pennsylvanian Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 5 SOUTH, RANGE 33 EAST, NMPM  
Section 31: SE/4 SE/4

(dd) EXTEND the Sioux-Yates Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM  
Section 8: N/2  
Section 9: NW/4

(ee) EXTEND the Sombrero-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPM  
Section 12: W/2

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

TOWNSHIP 7 SOUTH, RANGE 31 EAST, NMPM  
Section 32: SE/4

TOWNSHIP 8 SOUTH, RANGE 31 EAST, NMPM  
Section 5: NE/4

(gg) EXTEND the West Tonto-Pennsylvanian Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM  
Section 8: W/2

(hh) EXTEND the Tubb Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM  
Section 6: SW/4  
Section 7: NW/4

(ii) EXTEND the North Turkey Track-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM  
Section 5: N/2

(jj) EXTEND the Wantz-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM  
Section 34: NE/4

(kk) EXTEND the Warren-Tubb Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM  
Section 26: SE/4

DOCKET: COMMISSION HEARING - WEDNESDAY - JANUARY 24, 1979

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

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The following cases are continued from the December 12, 1978, Commission Hearing.

CASE 6231: (DE NOVO) (Continued and Readvertised)

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 State "JM" Well No. 1, a Morrow test to be located 660 feet from the North and East lines of Section 25, Township 18 South, Range 24 East, Eddy County, New Mexico, the N/2 of said Section 25 to be dedicated to the well.

Upon application of Gulf Oil Corporation this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6232: (DE NOVO) (Continued and Readvertised)

Application of Yates Petroleum Corporation for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Cities "JG" Well No. 1 to be located 660 feet from the South and East lines of Section 13, Township 18 South, Range 24 East, Fordinkus Field, Eddy County, New Mexico, the E/2 of said Section 13 to be dedicated to the well.

Upon application of Gulf Oil Corporation this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6213: (DE NOVO) (Continued and Readvertised)

Application of Morris R. Antweil for an unorthodox location and simultaneous dedication, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of his Rio Well No. 2, a Morrow test to be drilled at a point 660 feet from the North and West lines of Section 29, Township 18 South, Range 25 East, Eddy County, New Mexico, the N/2 of said Section 29 to be simultaneously dedicated to the aforesaid well and to applicant's Rio Well No. 1 located in Unit C of Section 29.

Upon application of Gulf Oil Corporation this case will be heard De Novo pursuant to the provisions of Rule 1220.

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

KELLAHIN and FOX  
ATTORNEYS AT LAW  
P. O. BOX 1789  
SANTA FE, NEW MEXICO 87501

TELEPHONE 968-4288  
AREA CODE 505

October 25, 1978 OCT 26 1978

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

Re: W. P. Carr

Dear Mr. Ramey:

Please correct our application mailed to you on October 24, 1978 in behalf of W. P. Carr to reflect that C & E Operators is the applicant.

Very truly yours,

  
W. Thomas Kellahin

WTK:kfm

CC: Mr. W. P. Carr

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

KELLAHIN and FOX  
ATTORNEYS AT LAW  
P. O. BOX 1788  
SANTA FE, NEW MEXICO 87501

TELEPHONE 968-4800  
AREA CODE 505

October 24, 1978

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

Re: W. P. Carr  
Forced Pooling

Dear Joe:

Please set the enclosed forced pooling application for  
hearing on November 8, 1978.

Very truly yours,

  
W. Thomas Kellahin

CC: Mr. W. P. Carr

WTK:kfm

Enclosure

OCT 25 1978

Oil Conservation Division  
Santa Fe

25 1970

BEFORE THE  
OIL CONSERVATION DIVISION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION  
OF W. P. CARR FOR COMPULSORY  
POOLING, SAN JUAN COUNTY, NEW  
MEXICO.

*applicant  
should  
be c & e  
operators  
Case 6390*

A P P L I C A T I O N

COMES NOW W. P. Carr and as provided by Section 65-3-14,  
New Mexico Statutes 1953, as amended, applies to the Oil  
Conservation Division of New Mexico for an order pooling all  
the mineral interests from surface to base of The Picture  
Cliffs Formation SW/4 Section 10, Township 30 North, Range 11  
West, N.M.P.M., San Juan County, New Mexico and in support  
thereof would show the Division:

1. Applicant is the owner of the right to drill and develop  
the following described acreage: SW/4 of Section 10, Township  
30 North, Range 11 West, N.M.P.M.

2. Applicant has obtained voluntary agreement for pooling  
from all but the following:

Mr. and Mrs. Ford C. Larue 814 Blanco Street Aztec, New Mexico	approximately 3 acres
--	-----------------------

Mr. and Mrs. Dale Pridmore 815 Blanco Street Aztec, New Mexico	approximately 7-8 acres
--	-------------------------

Mr. and Ms. Alan Chapman 608 Chameza Aztec, New Mexico	approximately 2 acres
--	-----------------------

Unleased city of Aztec lots and streets	totalling about 50-60 acres
--	-----------------------------

3. As required by the provisions of Division Rule 104,  
applicant proposes to dedicate the SW/4 of Section 10, Township  
30 North, Range 11 West, N.M.P.M., San Juan County, New Mexico

to the well.

4. Applicant requests that it be designated operator of the pooled unit requested above.

5. Applicant proposes to drill a well at a standard location in SW/4 of Section 10.

6. Applicant has been unable to obtain voluntary agreement for the pooling of the unpooled interests indicated in paragraph 2 above, and in order to avoid the drilling of unnecessary wells, to protect correlative rights, and to prevent waste, the Division should pool all interests in the spacing or proration unit as a unit.

WHEREFORE, Applicant respectfully requests that the Division set this matter for hearing before the Division's duly appointed examiner, and that after notice and hearing as required by law the Division enter its order pooling all interest underlying the SW/4 in Section 10, Township 30 North, Range 11 West, N.M.P.M., San Juan County, New Mexico, and designating applicant operator of the pooled unit, together with provision for applicant to recover its costs out of production including a risk factor to be determined by the Division and with provisions for the payment of operating costs and costs of supervision out of production to be allocated among the owners as their interest may appear and for such further orders as may be proper in the premises.

Respectfully submitted,

W. P. CARR

By

  
Kellahin & Fox

P. O. Box 1769

Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

TOM KELLAHIN CALLED THIS APPLICATION IN October 24, 1978

*C & E Operators, Inc*  
APPLICATION OF ~~W. P. GARR~~ FOR COMPULSORY POOLING,  
SAN JUAN COUNTY, NEW MEXICO.

POOL THE BASE OF THE PICTURED CLIFFS FOR A WELL TO BE  
DRILLED AT A STANDARD LOCATION, SW/4 OF SECTION 10,  
T-30-N, R-11-W, SAN JUAN COUNTY.

Florene this is for the November 8th hearing.

*Heane*

DRAFT

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 6390

Order No. R- 5886

APPLICATION OF C & E OPERATORS  
FOR COMPULSORY POOLING,  
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on November 21  
19 78, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this December day of November, 19 78, the Division  
Director, 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 Division has jurisdiction of this cause and the subject  
matter thereof.

(2) That the applicant, C & E Operators,  
seeks an order pooling all mineral interests down through the  
Pictured Cliffs formation underlying the SW/4  
of Section 10, Township 30 North, Range 11 West  
NMPM, Aztec-Pictured Cliffs Pool, San Juan County, New  
Mexico.



(3) That the applicant has the right to drill and proposes to drill a well at a standard location thereon.

(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.

*while drilling and \$180.00  
per month while producing*

(11) That \$941.00 per month, should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before March 1, 1979, 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, down through the Pictured Cliffs ~~in the~~ formation underlying the SW/4 of Section 10, Township 30 North, Range 11 West, NMPM, Aztec-Pictured Cliffs Pool, San Juan County, New Mexico, are hereby pooled to form a standard 160 - acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of March, 1979, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pictured Cliffs formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of March, 1979, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division 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 Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That C & E Operators 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 Division 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 Division 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 Division and the Division 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 Division 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 \$941.00 per month <sup>while drilling and \$180.00 per month while producing</sup> ~~are~~ hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-6-  
Case  
Order No.

(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 immediately be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

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

DRAFT

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT

dr

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 6390

Order No. R- 5886

APPLICATION OF C & E OPERATORS  
FOR COMPULSORY POOLING, SAN JUAN  
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on January 17  
19 79, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this \_\_\_\_\_ day of January, 1979, the Division  
Director, having considered the record and the recommendations of  
the Examiner, and being fully advised in the premises,

FINDS:

That the applicant's request for dismissal should be granted.

IT IS THEREFORE ORDERED:

That Case No. 6390 is hereby dismissed.

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

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**Amberg**

CASE 6391: ACOMA OIL CORPORATION FOR  
DOMESTIC CONSULTING, LIA COUNTY, NEW  
MEXICO